

BASE PROSPECTUS



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

Under this €5 billion covered bond programme (the **Programme**), Bank of Cyprus Public Company Limited (the **Issuer**) may from time to time issue bonds (the **Covered Bonds**) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). Application has been made to the Commission de Surveillance du Secteur Financier (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 (the **Luxembourg Act**) on prospectuses for securities to approve this document as a base prospectus (the **Base Prospectus**). Application has also been made to the Luxembourg Stock Exchange for Covered Bonds issued under the Programme to be admitted to trading on the Bourse de Luxembourg, which is the Luxembourg Stock Exchange's regulated market (the **Luxembourg Stock Exchange's regulated market**) for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) and to be listed on the official list of the Luxembourg Stock Exchange (the **Official List**). This document comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**) but is not a base prospectus for the purposes of section 12(a)(2) or any other provision of or rule under the Securities Act.

References in this Base Prospectus to Covered Bonds being listed and all related references shall mean that such Covered Bonds are intended to be admitted to trading on the Luxembourg Stock Exchange's regulated market and are intended to be listed on the official list of the Luxembourg Stock Exchange's regulated market.

The Programme also permits Covered Bonds to be issued on the basis that they will be unlisted or admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €5 billion (or its equivalent in other currencies calculated as described herein). The payment of all amounts due in respect of the Covered Bonds will constitute direct and unconditional obligations of the Issuer, having recourse to assets forming part of the relevant cover pool specified in the Final Terms relating to those Covered Bonds (each a **Cover Pool**).

The Covered Bonds may be issued on a continuing basis to one or more of the Dealers specified under "*General Description of the Programme*" and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and together the **Dealers**). References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed by more than one Dealer, be to the lead manager of such issue and, in relation to an issue of Covered Bonds subscribed by one Dealer, be to such Dealer.

The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to each Series (as defined under "*Terms and Conditions of the Covered Bonds*") of Covered Bonds will be set out in a separate document specific to that Series called the final terms (each, a **Final Terms**) which, with respect to Covered Bonds to be listed on the Official List, will be delivered to the Luxembourg Stock Exchange on or before the date of issue of such Series of Covered Bonds.

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**). 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.

Investing in Covered Bonds issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations in respect of the Covered Bonds are discussed under "*Risk Factors*" below. Investors should review and consider these risk factors carefully before purchasing any Covered Bonds.

Arrangers

BNP Paribas

J.P.Morgan

Dealers

Bank of Cyprus
Barclays Capital
HSBC

BNP Paribas
Commerzbank

J.P.Morgan
Deutsche Bank
UniCredit Bank

The date of this Base Prospectus is 18 July 2011.

The Issuer accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Copies of each Final Terms (in the case of Covered Bonds to be admitted to the Luxembourg Stock Exchange) will be available from the registered office of the Issuer and from the specified office of the Paying Agents for the time being in London or in Luxembourg at the office of the Luxembourg Listing Agent.

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see the section entitled Documents Incorporated by Reference below). This Base Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Base Prospectus.

Each Series (as defined herein) of Covered Bonds may be issued without the prior consent of the holders of any outstanding Covered Bonds (the **Covered Bondholders**) subject to the terms and conditions set out herein under "*Terms and Conditions of the Covered Bonds*" (the **Conditions**) as amended and/or supplemented by the Final Terms. This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Series of Covered Bonds which is the subject of Final Terms, must be read and construed together with the relevant Final Terms. All Covered Bonds will rank *pari passu* and rateably without any preference or priority among themselves, irrespective of their Series, except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Issuer confirmed to each Dealer named under "*General Information*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Covered Bonds) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue and the offering and sale of the Covered Bonds) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Arrangers nor any Dealer nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Covered Bond shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented, or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, and each Dealer to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Covered Bonds, see "*Subscription and Sale*". In particular, Covered Bonds have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States or to U.S. persons. Covered Bonds may be offered and sold outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Covered Bonds and should not be considered as a recommendation by the Issuer, the Arrangers, any Dealer or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Covered Bonds. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Covered Bonds outstanding at any one time under the Programme will not exceed €5 billion (and for this purpose, the principal amount outstanding of any Covered Bonds denominated in another currency shall be converted into euro at the date of the agreement to issue such Covered Bonds (calculated in accordance with the provisions of the Programme Agreement)). The maximum aggregate principal amount of Covered Bonds which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Programme Agreement as defined under "*Subscription and Sale*".

In this Base Prospectus, unless otherwise specified, references to a **Member State** are references to a Member State of the European Economic Area, references to **€ EUR** or **euro** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union (**EMU**) pursuant to the Treaty establishing the European Community and references to **Swiss francs** or **CHF** are to the lawful currency for the time being of Switzerland.

In this Base Prospectus, all references to **Cyprus** are to the Republic of Cyprus and all references to **Greece** or to the **Greek State** are to the Hellenic Republic.

This Base Prospectus has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person, making or intending to make an offer in that Relevant Member State of Covered Bonds which are the subject of an offering or placement contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Covered Bonds, may only do so in circumstances in which no obligation arises for the Issuer, the Arrangers or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer, the Arrangers nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer, the Arrangers or any Dealer to publish or supplement a prospectus for such offer.

In connection with the issue of any Series of Covered Bonds, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a

Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of Covered Bonds and 60 days after the date of the allotment of the relevant Series of Covered Bonds. Any stabilisation or over allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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GENERAL DESCRIPTION OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Series of Covered Bonds, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Covered Bonds shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, if appropriate, a supplement to the Base Prospectus will be published.

Words and expressions defined in the "Terms and Conditions of the Covered Bonds" below or elsewhere in this Base Prospectus have the same meanings in this summary.

PRINCIPAL PARTIES

Issuer	Bank of Cyprus Public Company Limited (BoC or the Issuer).
Competent Authority	Central Bank of Cyprus as defined in the Central Bank of Cyprus Law, Law 138(I)/2002 (as amended) (the Competent Authority).
Arrangers	BNP Paribas, London Branch (BNPP) and J.P. Morgan Securities Ltd. (J.P. Morgan) (the Arrangers and each an Arranger).
Dealers	To be appointed from time to time in accordance with the Programme Agreement. As at the date of this Prospectus, the Dealers are Bank of Cyprus Public Company Limited, BNP Paribas, London Branch, J.P. Morgan Securities Limited, Barclays Bank PLC, Commerzbank Aktiengesellschaft, Deutsche Bank Aktiengesellschaft, HSBC France and Unicredit Bank AG.
Covered Bond Monitor	<p>In accordance with section 49 of the Cypriot Covered Bond Law and Part V of the Covered Bond Directive, PricewaterhouseCoopers SA acting through its offices at Kifissias Avenue, 15232 Halandri, Greece will be appointed as covered bond monitor (the Covered Bond Monitor), on or prior to the Closing Date, by the Issuer pursuant to the covered bond monitor agreement (the Covered Bond Monitor Agreement).</p> <p>For further information see "<i>Summary of the Covered Bond Legislation</i>" and "<i>Description of Principal Documents</i>" below.</p>
Covered Bond Business Administrator	<p>In accordance with section 59 of the Cypriot Covered Bond Law, a suitably qualified entity (A) may be appointed by the Competent Authority to act as Covered Bond Business Administrator where the Competent Authority considers the appointment necessary in order to safeguard the interests of the Covered Bondholders, any Hedging Counterparties or other creditors of the Issuer and following the occurrence of certain insolvency events in relation to the Issuer and (B) shall be appointed by the Competent Authority where dissolution proceedings have been initiated against the Issuer (the Covered Bond Business Administrator or CBBA).</p> <p>For further information see "<i>Summary of the Covered Bond Legislation</i>" below.</p>
Account Bank	The Bank of New York Mellon acting through its office at One Canada

Square, Canary Wharf, London E14 5AL has agreed to act as account bank (the **Account Bank**) pursuant to the Bank Account Agreement (the **Bank Account Agreement**).

In the event that the Account Bank ceases to be an Eligible Institution, the Issuer will be obliged to transfer the Transaction Accounts to a credit institution with the appropriate minimum ratings.

Eligible Institution means any bank (a) whose short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's (or such other ratings that may be agreed by the parties to the Bank Account Agreement and the Rating Agencies from time to time) and (b) which complies with the requirements for Complementary Assets under Articles 16 to 18 of the Covered Bond Directive.

Principal Paying Agent

The Bank of New York Mellon acting through its office at One Canada Square, Canary Wharf, London E14 5AL (the **Principal Paying Agent** and, together with any agent appointed from time to time under the Agency Agreement, the **Paying Agents**). The Principal Paying Agent will act as such pursuant to the Agency Agreement.

Custodian

The Bank of New York Mellon, London Branch acting through its office at One Canada Square, Canary Wharf, London E14 5AL (the **Custodian**). The Custodian will act as such pursuant to the Custody Agreement.

Trustee

BNY Mellon Corporate Trustee Services Limited acting through its office at One Canada Square, Canary Wharf, London E14 5AL (the **Trustee**) has been appointed to act as bond trustee for the Covered Bondholders in respect of the Covered Bonds. The Trustee shall be, for the avoidance of doubt, a "cover pool creditor" in accordance with paragraph (g) of the definition of "covered pool creditor" as set out in Section 2(1) of the Cypriot Covered Bond Law.

See further "*Security for the Covered Bonds*" below.

Hedging Counterparties

The Issuer may, from time to time, enter into Hedging Agreements with various swap providers to hedge certain interest rate, currency and/or other risks (each a **Covered Bond Swap Provider**), which include, *inter alia*, interest risks (each an **Interest Rate Swap Provider** and, together with the Covered Bond Swap Providers the **Hedging Counterparties** and each a **Hedging Counterparty**) associated with the Covered Bonds.

See further "*Description of Principal Documents –Interest Rate Swap Agreement and Covered Bond Swap Agreement*" below.

Each Hedging Counterparty will be required to satisfy the conditions under Articles 32 and 33 of the Covered Bond Directive.

See further "*Summary of Covered Bond Legislation – Hedging Counterparties*" below.

Listing Agent

The Bank of New York Mellon (Luxembourg) S.A. (the **Listing Agent**).

Rating Agencies

Means such internationally recognised rating agencies (together, the

Rating Agencies and each a **Rating Agency**) as may from time to time be appointed to rate the Covered Bonds issued under the Programme. The Issuer may, from time to time, request for the withdrawal of a previously assigned rating of a Series of Covered Bonds by a Rating Agency and/or the appointment of a different Rating Agency to assign a rating to a Series of Covered Bonds in issue or about to be issued. The Issuer may also terminate the appointment of any Rating Agency to rate the Covered Bonds under the Programme at any time.

As at the Closing Date, Moody's 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.

PROGRAMME DESCRIPTION

Description: Bank of Cyprus Public Company Limited €5 billion Covered Bond Programme.

Programme Amount Up to €5 billion (or its equivalent in other currencies determined as described in the Programme Agreement) outstanding at any time as described herein. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Issuance in Series Covered Bonds will be issued in Series (each a **Covered Bond Series**), but on different terms from each other, subject to the terms set out in the relevant Final Terms in respect of such Series. Save in respect of the first issue of Covered Bonds, Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds or have different terms from an existing Series of Covered Bonds (in which case they will constitute a new Series). The Issuer will issue Covered Bonds without the prior consent of the Covered Bondholders pursuant to Condition 14 (*Further Issues*).

See further "*Conditions Precedent to the Issuance of a new Series of Covered Bonds*" below.

Final Terms Final terms (the **Final Terms**) will be issued and published in accordance with the Conditions prior to the issue of each Series detailing certain relevant terms thereof which, for the purposes of that Series only, supplement the Conditions and the Base Prospectus and must be read in conjunction with the Conditions and the Base Prospectus. The terms and conditions applicable to any particular Series are the Conditions as supplemented or amended by the relevant Final Terms.

Conditions Precedent to the issuance of a new Series of Covered Bonds It is a condition precedent to the issuance of a new Series of Covered Bonds that: (A) pursuant to the Covered Bond Legislation, the Covered Bond Monitor has verified that the Issuer as at the date of issuance; (i) satisfies all requirements for registration as an approved institution pursuant to Part II of the Cypriot Covered Bond Law; (ii) complies with all provisions of the Covered Bond Legislation with respect to any outstanding Series of Covered Bonds; (iii) complies with the requirements of Article 11 of the Covered Bond Directive; and (iv) complies with the provisions of Sections 14(1)(d) and (e) of the Cypriot Covered Bond Law; and (B) where the applicable Series of

Covered Bonds is to be rated, the Rating Agencies have been notified of such issuance. For the avoidance of doubt, to the extent the Issuer is subject to dissolution proceedings it will not be compliant with the provisions of Part II of the Cypriot Covered Bond Law and therefore would be prohibited from issuing further Series of Covered Bonds.

In addition, pursuant to the Covered Bond Legislation the Issuer is not permitted to issue further Covered Bonds in the event that either:

- (a) the total value of the Loans which, as a minimum, are required to be included in the Cover Pools exceeds 90% of the total value of the eligible Loan Assets held by the Issuer; or
- (b) the total value of the assets included in all Cover Pools and counted in the Cover Pool Adequacy Criteria exceeds 25% of the total value of the Issuer's assets.

For further information see "*Summary of the Covered Bond Legislation*" below.

Proceeds of the Issue of Covered Bonds

The gross proceeds from each issue of Covered Bonds will be used by the Issuer to fund its general corporate purposes (unless otherwise specified in the relevant Final Terms).

Form of Covered Bonds

The Covered Bonds will be issued in bearer form. For further information see "*Forms of the Covered Bonds*" below.

Issue Dates

The date of issue of a Series as specified in the relevant Final Terms (each, the **Issue Date** in relation to such Series).

Specified Currency

Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Denominations

The Covered Bonds will be in such denominations as may be specified in the relevant Final Terms save that in the case of any Covered Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Covered Bonds).

Redenomination

The applicable Final Terms may provide that certain Covered Bonds may be redenominated in Euro. If so, the redenomination provisions will be set out in the applicable Final Terms.

Fixed Rate Covered Bonds

The applicable Final Terms may provide that certain Covered Bonds will bear interest at a fixed rate (**Fixed Rate Covered Bonds**) which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Floating Rate Covered Bonds	<p>The applicable Final Terms may provide that certain Covered Bonds bear interest at a floating rate (Floating Rate Covered Bonds). Floating Rate Covered Bonds will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), <p>as set out in the applicable Final Terms.</p> <p>The margin (if any) relating to such floating rate (the Margin) will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds, as set out in the applicable Final Terms.</p>
Index Linked Interest Covered Bonds	<p>The applicable Final Terms may provide that payments of interest in respect of certain Covered Bonds (Index Linked Interest Covered Bonds) will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree, as set out in the applicable Final Terms.</p>
Index Linked Covered Bonds	<p>The applicable Final Terms may provide that payments of principal in respect of certain Covered Bonds (Index Linked Covered Bonds) will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer(s) may agree, as set out in the applicable Final Terms.</p>
Dual Currency Interest Covered Bonds	<p>The applicable Final Terms may provide that payments of interest in respect of certain Covered Bonds may be made in more than one currency (Dual Currency Interest Covered Bonds) and that such payments, whether at maturity or otherwise, will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as set out in the applicable Final Terms).</p>
Variable Interest Covered Bonds	<p>Index Linked Interest Covered Bonds, Dual Currency Interest Covered Bonds and other Covered Bonds (excluding Floating Rate Covered Bonds) where the rate of interest is variable are referred to as Variable Interest Covered Bonds.</p>
Other provisions in relation to Floating Rate Covered Bonds and Variable Interest Covered Bonds	<p>Floating Rate Covered Bonds and Variable Interest Covered Bonds may also have a Maximum Rate of Interest, a Minimum Rate of Interest or both (each as indicated in the applicable Final Terms). Interest on Floating Rate Covered Bonds and Variable Interest Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each</p>

case as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Zero Coupon Covered Bonds The applicable Final Terms may provide that Covered Bonds, bearing no interest (**Zero Coupon Covered Bonds**), may be offered and sold at a discount to their nominal amount.

Partly Paid Covered Bonds Covered Bonds may be issued on a partly-paid basis (**Partly Paid Covered Bonds**) in which case interest will accrue on the paid-up amount of such Covered Bonds or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).

Ranking of the Covered Bonds Save as regards the statutory charge over the relevant Cover Pool, all Covered Bonds will rank *pari passu* and *pro rata* without any preference or priority among themselves, irrespective of their Series, for all purposes except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

See further "*No Cross-collateralisation*" below.

Taxation All payments of principal, interest and other proceeds (if any) on the Covered Bonds will be made free and clear of any withholding or deduction for, or on account of, any taxes, unless the Issuer or any intermediary that intervenes in the collection of interest and other proceeds on the Covered Bonds is required by applicable law to make such a withholding or deduction. In the event that such withholding, or deduction is required by law, the Issuer will be required to pay any additional amounts in respect of such withholding or deduction.

Status of the Covered Bonds The Covered Bonds are issued on an unconditional basis and in accordance with the Covered Bonds Law, Law 130/2010 (the **Cypriot Covered Bond Law**) and the Covered Bond Directive dated 23 December 2010, issued by the Competent Authority under the Cypriot Covered Bond Law (the **Cypriot Covered Bond Directive** and, together with the Cypriot Covered Bond Law, the **Covered Bond Legislation**).

Cover Pool Register On registration of a Loan Asset compliant with the Eligibility Criteria in the cover pool register of the Issuer maintained pursuant to Article 23 of the Cypriot Covered Bond Law (the **Cover Pool Register**), the relevant Loan Asset will be subject to a statutory charge for the benefit of the relevant Covered Bondholders and other relevant Cover Pool Creditors pursuant to Section 16(b) of the Cypriot Covered Bond Law (the **Cypriot Statutory Charge**).

See further "*Summary of Covered Bond Legislation*" and "*No Cross-collateralisation*" below.

Greek Registration Statement Any Loan Asset compliant with the Eligibility Criteria and located in Greece, on filing of registration statement(s) with the Athens Pledge Registry in respect of such Assets (each a **Greek Registration Statement** or, a **Registration Statement**) pursuant to paragraphs 12 and 5, 6 and 8 of Article 91 of Greek Law 3601/2007 (the **Greek Statutory Charge**) will be subject to a statutory charge for the benefit of the Covered

Bondholders and the other Cover Pool Creditors. The form of the Greek Registration Statement is defined in Ministerial Decision No 95630/8-9-2008 (published in the Government Gazette No 1858/B/12-9-2008) of the Minister of Justice.

For the avoidance of doubt, no other provisions of the Greek Covered Bond Legislation shall apply to the Covered Bonds.

See further "*Summary of Greek Statutory Charge*" and "*No Cross-collateralisation*" below.

Payments on the Covered Bonds

Payments on the Covered Bonds will be direct and unconditional obligations of the Issuer.

In accordance with Section 28 of the Cypriot Covered Bond Law and Article 21 of the Covered Bond Directive, the Issuer will apply (i) Covered Bonds Available Funds in relation to the relevant Cover Pool and (ii) to the extent the Covered Bonds Available Funds are insufficient to satisfy all amounts set out in the Pre-Event of Default Priority of Payments any other funds available to it, to pay all items which are listed in the Pre-Event of Default Priority of Payments.

Following the delivery of a Notice of Default, on any Business Day, all Covered Bonds Available Funds in relation to the relevant Cover Pool will be applied in accordance with the Post-Event of Default Priority of Payments.

Where the Issuer is subject to dissolution proceedings and a Cover Pool is sold or otherwise disposed of in its entirety, all amounts/proceeds of such disposal shall be applied on any Business Day in accordance with the Cover Pool Disposal Priority of Payments (as set out in Sections 43 to 45 (inclusive) of the Cypriot Covered Bond Law).

Security for the Covered Bonds

In accordance with the Cypriot Covered Bond Law and, where relevant, the Greek Covered Bond Legislation and the laws of any other relevant Member State, by virtue of the Covered Bond Legislation, the Transaction Documents and pursuant to any Registration Statement, the relevant Cover Pool(s) and all cashflows derived therefrom (including any amounts standing to the credit of the relevant Transaction Account) will be available both prior to and following the commencement of dissolution proceedings in respect of the Issuer, to satisfy the obligations of the Issuer to the Covered Bondholders and the other Cover Pool Creditors in respect of that Cover Pool in priority to the Issuer's obligations to any other creditors, until the repayment in full of the Covered Bonds.

Cover Pool Creditors means with respect to a particular Cover Pool, the Covered Bondholders, the Receiptholders, the Couponholders, the Trustee, the Custodian, the Covered Bond Monitor, the Covered Bond Business Administrator, the Account Bank, the Agents, the Hedging Counterparties and any other creditor of the Issuer having the benefit of the Charged Property in accordance with the Cypriot Covered Bond Law and, where relevant, the Greek Covered Bond Legislation, or pursuant to any transaction document entered into in the course of the Programme

having recourse to the relevant Cover Pool. Each of the Cover Pool Creditors set out above shall be, for the avoidance of doubt "cover pool creditors" in accordance with paragraph (g) of the definition of "cover pool creditor" as set out in Section 2(1) of the Cypriot Covered Bond Law.

Charged Property means the property, assets and undertakings charged by the Issuer pursuant to the Cypriot Statutory Charge and/or the Greek Statutory Charge as the case may be.

No Cross-collateralisation

The Issuer may create one or more Cover Pools. Each Series will be secured by the Cover Pool specified as the Cover Pool for that Series in the relevant Final Terms. However, such Series will not be secured by those Cover Pools that are not specified as providing security for it. Subject always to compliance with the Covered Bond Legislation, one Cover Pool may, where indicated in the relevant Final Terms, be used to support more than one Series.

Pursuant to Section 23 of the Cypriot Covered Bond Law, the Cover Pool Assets within each Cover Pool shall form a single portfolio, irrespective of the date of assignment to that Cover Pool and shall be held for the benefit of the Covered Bondholders and the other Cover Pool Creditors secured by that Cover Pool irrespective of the Issue Date of the relevant Series. The Covered Bondholders and the other Cover Pool Creditors shall have recourse to the relevant Cover Pool specified in the relevant Final Terms (or any subsequent amendment to the terms and conditions of the relevant Series). However, the Covered Bondholders and the other Cover Pool Creditors will not have recourse to any Cover Pool which is not specified in the relevant Final Terms.

The Cover Pool Assets may not be seized or attached in any form by creditors of the Issuer other than by the Trustee on behalf of the Covered Bondholders of the relevant Series and the other Cover Pool Creditors in respect of that Series.

In order to ensure that a Cover Pool is, at any time, sufficient to meet the payment obligations of the Issuer under the Covered Bonds, the Issuer shall be entitled, within certain limits and upon certain conditions, to effect certain changes to the Cover Pool Assets comprising that Cover Pool.

See further "*Optional Changes to the Cover Pools*" below.

Issue Price

Covered Bonds of each Series may be issued at par or at a premium or discount to par on a fully-paid basis or partly-paid basis (in each case, the **Issue Price** for such Series) as specified in the relevant Final Terms in respect of such Series.

Interest Payment Dates

In relation to any Series of Covered Bonds, the Interest Payment Dates will be specified in the applicable Final Terms (as the case may be).

Cover Pool Payment Date

The 18th day of each month and if such day is not a Business Day the first Business Day thereafter (the **Cover Pool Payment Date**).

Early Redemption

The applicable Final Terms may specify that either the relevant Series of Covered Bonds can be redeemed prior to their stated maturity for taxation reasons in the manner set out in Condition 7, or that such Covered Bonds will be redeemable at the option of the Issuer and/or the Covered Bondholders upon giving notice to the Covered Bondholders or the Issuer (as the case may be), on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms). The applicable Final Terms may provide that Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Final maturity and extendable obligations under the Covered Bonds

The final maturity date for each Series (the **Final Maturity Date**) will be specified in the relevant Final Terms as agreed between the Issuer and the relevant Dealer(s). Unless specified otherwise in the Final Terms or previously redeemed as provided in the Conditions, the Covered Bonds of each Series will be redeemed at their Principal Amount Outstanding on the relevant Final Maturity Date.

If the Covered Bonds are not redeemed in full on the relevant Final Maturity Date or (as described below) where the Covered Bonds are subject to an Extended Final Maturity Date, on the Extended Final Maturity Date (as to which see further below), then the Trustee shall serve a Notice of Default on the Issuer pursuant to Condition 8 (*Events of Default and Enforcement*).

Following the service of a Notice of Default no further Covered Bonds shall be issued and the Covered Bonds of each Series shall become immediately due and payable and (a) any Covered Bond which has not been redeemed on or prior to its Final Maturity Date or, if applicable, its Extended Final Maturity Date shall remain outstanding at its Principal Amount Outstanding, until the date on which such Covered Bond is cancelled or redeemed; and (b) interest shall continue to accrue on any Covered Bond which has not been redeemed on its Final Maturity Date, or, if applicable, Extended Final Maturity Date and any payments of interest or principal in respect of such Covered Bond shall be made in accordance with the Post Event of Default Priority of Payments until the date on which such Covered Bond is cancelled or redeemed.

Extended Final Maturity Date

The applicable Final Terms may provide that the Issuer's obligations under the relevant Covered Bonds to pay the Principal Amount Outstanding on the relevant Final Maturity Date may be deferred past the Final Maturity Date until the extended final maturity date (as specified in the applicable Final Terms) (such date the **Extended Final Maturity Date**).

In such case, such deferral will occur automatically if the Issuer fails to pay any amount representing the amount due on the Final Maturity Date as set out in the Final Terms (the **Final Redemption Amount**) in respect of the relevant Series of Covered Bonds on their Final Maturity Date provided that, any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter up to (and including) the

relevant Extended Final Maturity Date. Interest will continue to accrue and be payable on any unpaid amounts on each Interest Payment Date up to the Extended Final Maturity Date in accordance with Condition 4 (**Interest**) and the Issuer will make payments on each relevant Interest Payment Date and Extended Final Maturity Date.

Rating Agencies and Ratings

Each Series issued under the Programme may be assigned a rating by the Rating Agencies. 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 assigned to a particular Series of Covered Bonds will be specified in the applicable Final Terms.

Moody's Investor Services Limited is established in the European Union and has made an application to be (but at the date of this Prospectus is not) registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC) No.1060/2009), as amended.

Listing and admission to trading

Application has been made to the CSSF to approve this document as a Base Prospectus. Application has also been made to the Luxembourg Stock Exchange for Covered Bonds issued under the Programme after the date hereof to be admitted to trading on the Official List of the Luxembourg Stock Exchange's regulated market and to be listed on the Official List.

Covered Bonds may be unlisted or may be listed or admitted to trading, as the case may be, on a regulated market for the purposes of the Markets in Financial Instruments Directive, as may be agreed between the Issuer, the Trustee and the relevant Dealer(s) in relation to each issue. The Final Terms relating to each Series of the Covered Bonds will state whether or not the Covered Bonds are to be listed and/or admitted to trading and, if so, on which regulated markets.

Clearing Systems

Euroclear Bank S.A./N.V. (**Euroclear**), and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) in relation to any Series of Covered Bonds or any other clearing system as may be specified in the applicable Final Terms.

Selling Restrictions

There are restrictions on the offer, sale and transfer of the Covered Bonds in the United States and the European Economic Area (including the United Kingdom, the Hellenic Republic, Cyprus¹ and Luxembourg) and such other restrictions as may be required in connection with the offering and sale of a particular Series of Covered Bonds. See "*Subscription and Sale*" below.

Covered Bond Legislation

The Covered Bonds will be issued pursuant to the Cypriot Covered Bond Law and the Covered Bond Directive.

Pursuant to the terms of the Trust Deed, the Issuer has covenanted to the Trustee that it shall at all times comply with the provisions of the Cypriot Covered Bond Law and the Covered Bond Directive.

¹ Local counsel to confirm.

For further information on the Covered Bond Legislation, see "*Summary of Covered Bond Legislation*" below.

Greek Statutory Charge

The Covered Bonds may have recourse to a Cover Pool containing assets originated in Greece. Such assets will have the benefit of the Greek Statutory Charge.

For further information on the Greek Statutory Charge, see "*Summary of Greek Statutory Charge*" below.

Governing law

The Trust Deed, the Agency Agreement, the Covered Bond Monitor Agreement, the Custody Agreement, the Bank Account Agreement, the Programme Agreement, each Subscription Agreement and each Hedging Agreement will be governed by, and construed in accordance with, English law.

The Covered Bonds will be governed by and construed in accordance with English law, save that the Cypriot Statutory Charge referred to in Condition 2 (*Status of the Covered Bonds*), will be governed by and construed in accordance with Cypriot law and the Greek Statutory Charge referred to in that Condition will (where applicable) be governed by, and construed in accordance with, Greek law.

CREATION AND ADMINISTRATION OF THE COVER POOLS

The Cover Pools

Pursuant to the Covered Bond Legislation the Issuer will maintain a Cover Pool for as long as any Covered Bonds are outstanding.

The Covered Bond Legislation allows Loan Assets governed by the laws of Cyprus and of other Member States to be included in Cover Pools. As at the Closing Date the Issuer intends to include certain assets originated in Cyprus in one Cover Pool (as to which see further "*Cypriot Cover Pool*" below) and certain assets originated in Greece in a separate Cover Pool (as to which see further "*Greek Cover Pool*" below). As at the date of this Prospectus, both the Cypriot Cover Pool and the Greek Cover Pool will consist principally of residential mortgages.

The Issuer may wish to include assets governed by the laws of other Member States in a separate Cover Pool in the future. The creation of any such new Cover Pool will be notified by the Issuer to the Trustee, the Covered Bond Monitor and the Competent Authority.

Cypriot Cover Pool

Pursuant to the Cypriot Covered Bond Law, the Issuer will create the Cypriot Statutory Charge over (i) primary assets comprising residential loans on properties located in Cyprus (each a **Cypriot Loan** and, together with its Related Security, a **Cypriot Loan Asset**), (ii) Complementary Assets (as defined below) and (iii) Hedging Agreements (as defined below) (each a **Cypriot Cover Pool Asset** and collectively a **Cypriot Cover Pool**).

Greek Cover Pool

Pursuant to the Greek Covered Bond Legislation, the Issuer will additionally create a Greek Statutory Charge and a Cypriot Statutory Charge over primary assets comprising residential loans on properties

located in Greece (each a **Greek Loan** and, together with its Related Security, a **Greek Loan Asset**), Complementary Assets and Hedging Agreements (each as defined below) (each a **Greek Cover Pool Asset** and collectively a **Greek Cover Pool** and together with the Cypriot Cover Pools, where applicable, the **Cover Pool** and together with the Cypriot Cover Pool Assets, where applicable, the **Cover Pool Assets**).

Where applicable, the Cypriot Loan Assets and the Greek Loan Assets are together referred to as the **Loan Assets**; and any mortgages, pre-notations, guarantees or indemnity payments which may be granted or due in connection therewith are referred to as the **Related Security**. **Loan** shall mean any loan made in relation to a Cypriot Loan Asset or a Greek Loan Asset.

See further "*Summary of Covered Bond Legislation*" and "*Summary of Greek Statutory Charge*" below.

CHANGES TO COVER POOLS

Optional changes to the Cover Pools

The Issuer shall be entitled to:

- (a) *Allocation of Further Assets*: subject to the approval of the Competent Authority and provided that the Issuer is not subject to dissolution proceedings and/or none of the events set out in paragraphs (a) to (h) of Section 59(2) of the Cypriot Covered Bond Law has occurred, allocate to a Cover Pool Additional Cover Pool Assets (as defined below) for the purposes of issuing further Series of Covered Bonds and/or complying with the relevant Cover Pool Adequacy Criteria and/or maintaining the initial rating(s) assigned to the Covered Bonds; and
- (b) *Removal or substitution of Cover Pool Assets*: provided that no breach of any Cover Pool Adequacy Criteria would occur as a result of such removal or substitution (i) remove Cover Pool Assets from a Cover Pool or (ii) substitute existing Cover Pool Assets with Additional Cover Pool Assets.

Additional Cover Pool Assets means further assets assigned to a Cover Pool by the Issuer for the purposes of issuing further Series of Covered Bonds and/or complying with the relevant Cover Pool Adequacy Criteria.

Undertakings of the Issuer in respect of each Cover Pool

Pursuant to the Transaction Documents, the Issuer undertakes to manage the Cover Pools in accordance with the Covered Bond Legislation and in the interest of the Covered Bondholders and the other Cover Pool Creditors and undertakes to take in a timely manner, any actions required in order to ensure that the servicing of the Loan Assets is conducted in accordance with the collection policy and recovery procedures applicable to the Issuer.

Eligibility Criteria

Each Loan Asset to be included in a Cover Pool shall comply with the Statutory Eligibility Criteria. In addition, each Cypriot Loan Asset in the Cypriot Cover Pool shall comply with the Cypriot Eligibility

Criteria (as defined below) and each Greek Loan Asset in the Greek Cover Pool shall comply with the Greek Eligibility Criteria (as defined below). Further Eligibility Criteria with respect to a Cover Pool may also be set out in the relevant Final Terms.

Statutory Eligibility Criteria

Each Loan Asset to be included in a Cover Pool shall comply with the eligibility criteria set out in Section 18 of the Cypriot Covered Bond Law and Part IV of the Covered Bond Directive (the **Statutory Eligibility Criteria**). By way of summary, the Statutory Eligibility Criteria include, but are not limited to, the following items:

- (a) It is an existing Loan.
- (b) It is governed by the laws of Cyprus or any other Member State and the terms and conditions of such Loan do not provide for the jurisdiction of any court outside Cyprus or any other applicable Member State (as the case may be).
- (c) It is secured by a valid and enforceable first ranking mortgage and/or equivalent tangible charge. Each such mortgage must:
 - (i) create a clear and complete tangible charge over the relevant property;
 - (ii) have been registered properly and in a timely manner;
 - (iii) have met all necessary legal requirements concerning completion and registration of the mortgage to ensure that the mortgage is legally effective and enforceable in all relevant jurisdictions; and
 - (iv) enable the Issuer to realise the underlying property within a reasonable timeframe.
- (d) In the case where a mortgage and/or equivalent tangible charge also secures other obligations of the underlying obligor, Loans which are secured by subsequent mortgages and/or equivalent tangible charges may be included in the Cover Pool provided that: (a) all preceding mortgages on the underlying property are in favour of the Issuer and are also included in the same Cover Pool and (b) the Issuer ensures that the Loans included in the Cover Pool have priority over the security against all other loans and/or obligations of the customer to the Issuer which are not included in the Cover Pool.
- (e) The mortgage or the equivalent charge on immovable property securing the Loan is created for an amount at least equal to the value of the Loan.
- (f) The immovable property securing the Loan must be situated in the territory of Cyprus or in the jurisdiction of other Member States. The total amount of Loans secured by immovable

property located in Member States where the Issuer has no physical presence (i.e. a subsidiary or branch) shall not exceed 10% of the total Statutory Value of the Cover Pool.

- (g) An institution may include in the Cover Pool a residential or commercial loan secured by buildings under construction provided that the total value in each Cover Pool of the Loans secured by buildings under construction does not exceed 10% of total Statutory Value of the relevant Cover Pool.
- (h) If the Loan is a Rescheduled Loan, it has not been rescheduled more than three times; at least six months have elapsed since the date of the first rescheduled loan instalment; and, at the date of inclusion, no amount of principal, interest or other loan instalment is more than one month overdue.
- (i) The total value of such Loan, together with all other Loans to the same counterparty included in a Cover Pool do not exceed 2% of the total Statutory Value of the relevant Cover Pool.
- (j) The terms of such Loan do not prohibit its inclusion in the relevant Cover Pool.
- (k) Throughout the term of the Loan the underlying buildings shall be insured against all relevant risks, taking into consideration the location and type of the property, for an amount equal, at least, to the lower of the replacement cost of the buildings and the loan amount.
- (l) The Issuer shall ensure that the Issuer's interest in the insurance cover in respect of Charged Property is assigned in favour of the Cover Pool. The Issuer shall also have in place adequate procedures enabling it to monitor, on an on-going basis, whether the underlying property is adequately insured against possible damage.
- (m) The Loan does not breach the Loan to Value Test and the underlying property related thereto has been subject to an independent valuation.
- (n) No principal or interest instalment in respect of the Loan is in arrears for a period of one month or more.

Rescheduled Loan means (i) any Loan which has presented one or more instalment(s) in arrears following which the Issuer has agreed to a revision of the relevant repayment programme (including by way of extension of any grace period, suspension of payment of one or more loan instalment(s), reduction in the amount of any instalment, write off of any instalments of principal and/or interest in arrear); and (ii) any Loan whose interest and/or principal instalments have been repaid from the proceeds of a new loan.

An instalment shall not be construed to be in arrears unless the borrower has failed to meet scheduled payments of at least 10% or more of the

relevant payment.

See further "*Summary of Covered Bond Legislation*" below for more information and a detailed description of the loan-to-value requirements of the Covered Bond Legislation.

Loan to Value Test means the Statutory Value of a Residential Loan or, where the same property secures more than one Loan included in a Cover Pool, the total Statutory Value of those Loans, which shall not exceed 75% of the value of the underlying immovable property on the basis of a valuation conducted by the Issuer in accordance with the Covered Bond Legislation. Loans whose Statutory Value or, as the case may be, total Statutory Value exceeds 75%, but is below 100%, of the value of the underlying immovable property may be included in the Cover Pool provided that (a) the total Statutory Value of all such Loan Assets included in the relevant Cover Pool as a percentage of the Statutory Value of the Covered Bonds secured by the relevant Cover Pool does not exceed 25% and (b) their inclusion would not result in the weighted LTV of the Cover Pool exceeding 80%.

LTV has the meaning given to it Part I Article 3 of the Covered Bond Directive.

Statutory Value means the term "value" as defined in Part I of Article 3 of the Covered Bond Directive.

Cypriot Eligibility Criteria

In addition to the Statutory Eligibility Criteria, each Cypriot Loan Asset to be included in the Cypriot Cover Pool shall comply with the following criteria (the **Cypriot Eligibility Criteria**):

- (a) Each Cypriot Loan is denominated and payable in euros;
- (b) All construction with respect to buildings over which security has been taken under a Cypriot Loan has been completed;
- (c) The immovable property securing a Cypriot Loan is a residential house or a flat located in Cyprus;
- (d) No prior charge exists in respect of the Cypriot Loan;
- (e) No provision has been made in respect of a Cypriot Loan;
- (f) Each Borrower under a Cypriot Loan is an individual or natural person;
- (g) Each Cypriot Loan is governed by the laws of Cyprus and the terms and conditions of such Cypriot Loan do not provide for the jurisdiction of any court outside of Cyprus;
- (h) Each Cypriot Loan was advanced for one or more of the following purposes:
 - (i) acquisition of residential properties; and/or

- (ii) repairs, renovations, modifications and alterations to residential dwellings or buildings; and/or
 - (iii) release of equity in respect of a residential property; and/or
 - (iv) refinancing of a loan granted by another bank with respect to any of (i) to (iii) above;
- (i) No Cypriot Loan is an interest only loan;
 - (j) Each Cypriot Loan is fully drawn down and the Issuer is not obliged (under the terms of the relevant Loan documentation or otherwise) to advance any further amounts to the relevant Borrower;
 - (k) All lending criteria and preconditions applied by the Issuer's credit policy and customary lending procedures have been satisfied with regards to the granting of each Cypriot Loan;
 - (l) Each Cypriot Loan is either a fixed or floating rate loan or a combination of both;
 - (m) Each Cypriot Loan's outstanding nominal value remains a debt, which has not been paid or discharged;
 - (n) Each Cypriot Loan can be segregated and identified for ownership on any day; and
 - (o) Each Cypriot Loan has been originated by the Issuer in compliance with the Cypriot Lending Criteria applicable at the time of origination.

Greek Eligibility Criteria

In addition to the Statutory Eligibility Criteria, each Greek Loan Asset to be included in the Greek Cover Pool shall comply with the following criteria (the **Greek Eligibility Criteria**):

- (a) Each Greek Loan is denominated and payable in euros;
- (b) All construction with respect to buildings over which security has been taken under a Greek Loan has been completed;
- (c) The immovable property securing a Greek Loan is a residential house or a flat located in Greece;
- (d) No prior charge exists in respect of the Greek Loan;
- (e) No provision has been made in respect of a Greek Loan;
- (f) Each Greek Loan has been entered into with an individual or individuals;
- (g) Each Greek Loan is governed by the laws of Greece and the

terms and conditions of such Greek Loan do not provide for the jurisdiction of any court outside of Greece;

- (h) Each Greek Loan was advanced for one or more of the following purposes:
 - (i) acquisition of residential properties; and/or
 - (ii) repairs, renovations, modifications and alterations to residential dwellings or buildings; and/or
 - (iii) release of equity in respect of a residential property; and/or
 - (iv) the refinancing of a loan granted by another bank with respect to any of (i) to (iii) above;
- (i) No Greek Loan is an interest only loan;
- (j) Each Greek Loan is fully drawn down and the Issuer is not obliged (under the terms of the relevant Loan documentation or otherwise) to advance any further amounts to the relevant Borrower;
- (k) All lending criteria and preconditions applied by the Issuer's credit policy and customary lending procedures have been satisfied with regards to the granting of each Greek Loan;
- (l) Each Greek Loan is either a fixed or floating rate loan or a combination of both;
- (m) Each Greek Loan's outstanding nominal value remains a debt, which has not been paid or discharged;
- (n) Each Greek Loan can be segregated and identified for ownership on any day; and
- (o) Each Greek Loan has been originated by the Issuer in compliance with the Greek Lending Criteria applicable at the time of origination.

See further "*Summary of Covered Bond Legislation*" below for more information and a detailed description of the Statutory Eligibility Criteria.

Complementary Assets

Subject to Article 16 of the Covered Bond Directive certain complementary assets (**Complementary Assets**) may be included in a Cover Pool.

Subject to the provisions of the Covered Bond Legislation, 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 may be included in a Cover Pool as part of the Basic Collateralisation and the Supervisory Overcollateralisation for Covered Bonds collateralised by primary assets other than public claims as per article 17 and article 18 of the Covered Bond Directive:

- (a) government bonds, treasury bills or securities issued by the Republic of Cyprus;
- (b) deposits with the European Central Bank or central banks of other Member States;
- (c) deposits with credit institutions of the Member States and of the countries referred to in paragraph 5 of Part 1 of Annex VI of Unit A of the CRD (Australia, Canada, Japan, Switzerland and USA) whose credit assessment is assigned to the first credit quality step in accordance with point 29 of Part 1 of Annex VI of the CRD. Deposits with credit institutions in Member States with a maturity not exceeding 100 days shall not be comprised by the step 1 requirement but those institutions must, as a minimum, qualify for credit quality step 2. The deposits with each credit institution shall not exceed 2% of the outstanding balance of covered bonds secured by public claims.
- (d) sovereign bonds, treasury bills or securities issued by a Member State other than the Republic of Cyprus;
- (e) sovereign bonds, treasury bills or securities whose issuer is the central government of a country referred to in Article 14 (2)(f) of the Covered Bond Directive, provided that all conditions referred to in the same point are fulfilled;
- (f) securities guaranteed by any of the bodies referred to in (d) and (e) above;
- (g) deposits with the central banks of the countries referred to in Article 14(2)(f) of the Covered Bond Directive provided that the conditions referred to in the same point are fulfilled; and
- (h) deposits with multilateral banks and international organisations the exposures against thereof are assigned a 0% risk weight for the purposes of Annex VI of the CRD.

For further information see further "*Summary of the Covered Bond Legislation – Complementary Assets*" below.

**Monitoring of the Cover Pools
– the Issuer and Monthly
Investor Report**

In accordance with Article 31 of the Covered Bond Directive and the terms of the Trust Deed, the Issuer has agreed to prepare a monthly report detailing certain items with respect to the performance and adequacy of the Cover Pool and the results of the then applicable Cover Pool Adequacy Criteria in respect of each Cover Pool (including details of any Contractual Over-collateralisation and the OC Percentage applicable to a Cover Pool) (the **Monthly Investor Report**).

The Issuer will make the Monthly Investor Report available to the Covered Bond Monitor, the Covered Bondholders and the Rating Agencies each month at the registered office of the Issuer and on the website www.bankofcyprus.com/en-GB/start/Investor-Relations.

See further "*Description of Principal Documents – Trust Deed - Reporting*" below for more details.

**Monitoring of the Cover Pools
– the Covered Bond Monitor
and CBM Report**

The Covered Bond Monitor will be responsible for overseeing the compliance of the Issuer with the provisions of the Cypriot Covered Bond Law and the Covered Bond Directive.

Pursuant to the terms of the Covered Bond Monitor Agreement the Covered Bond Monitor will agree to undertake certain monitoring activities as required by the terms of the Covered Bond Legislation including (i) verification of the accuracy and completeness of information included in the Register; (ii) examination of the valuation process in relation to cover assets; (iii) compliance by the Issuer on an on-going basis with respect to the cover pool adequacy; and (iv) examination of the entries into and removals from the Register. The Covered Bond Monitor shall submit a report (the **CBM Report**) to the Competent Authority (with a copy to the Issuer and the CBBA (if appointed), in each case, on a six-monthly basis (or such other time period as may be required by the Competent Authority).

The CBM Report shall set out whether or not the Issuer is in compliance with the Cypriot Covered Bond Legislation and, to the extent the Issuer is not in compliance, the CBM Report shall further set out (A) how the Issuer has contravened or otherwise failed to comply with the relevant provisions of the Covered Bond Legislation and (B) provide any other information the Competent Authority may have requested in relation to such matter. The CBM Report shall not be made available to the Covered Bondholders.

See further "*Summary of the Covered Bond Legislation - The role of the Covered Bond Monitor and the Covered Bond Business Administrator*" below.

**Statutory Tests and the Cover
Pool Adequacy Criteria**

Each Cover Pool is subject to the Statutory Tests on an ongoing basis as set out in the Covered Bond Legislation. In addition, following the occurrence of certain events, each Cover Pool may be subject to the Asset Adequacy Test and/or the Post-Dissolution Stress Test as further

described and defined below. The Statutory Tests together with the Asset Adequacy Test and the Post-Dissolution Stress Test are together known as the **Cover Pool Adequacy Criteria**. The Cover Pool Adequacy Criteria are run on a Cover Pool by Cover Pool basis.

Statutory Tests

Certain statutory tests as set out in the Covered Bond Legislation (the **Statutory Tests**) are required to be met by the Issuer with respect to each Cover Pool separately on an ongoing basis and comprise the following: (i) the Nominal Value Test; (ii) the Present Value Test; (iii) the Supervisory Over-collateralisation; (iv) the Weighted Maturity Test; (v) the Liquidity Test and (vi) any Contractual Over-collateralisation (and such other tests as may be determined by the Competent Authority from time to time). A summary of these tests is set out below. For further information see "*Summary of the Cypriot Covered Bond Legislation – The Statutory Tests*" below.

The Nominal Value Test: Pursuant to Article 24(1) of the Covered Bond Directive, the Issuer must ensure that on an ongoing basis, the Euro Equivalent of the Principal Amount Outstanding of all Series of Covered Bonds secured by the relevant Cover Pool, is not greater than 100% of the nominal value of the relevant Cover Pool. In order to assess compliance with this test, all of the assets comprising the relevant Cover Pool shall be evaluated at their nominal value including the Hedging Agreements. For the purposes of calculating the Principal Amount Outstanding of a Loan certain adjustments are made dependent on whether or not the relevant Loan is subject to set-off and the then current LTV of the Loan.

The Present Value Test: Pursuant to Article 24(5) of the Covered Bond Directive, the Issuer must ensure that on an ongoing basis the total present value of the inflows arising from the Loans and Complementary Assets, including the value of the Hedging Arrangements, attributable to the relevant Cover Pool must cover the present value of payments to the relevant Cover Pool Creditors by at least 105%.

All inflows with respect to the Present Value Test are calculated net of any set-off. In addition, certain assumptions are applied with respect to interest rates and exchange rates.

Supervisory over collateralisation: In addition to the compliance with the Nominal Value Test and the Present Value Test (together, **Basic Collateralisation**), the Issuer is also under an obligation to enhance the Cover Pool with Complementary Assets the value of which, after the possible application of set-off, covers the Principal Amount Outstanding of the Covered Bonds secured by the relevant Cover Pool by at least 5% (**Supervisory Over-collateralisation**).

Weighted Maturity Test: The weighted maturity of the assets in a Cover Pool counted in the measurement of the Basic Collateralisation and the Supervisory Over-collateralisation (in each case, as calculated in accordance with the provisions of the Cypriot Covered Bond Legislation) must be longer than the weighted maturity of the Covered Bonds.

Liquidity Test: The Issuer must reconcile the cash inflows from assets comprised in each Cover Pool and the cash outflows for servicing the obligations under the Covered Bonds secured by that Cover Pool, excluding redemption amounts, on a daily basis for the 180 days following the relevant Calculation Date and ensure that the Statutory Value of Complementary Assets in the relevant Cover Pool exceeds the highest net cash outflow that arises during that period.

In addition, the Issuer must maintain liquidity for the repayment of scheduled redemption amounts in respect of the Covered Bonds in each Cover Pool as follows:

- (i) during the period between 180 days to 30 days before the scheduled redemption date not less than 50% of the principal amount due for redemption; and
- (ii) during the period between 30 days before the scheduled redemption date and the scheduled redemption date not less than 100% of the capital amount due for repayment.

Pursuant to Article 28 of the Covered Bond Directive, in the event that the Issuer is removed from the register of approved institutions to issue Covered Bonds, the Issuer will, on and from such date, be under an obligation to ensure that the fair value (as calculated in accordance with Article 28(2) of the Covered Bond Directive) of the Cover Assets counted in the Cover Pool Adequacy Criteria net of appropriate haircuts (as determined by the Competent Authority) exceeds the capital amount of the Covered Bonds then outstanding.

Contractual Over-collateralisation: In addition to the collateralisation requirements set out in the Covered Bond Legislation and the other Statutory Tests, the Issuer may, by so electing in accordance with the terms of the Trust Deed, include requirements for additional collateralisation in accordance with Article 23(1)(c) of the Covered Bond Directive. Where applicable, such Contractual Over-collateralisation shall at all times be over the requirements of the other Statutory Tests and shall not be, for the avoidance of doubt, negative.

As at the date of this Prospectus, Contractual Over-collateralisation does not apply to any Cover Pool.

Where Contractual Over-collateralisation is elected by the Issuer, it shall ensure that on an ongoing basis, the product of the relevant OC Percentage multiplied by the Euro Equivalent of the Principal Amount Outstanding of all series of Covered Bonds secured by the relevant Cover Pool, must be less than 100% of the nominal value of the relevant Cover Pool.

OC Percentage means the over-collateralisation percentage applicable to a particular Cover Pool notified by the Issuer to the relevant Rating Agencies, the Covered Bond Monitor and the Trustee in the then most current OC Percentage Notice in accordance with the terms of the Trust Deed.

OC Percentage Notice means the notice delivered by the Issuer to the Trustee, the Covered Bond Monitor and each Rating Agency then rating the relevant Covered Bonds, setting out the then current OC Percentage applicable to all series of Covered Bonds then outstanding with respect to a particular Cover Pool.

In order to assess compliance with any Contractual Over-collateralisation, all of the assets comprising the relevant Cover Pool shall be evaluated at their nominal value including the Hedging Agreements. For the purposes of calculating the Principal Amount Outstanding of a Loan certain adjustments are made dependent on whether or not the relevant Loan is subject to set-off and the then current LTV of the Loan.

Details of any Contractual Over-collateralisation and the applicable OC Percentage will be included in the Monthly Investor Report.

The Issuer may, in relation to each Cover Pool, be able to adjust the level of the Contractual Over-collateralisation in certain limited circumstances.

See further "*Summary of the Cypriot Covered Bond Legislation – The Statutory Tests*".

Asset Adequacy Test

In accordance with Article 28 of the Covered Bond Directive, in addition to the Statutory Tests, a further asset adequacy test will also apply to each Cover Pool on and from the date on which the Issuer is removed from the Register of Approved Institutions (the **Asset Adequacy Test**). The Asset Adequacy Test will seek to ensure that the fair value of the Assets comprised in each Cover Pool (as calculated in accordance with Article 28(2) of the Covered Bond Directive) net of appropriate haircuts (as determined by the Competent Authority) exceeds the Principal Amount Outstanding of the Covered Bonds covered by the relevant Cover Pool.

See further "*Consequence of removal from the Register of Approval Institutions*" below.

Post-Dissolution Stress Test

Where the Issuer is subject to dissolution proceedings, additional stress tests (the **Post-Dissolution Stress Tests**) are run by the CBBA on an ongoing basis. The Post-Dissolution Stress Tests monitor the potential impact on cash inflows from the relevant Cover Pool by monitoring changes in (i) interest rates, (ii) exchange rates, (iii) quality of the relevant Cover Pool Assets, (iv) the fair value of the relevant Cover Pool and (v) the relevant cost of lending.

Where the CBBA determines that in the time-frame allotted for the disposal of the Loan Assets, the Cover Pool will not be in compliance with the Post-Dissolution Stress Tests, it shall immediately notify the Covered Bondholders to which such Cover Pool applies, each other Covered Bond Creditor, the Covered Bond Monitor and the Competent Authority of the measures it proposes to take in order to discharge the obligations of the Issuer with respect to the Covered Bond Programme.

Such measures may include the disposal of all or part of a Cover Pool.

Breach of Cover Pool Adequacy Criteria

If the Issuer is in breach of the Cover Pool Adequacy Criteria as determined in accordance with Section 18(6) of the Cypriot Covered Bond Law, it shall take all necessary measures to rectify such breach within the time period notified by the Competent Authority.

If the Issuer fails to rectify a breach of the Cover Pool Adequacy Criteria within the time period notified by the Competent Authority (or is otherwise not in compliance with the requirements of the Covered Bond Legislation), the Competent Authority may either: (i) fine the Issuer; (ii) remove the Issuer from the Register of Approved Institutions; or (iii) where the Issuer has already been removed from the Register of Approved Institutions, appoint a Covered Bond Administrator in accordance with Section 59(2)(j) of the Cypriot Covered Bond Law. Following such a breach, no further Covered Bonds may be issued by the Issuer and the Competent Authority may remove the Issuer from the Register of Approved Institutions if the breach is not remedied.

Under the Covered Bond Legislation, the Issuer's obligations and undertaking in respect of the Covered Bonds will endure notwithstanding the Issuer's removal from the Register of Approved Institutions.

See further "*Breach of Covered Bond Legislation*" below.

Set-off Reserve

In accordance with Article 22 of the Covered Bond Directive, the Issuer shall maintain, for so long as any Covered Bonds are outstanding, a set-off reserve (the **Set-off Reserve**) in the form of Complementary Assets or Additional Cover Assets included in each Cover Pool equal to the amount that is subject to set-off.

When calculating such amount of set-off, pursuant to Section 40(4) of the Cypriot Covered Bond Law, to the extent the Issuer is subject to dissolution proceedings and a creditor of the Issuer has any right of set-off against the Issuer with respect to a Loan Asset, any such rights will be treated as being exercised first against any assets which do not form part of a Cover Pool and thereafter against any Loan Assets which form part of the relevant Cover Pool. In addition, the Greek Covered Bond Law provides that the borrowers and/or guarantors of any of the Greek Cover Pool Assets may not invoke set-off against the Issuer or the Covered Bondholders (or other beneficiaries of the relevant Related Security) for as long as the respective assets are part of the relevant Cover Pool.

See further "*Summary of the Covered Bond Legislation*" and "*Summary of the Greek Covered Bond Legislation*" for more information.

Amendment to definitions

The Trust Deed will provide that the definitions of the Cypriot Eligibility Criteria, the Greek Eligibility Criteria and the Cover Pool Adequacy Criteria may be amended by the Issuer from time to time as a consequence of, *inter alia*, including in the Cover Pools, New Asset Types and/or changes to the hedging policies or servicing and collection

procedures of the Issuer without the consent of the Trustee provided that:

- (i) the Rating Agencies then rating the Covered Bonds, the Competent Authority, the Covered Bond Monitor and, if applicable, the CBBA are notified of such amendments; and
- (ii) the Competent Authority consents to such amendments.

In addition, no amendment, modification or variation to a Transaction Document may be effective unless the Issuer shall have obtained from the Competent Authority confirmation that such modification would not breach the provisions of the Covered Bond Legislation.

See "*Description of the Transaction Documents – The Trust Deed – Amendment to Definitions*".

Servicing and collection procedures

The Issuer will be responsible for the servicing of each Cover Pool and will agree, pursuant to the terms of the Trust Deed, to carry out, *inter alia*, the following activities:

- (a) collection and recovery in respect of each Cover Pool Asset;
- (b) administration and management of the Cover Pool;
- (c) management of any judicial or extra judicial proceeding connected to the Cover Pool;
- (d) keeping accounting records of the amounts due and collected under the Loan Assets and the Hedging Agreements;
- (e) preparation of statutory reports (to be submitted to the Trustee, the Competent Authority, the Covered Bond Monitor and the Rating Agencies) on the amounts due by debtors, and on the collections and recoveries made in respect of the Loan Assets and Hedging Agreements; and
- (f) carrying out the reconciliation of the amounts due and the amounts effectively paid by the debtors under the Loans on the relevant Cover Pool Payment Date.

Following the appointment of a CBBA, the CBBA may, in accordance with the Covered Bond Legislation, appoint a suitable entity to carry out the servicing activities in respect of the Cover Pools or otherwise monitor the Issuer in doing so.

ACCOUNTS AND CASH FLOW STRUCTURE:

Collection Accounts

All collections of interest and principal the Issuer receives on the Cypriot Cover Pool Assets shall be paid into a euro account maintained at the Issuer (the **Cypriot Collection Account**). All collections of interest and principal the Issuer receives on the Greek Cover Pool Assets shall be paid into a separate euro account maintained at the Issuer (the **Greek Collection Account** and, together with the Cypriot Collection Account,

the **Collection Accounts**). Pursuant to the Covered Bond Legislation, the Issuer will record all debits and credits and the flow of principal and interest to the relevant Collection Account.

The Issuer has agreed, pursuant to the Trust Deed, to transfer to the relevant Transaction Account within one Business Day (or such other time period as may be set out in the relevant Final Terms) of receipt all collections of interest and principal standing to the credit of the relevant Collection Accounts which derive from Cover Pool Assets.

For the avoidance of doubt, any cash amounts standing to the credit of a Collection Account which have not been transferred to the relevant Transaction Account shall not comprise part of the relevant Cover Pool for purposes of the Statutory Tests.

Transaction Accounts

On or about the Programme Closing Date, a segregated Euro denominated account will be established with the Account Bank in respect of each Cover Pool (each a **Transaction Account** and in relation to the Cypriot Cover Pool the **Cypriot Transaction Account** and, in relation to the Greek Cover Pool the **Greek Transaction Account**).

Pursuant to the terms of the Bank Account Agreement, the Issuer, or the Account Bank on its behalf, will (in accordance with Article 21(2) of the Covered Bond Directive) (a) record all credits and debits made from each Transaction Account (and note the purpose of each such credit and debit made) and (b) record the total amount standing to the credit of each Transaction Account at any given time.

Amounts standing to the credit of the Cypriot Transaction Account shall form part of the Cypriot Cover Pool Assets only and amounts standing to the credit of the Greek Transaction Account shall form part of the Greek Cover Pool Assets only.

In addition, the Bank Account Agreement will set out the individuals that are authorised to operate each Transaction Account.

The Transaction Accounts will be maintained with the Account Bank for as long as the Account Bank is an Eligible Institution.

Covered Bonds Available Funds

Payments on the Covered Bonds in respect of each Cover Pool will be made from (i) the Covered Bonds Available Funds in respect of a Cover Pool and (ii) to the extent the Covered Bonds Available Funds are insufficient to satisfy all amounts set out in the Pre-Event of Default Priority of Payments any other funds available to the Issuer in accordance with the relevant Priority of Payments.

Covered Bonds Available Funds means, in respect of each Cover Pool at any Cover Pool Payment Date, as the case may be, the aggregate of:

- (a) all amounts standing to the credit of the relevant Transaction Account relating to such Cover Pool at the immediately preceding Calculation Date;
- (b) all amounts (if any) paid or to be paid on or prior to such Cover

Pool Payment Date by the Hedging Counterparties into the relevant Transaction Account relating to such Cover Pool pursuant to the Hedging Agreement(s) (save as provided in (ii) below);

- (c) all amounts of interest paid on the relevant Transaction Account relating to such Cover Pool during the Interest Period immediately preceding such Cover Pool Payment Date;
- (d) all proceeds from the sale of Loan Assets (or any other disposal thereof) comprised in the relevant Cover Pool other than with respect to a disposal of an entire Cover Pool;
- (e) all amounts deriving from any returns from or repayment at maturity of any Complementary Assets which forms part of a Cover Pool on or prior to such Cover Pool Payment Date.

In accordance with Section 28(1)(b) of the Cypriot Covered Bond Law, Covered Bond Available Funds may also be used by the Issuer in creating or acquiring Additional Cover Pool Assets for the fulfilment of the Cover Pool Adequacy Criteria.

For the avoidance of doubt:

- (i) should there be any duplication in the amounts included in the different items of the Covered Bonds Available Funds above, the Issuer shall avoid such duplication when calculating the Covered Bonds Available Funds;
- (ii) the Covered Bonds Available Funds with respect to a relevant Cover Pool will not include (A) any early termination amount received by the Issuer under a Hedging Agreement entered into with respect to that Cover Pool, which is applied in acquiring a replacement Interest Rate Swap or Covered Bond Swap (as applicable); (B) any Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the relevant Hedging Agreement, to reduce the amount that would otherwise be payable by the Hedging Counterparty to the Issuer on early termination of the Interest Rate Swap or Covered Bond Swap (as applicable) and, to the extent so applied in reduction of the amount otherwise payable by the Hedging Counterparty, such Swap Collateral is not to be applied in acquiring a replacement swap (the **Swap Collateral Excluded Amounts**); (C) any premium received by the Issuer from a replacement Hedging Counterparty in respect of a replacement Interest Rate Swap or Covered Bond Swap, to the extent used to make any termination payment due and payable by the Issuer with respect to the previous Interest Rate Swap or Covered Bond Swap; and (D) any tax credits received by the Issuer in respect of an Interest Rate Swap or Covered Bond Swap (as applicable) used to reimburse the relevant Hedging Counterparty for any gross-up in respect of any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of

whatever nature (and wherever imposed) made under the relevant Interest Rate Swap or Covered Bond Swap (as applicable).

Excess Swap Collateral means in respect of a Hedging Agreement, an amount (which will be transferred directly to the Hedging Counterparty in accordance with the Hedging Agreement) equal to the amount by which the value of the collateral (or the applicable part of any collateral) provided by the Hedging Counterparty to the Issuer pursuant to the Hedging Agreement exceeds the Hedging Counterparty's liability under the Hedging Agreement (such liability determined as if no collateral had been provided) which it is otherwise entitled to have returned to it under the terms of the Hedging Agreement;

Swap Collateral means, at any time, any asset (including, without limitation, cash and/or securities) other than Excess Swap Collateral, which is paid or transferred by a Hedging Counterparty to the Issuer as collateral in respect of the performance by such Hedging Counterparty of its obligations under the relevant Hedging Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed.

Events of Default

If one of the following events occurs (each an **Event of Default**):

- (a) on the Final Maturity Date (in respect only of any Series to which an Extended Final Maturity Date is not applicable) or Extended Final Maturity Date, as applicable, in respect of any Series or on any Interest Payment Date on which principal is due and payable thereon, there is a failure to pay any amount of principal due on such Covered Bonds on such date and such default is not remedied within a period of 7 Business Days from the due date thereof; or
- (b) on any Interest Payment Date, a default in the payment of the amount of interest due on any Series occurs and such default is not remedied within a period of 14 Business Days from the due date thereof; or
- (c) dissolution proceedings are entered into with respect to the Issuer and no Covered Bond Business Administrator is appointed by the Competent Authority within a period of 10 Business Days thereafter,

then the Trustee shall, upon direction by the relevant majority of Covered Bondholders (subject to being indemnified and/or secured and/or prefunded to its satisfaction), serve a notice (a **Notice of Default**) on the Issuer (copied to the Covered Bond Monitor, the Competent Authority, the Custodian and, if appointed, the CBBA).

Following the service of a Notice of Default (i) no further Covered Bonds will be issued and (ii) the Covered Bonds of each Series shall become immediately due and payable.

Service of a Notice of Default may if so requested by the relevant majority of Covered Bondholders be deemed to be approval from the

Covered Bondholders for the immediate settlement of the Covered Bonds by the Covered Bond Administrator as set out in Section 62(1)(a) of the Cypriot Covered Bond Law.

Breach of Covered Bond Legislation

If the Issuer is in breach of the Covered Bond Legislation and fails to rectify the relevant breach within the time period notified by the Competent Authority, the Competent Authority has the power to: (i) fine the Issuer; (ii) remove the Issuer from the Register of Approved Institutions; or (iii) where the Issuer has already been removed from the Register of Approved Institutions, appoint a Covered Bond Business Administrator in accordance with Section 59(2)(j) of the Cypriot Covered Bond Law.

Under the Covered Bond Legislation, the Issuer's obligations and undertaking in respect of the Covered Bonds will endure notwithstanding the Issuer's removal from the Register of Approved Institutions.

Consequences of removal from the Register of Approved Institutions

Following the removal of the Issuer from the Register of Approved Institutions, no further Covered Bonds may be issued by the Issuer and the Cover Pools will, in addition to the Statutory Tests, be subject to the Asset Adequacy Test.

In addition, pursuant to Section 32 of the Cypriot Covered Bond Law, in certain circumstances the Issuer will only be able to carry out its covered bond business with the written consent of the Covered Bond Monitor. This will occur where:

- (a) the Competent Authority believes there are reasons that could potentially lead to the Issuer being removed from the Register of Approved Institutions and it requires that the Issuer's covered bond business be monitored; or
- (b) where the Issuer has been removed from the Register of Approved Institutions but no CBBA has been appointed by the Competent Authority.

Where the Issuer is removed from the Register of Approved Institutions but no CBBA has been appointed by the Competent Authority, the Issuer must, within a time period specified by the Competent Authority, provide to the Competent Authority and the Covered Bondholders details of a scheme specifying the measures it will take in order to service the Covered Bonds then outstanding in accordance with the terms of their issue (the **Scheme**).

Appointment of the Covered Bond Business Administrator

Pursuant to the Covered Bond Legislation, the Competent Authority has the power to appoint the Covered Bond Business Administrator.

In accordance with Section 59(1) of the Cypriot Covered Bond Law, a Covered Bond Business Administrator shall be appointed by the Competent Authority where dissolution proceedings have been initiated against the Issuer.

In accordance with Section 59(2) of the Cypriot Covered Bond Law, a Covered Bond Business Administrator may be appointed by the

Competent Authority where the Competent Authority considers the appointment necessary in order to safeguard the interests of the Covered Bondholders, any Hedging Counterparties or other creditors of the Issuer following the occurrence of certain insolvency events in relation to the Issuer.

In addition, the Competent Authority may appoint a CBBA in respect of the Issuer where:

- (a) the Issuer fails to provide the Competent Authority with the Scheme within the time period specified; or
- (b) where the Competent Authority reasonably believes that the Scheme has not been properly communicated to the Covered Bondholders; or
- (c) the Competent Authority considers the measures stated in the Scheme to be inadequate.

Pursuant to Section 61 of the Cypriot Covered Bond Law, upon the appointment of the CBBA, the CBBA shall:

- (a) where no dissolution proceedings have been initiated against the Issuer, take over the management of the Issuer's covered bond business; or
- (b) where dissolution proceedings have been initiated against the Issuer, assume control and management of the Cover Pool and act in accordance with the provisions of Part VII of the Cypriot Covered Bond Law (which includes provisions relating to the disposal of all or part of the Cover Pool).

Following the appointment of the CBBA, the CBBA shall inform the Competent Authority and each Cover Pool Creditor (in the case of the Covered Bondholders, via the Trustee) of the measures they will take in order to discharge the Issuer's obligations with respect to the Cover Pool Creditors.

Powers of the Covered Bond Business Administrator

Where the CBBA reasonably believes that following a potential initiation of dissolution proceedings the Cover Pools will not be adequate to fully cover the claims of the relevant Cover Pool Creditors, the CBBA may, with the consent of the Competent Authority and the required majority of Covered Bondholders, require:

- (a) the immediate settlement of the outstanding Covered Bonds; or
- (b) the transfer of the covered bond business to another Approved Institution.

Pursuant to the terms of the Trust Deed if the Trustee receives, or has been notified by the Issuer, the Competent Authority or the Covered Bond Monitor that they have received, notice from the CBBA that it wishes to exercise its powers under Section 62(2) of the Covered Bond Law, the Trustee shall be required to seek directions from the Covered

Bondholders (by way of an Extraordinary Resolution of the Covered Bondholders of all Series taken as a single Series) as to what action they wish the CBBA to take.

In addition, pursuant to Section 40(7) of the Cypriot Covered Bond Law, the CBBA is prescribed a wide range of powers and is able to (i) borrow, (ii) enter into hedging contracts, (iii) acquire or create Complementary Assets or, with the approval of the competent authority, any other asset, (iv) subject to the provisions of Sections 41 and 42, charge, transfer or dispose of a Loan Asset, (v) enter into an agreement with an Approved Institution whereby such Approved Institution assumes a Cover Pool and the obligations to the Cover Pool Creditors, with the consent of Covered Bondholders, (vi) institute or defend any action or other legal proceeding in respect of a Loan Asset or Hedging Contract included in a Cover Pool, (vii) issue receipt of partial or full repayment of credit facilities constituting Loan Assets, (viii) exercise the powers and rights under any security held in relation to a Loan Asset or a Hedging Contract included in a Cover Pool and (ix) inspect the Records of the Issuer (when subject to dissolution proceedings), applying, by analogy, the provisions of the Companies Law, the Cooperative Societies Laws of 1985 to 2010 or any other law relating to the inspection of books and records of the Issuer by its creditors.

See further "*Summary of the Covered Bond Legislation*" below.

Priority of Payments prior to the delivery of a Notice of Default

Prior to the delivery of a Notice of Default, the Issuer shall apply (i) all Covered Bonds Available Funds in respect of a Cover Pool (which funds shall include all amounts standing to the credit of the relevant Transaction Account) and (ii) to the extent the Covered Bonds Available Funds are insufficient to satisfy all amounts set out in the Pre-Event of Default Priority of Payments any other funds available to the Issuer on each Cover Pool Payment Date in making the following payments and provisions in the following order of priority (the **Pre-Event of Default Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first, pari passu* and *pro rata* according to the respective amounts thereof, in or towards satisfaction of all amounts then due and payable or to become due and payable prior to the next Cover Pool Payment Date to the Trustee or any Appointee (including remuneration or amounts by way of indemnity payable to it) under the provisions of the Trust Deed or any other Transaction Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein and any additional fees, costs, expenses and taxes due and payable on the Cover Pool Payment Date or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date to fund any notice to be given to any parties in accordance with any of the Transaction Documents or to the Covered Bondholders;
- (ii) *then*, to pay all amounts due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment

Date (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments), to any Cover Pool Creditors other than the Covered Bondholders and with the exception of any amount due to be paid, or that will become due and payable prior to the next Cover Pool Payment Date, to the Hedging Counterparties under the Hedging Agreements;

- (iii) *then, pari passu and pro rata*, according to the respective amounts thereof (a) to pay all amounts of interest due and payable on the Covered Bonds on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date or are otherwise required to be provisioned for with respect to the relevant Liquidity Tests on any Covered Bonds and (b) to pay any amounts due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date under any Hedging Agreement other than Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements;
- (iv) *then*, to pay all amounts of principal due and payable on the Covered Bonds on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date or are otherwise required to be provisioned for with respect to the relevant Liquidity Tests (if any) on any Covered Bonds;
- (v) *then*, to pay *pari passu and pro rata*, according to the respective amounts thereof, any amount due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date to any Hedging Counterparties arising out of any Subordinated Termination Payment; and
- (vi) *finally*, for so long as the Issuer is in compliance with the Cover Pool Adequacy Criteria, to pay any excess to the Issuer and, for so long as the Issuer is not in compliance with the Cover Pool Adequacy Criteria, shall be: (a) utilised for the creation or acquisition of Cover Pool Assets; or (b) deposited in the relevant Transaction Account to the extent not utilised with respect to (a) above.

Any amounts held in the relevant Transaction Account pursuant to item (vi)(b) above may be used at any time for the purposes of acquiring or creating new assets in the relevant Cover Pool.

Subordinated Termination Payment means, subject as set out below, any termination payments due and payable to any Hedging Counterparty under a Hedging Agreement where such termination results from (a) an Additional Termination Event "*Ratings Event*" as specified in the schedule to the relevant Hedging Agreement, (b) the bankruptcy of the relevant Hedging Counterparty, or (c) any default and/or failure to perform by such Hedging Counterparty under the relevant Hedging

Agreement, other than, in the event of (a) or (b) above, the amount of any termination payment due and payable to such Hedging Counterparty in relation to the termination of such transaction to the extent of any premium received by the Issuer from a replacement hedging counterparty.

Priority of Payments following the delivery of a Notice of Default

Following delivery of a Notice of Default, all Covered Bonds Available Funds with respect to a particular Cover Pool shall be applied on any Business Day in making the following payments and provisions in the following order of priority (the **Post-Event of Default Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, in or towards satisfaction of all amounts then due and payable to the Trustee or any Appointee (including remuneration or amounts by way of indemnity payable to it) under the provisions of the Trust Deed or any other Transaction Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
- (ii) *then, pari passu and pro rata* according to the respective amounts thereof to pay any additional fees, costs, expenses and taxes due and payable to fund any notice to be given to any parties in accordance with any of the Transaction Documents or to the Covered Bondholders;
- (iii) *then, pari passu and pro rata* according to the respective amounts thereof to pay all amounts due and payable (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments), to any Cover Pool Creditors other than the Covered Bondholders and with the exception of any amount due to be paid to the Hedging Counterparties under the Hedging Agreements;
- (iv) *then, pari passu and pro rata*, according to the respective amounts thereof (a) to pay all amounts of interest and principal then due and payable on any Covered Bonds and (b) to pay any amounts then due and payable, under any Hedging Agreement other than Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements;
- (v) *then*, to pay *pari passu and pro rata*, according to the respective amounts thereof, any amount then due and payable on the Cover Pool Payment Date to any Hedging Counterparties arising out of any Subordinated Termination Payment; and
- (vi) *finally*, once all Covered Bonds have been redeemed, to pay any excess to the Issuer.

Priority of Payments where the Issuer is subject to dissolution proceedings and a Cover Pool is disposed of in its entirety

Where the Issuer is subject to dissolution proceedings and a Cover Pool is sold or otherwise disposed of in its entirety, all proceeds of such disposal (the **Cover Pool Disposal Proceeds**) shall be applied on any Business Day in accordance with the order of priority of payments (the **Cover Pool Disposal Priority of Payments** and, together with the Pre-Event of Default Priority of Payments and the **Post-Event of Default Priority of Payments** the **Priorities of Payments** and, each of them a **Priority of**

Payments) provided in Sections 43 to 45 (inclusive) of the Cypriot Covered Bond Law provided that such amounts will be distributed first, *pari passu* and *pro rata*, towards payment of all amounts due and payable to any Covered Bond Business Administrator and the Covered Bond Monitor (provided that all amounts due and payable to the Trustee (a) in respect of activities, services or other matters performed at the behest, or with the consent, of the Covered Bond Business Administrator and/or the Competent Authority or (b) resulting from or in connection with the holding of any meetings of Covered Bondholders or (c) resulting from or related to any actions taken or to be taken pursuant to resolutions passed at such meetings (provided that the amounts due and payable to the Trustee in respect of such actions have been approved by the Covered Bondholders at any such meetings) will be treated as amounts due and payable to the Covered Bond Business Administrator and be paid at this level of priority).

Trust Deed

Under the terms of the Trust Deed entered into on the Programme Closing Date between the Issuer and the Trustee, the Trustee will be appointed to act as the Covered Bondholders' trustee.

Agency Agreement

Under the terms of the agency agreement entered into on the Programme Closing Date between the Issuer, the Agents and the Trustee (the **Agency Agreement**), the Agents have agreed to provide the Issuer with certain agency services and the Paying Agents have agreed, *inter alia*, to make available for inspection such documents as may be required from time to time by the rules of the Luxembourg Stock Exchange and to arrange for the publication of any notice to be given to the Covered Bondholders.

Bank Account Agreement

Under the terms of the bank account agreement entered into on the Programme Closing Date between the Account Bank, the Issuer and the Trustee (the **Bank Account Agreement**), The Bank of New York Mellon has agreed to operate the Cypriot Transaction Account and Greek Transaction Account (together, the **Bank Accounts**) in accordance with the instructions given by the Issuer. In addition, the Account Bank has also agreed to operate certain cash and securities collateral accounts as required from time to time to hold cash or securities respectively with respect to the Issuer's obligations to maintain the Set-off Reserve.

Custody Agreement

The Issuer will enter into a custody agreement with respect to certain cash and securities collateral accounts on the Programme Closing Date, between, *inter alios*, the Custodian and the Issuer (the **Custody Agreement**).

Transaction Documents

The Programme Agreement, each Subscription Agreement, the Agency Agreement, the Trust Deed, the Custody Agreement, the Bank Account Agreement, the Covered Bond Monitor Agreement, the Master Definitions and Construction Schedule, each of the Final Terms, each Registration Statement, the Conditions, the Hedging Agreements, together with any additional document entered into in respect of the Covered Bonds and/or the relevant Cover Pool and/or with respect to any other security created by the Issuer and designated as a Transaction Document by the Issuer and the Trustee, are together referred to as the **Transaction Documents**.

Subscription Agreement means an agreement supplemental to the Programme Agreement (by whatever name called) in or substantially in the form set out in the Programme Agreement or in such other form as may be agreed between the Issuer and the lead manager in respect of an issue of Covered Bonds or one or more Dealers (as the case may be).

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations in respect of the Covered Bonds issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Covered Bonds may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Covered Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. If potential investors are in doubt about the contents of this Base Prospectus they should consult with an appropriate professional adviser to make their own legal, tax, accounting and financial evaluation of the merits and risk of investment in such Covered Bonds.

Factors that may affect the Issuer's ability to fulfil its obligations under Covered Bonds issued under the Programme

Risks relating to economic activity in Greece

The Issuer's business activities are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy and market interest rates at the time.

As the Issuer currently conducts a significant part of its business in Greece, its performance is influenced by the level and cyclical nature of business activity in Greece, which is in turn affected by both domestic and international economic and political events.

The Greek economy is experiencing a severe recession and Greece is experiencing unprecedented pressure on its public finances. The severe increase of Greece's budget deficit has led to lower credit ratings by international credit rating agencies during 2010 and 2011. The tensions relating to Greek public finances have affected the liquidity and profitability of the financial system in Greece and have resulted in:

- (a) lower market values for Greek government debt;
- (b) limited liquidity to the Greek banking system;
- (c) an increase in funding from the European Central Bank;
- (d) an increase in competition between Greek banks;
- (e) limited credit extension to customers; and
- (f) an increase in the amount of non performing loans.

In early May 2010, the Greek government agreed to a stabilisation programme, jointly supported by the International Monetary Fund (**IMF**), the European Central Bank and the member states of the eurozone, the IMF/Eurozone Stabilisation and Recovery Program (the **IMF/Eurozone Stabilisation and Recovery**

Program) according to which the Greek government has committed to implement measures to decrease expenses and increase revenues with specific goals as to the level of reduction of the government deficit. The IMF/Eurozone Stabilisation and Recovery Program also contains structural measures and policy guidelines designed to boost the country's competitiveness and improve Greece's growth rates in the medium term.

As part of the IMF/Eurozone Stabilisation and Recovery Program, the Eurogroup has approved a €80 billion financial support plan for Greece, consisting of bilateral loans from member states of the eurozone, in conjunction with an IMF €30 billion stand-by arrangement. The assistance is provided in quarterly instalments and is conditional on fulfilment of the timelines and targets included in a memorandum of understanding on specific policy conditionality agreed with the Greek authorities. Compliance with policy conditions is reviewed by the European Commission in liaison with the European Central Bank and the IMF on a quarterly basis. As at the date of this Prospectus, five tranches of the Eurogroup/IMF financing package have been extended to Greece, namely €20 billion in May 2010, €9 billion in September 2010, €9 billion in December 2010/January 2011, €15 billion in March 2011 and, most recently, a €12 billion tranche was released on 15 July 2011.

Despite the implementation of the above measures and the Greek government's commitment to implement the IMF/Eurozone Stabilisation and Recovery Program, a possible failure to attain fiscal and other targets may lead to the termination of the fiscal support by the IMF, the ECB and the Eurogroup. In addition, even if the IMF/Eurozone Stabilisation and Recovery Program is successfully implemented, it is uncertain whether it will achieve its set targets and objectives and it remains uncertain whether the Greek economy will grow sufficiently to ease the financing constraints on Greece. Investors should also note that any further significant deterioration in global economic conditions (including the credit profile of EU countries, the credit worthiness of Greek or international banks or changes to the eurozone (including, for example, Greece no longer being a member of the eurozone)) may further affect the ability of Greece to meet its funding needs.

The occurrence of any of the above events could lead to a further deterioration in the current negative macroeconomic conditions in Greece and would most likely have a material adverse effect on the business, results of operations and financial results of the Issuer and on the value of the Cover Pool Assets and Covered Bonds then outstanding.

There can be no assurance that if the current negative economic conditions in Greece continue, or if any of the events described above occur, or if there is a further weakening in the Greek economy, that this will not have a material adverse effect on the business, results of operations and financial results of the Issuer or on the value of the Cover Pool Assets and Covered Bonds then outstanding.

The Issuer holds Greek government debt

As at the date of this Prospectus, the Issuer is exposed to Greek government debt. As described above, the Greek economy is experiencing a severe recession and Greece is experiencing unprecedented pressure on its public finances which in turn has led to, amongst other things, lower market values for Greek government debt. If the current negative economic conditions in Greece continue, the Greek government may default on its debt; this may have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer's operations are subject to risks resulting from the prevailing economic conditions in Cyprus, Greece and abroad

The Issuer's operations are affected by the prevailing economic conditions as well as the economic conditions of specific sectors in which the Issuer operates, particularly in Cyprus and Greece where a significant part of its operations are situated.

Since the autumn of 2007, the world economy as well as the international financial system have been faced with intense uncertainty and turmoil. The problems and dislocation in the world economy and global capital markets have had a significant influence on liquidity levels, the valuation of financial assets and the availability and terms of credit.

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

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

A possible worsening of these economic conditions may adversely impact the Issuer as well as other financial institutions which could have an adverse effect on the Issuer's operating results. In particular, the Issuer may face the following challenges in connection with these events:

- the Issuer's ability to assess the creditworthiness of its customers or to estimate the value of its assets may be impaired if the models and techniques it uses become less accurate in their prediction of borrowers' behaviour in the future;
- demand for borrowing by creditworthy customers may diminish as economic activity slows;
- lower lending interest rates and/or higher deposit interest rates may reduce the net interest income earned by the Issuer;
- market developments may affect consumer confidence and may cause decline in credit card usage and adverse changes in payment patterns, leading to an increase in write-offs and loan impairment charges for non performing loans;
- trade and capital flows may decrease as a result of protectionist measures being introduced in certain markets which may have a negative effect on the Issuer's operations;
- increased government ownership and control over financial institutions and further consolidation in the financial industry could significantly alter the competitive landscape.

Risk relating to economic activity in Russia

A significant part of the Issuer's assets and operations is located in Russia and, therefore, the Issuer is exposed to a deteriorating economic condition in Russia.

Historically, the Russian economy has been adversely affected by market downturns and economic slowdowns elsewhere in the world, including the global financial crisis that commenced in the autumn of 2007 and has had a material adverse effect on the Russian economy, including dampening foreign investment in Russia.

A deterioration of general economic conditions in Russia, a decline in the growth rate of the Russian banking sector in particular, may have an adverse effect on the Issuer's results. In case the current negative economy

trends continue, this may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects in the Russian market.

Risks relating to the Cypriot and Greek mortgage markets

A downturn in the Cypriot or Greek economies, either regionally or nationally, would reduce demand for housing and consequently reduce house price growth and sales, which would also result in lower levels of lending, the Issuer's core activity. The recent downturn in the Cypriot and Greek economies have had a negative effect on the housing market. The fall in property prices resulting from the deterioration in the housing market and increased unemployment leading to borrowers defaulting on their loans could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem the outstanding loan. If deterioration occurs in the quality of the Loan Assets, this could have an adverse effect on the Issuer's ability to make payment under the Covered Bonds. There can be no assurance that the housing market will not continue to deteriorate.

The current Cypriot and Greek economic environments may also affect the rate at which the Issuer originates new Loan Assets and may also affect the level of attrition of the Issuer's existing borrowers, which could in turn adversely affect the ability of the Issuer to make payments under the Covered Bonds.

The Covered Bonds will be obligations of the Issuer only

The Covered Bonds will be solely obligations of the Issuer and will not be obligations of or guaranteed by the Trustee, the Covered Bond Monitor, the Covered Bond Business Administrator, the Competent Authority, the Account Bank, the Agents, the Hedging Counterparties, the Arrangers, the Dealers or the Listing Agent (as defined below). No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Covered Bonds shall be accepted by any of the Arrangers, the Dealers, the Hedging Counterparties the Trustee, the Covered Bond Monitor, the Agents, the Covered Bond Business Administrator, the Competent Authority, the Account Bank, any company in the same group of companies as such entities or any other party to the transaction documents relating to the Programme.

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arrangers, the Dealers, the Trustee or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer. The Issuer will be liable solely in its corporate capacity for its obligations in respect of the Covered Bonds and such obligations will not be the obligations of its respective officers, members, directors, employees, security holders or incorporators.

Maintenance of the Cover Pools

Pursuant to the Covered Bond Legislation each Cover Pool is subject to the Cover Pool Adequacy Criteria set out in the relevant Covered Bond Legislation. Failure of the Issuer to take prompt remedial action to cure any breach of these tests will result in the Issuer not being able to issue further Covered Bonds and any failure to satisfy the Cover Pool Adequacy Criteria may have an adverse affect on the ability of the Issuer to meet its payment obligations in respect of the Covered Bonds.

Transfer of money from the Collection Accounts to the Transaction Accounts

All collections of interest and principal the Issuer receives on the Cypriot Cover Pool Assets shall be paid into the Cypriot Collection Account). All collections of interest and principal the Issuer receives on the Greek Cover Pool Assets shall be paid into the Greek Collection Account. The Issuer has agreed, pursuant to the Trust Deed, to transfer to the relevant Transaction Account within one Business Day (or such other time period as may be set out in the relevant Final Terms) of receipt all collections of interest and principal standing to the credit of the relevant Collection Accounts which derive from Cover Pool Assets. In addition, to the extent any cash amounts standing to the credit of a Collection Account have not been transferred to the relevant Transaction Account, such amounts do not comprise part of the relevant Cover Pool for purposes of

the Statutory Tests and may, in the case of an insolvency of the Issuer, not form part of the Cover Pool for the purposes of satisfying the amounts outstanding under the Covered Bonds. As such, the Issuer's ability to meet its obligations under the Covered Bonds and with respect to the Cover Pool Adequacy Criteria will be dependent on the Issuer transferring amounts so collected to the relevant Transaction Account.

Factors that may affect the realisable value of a Cover Pool or any part thereof

The realisable value of Loans and their Related Security comprising part of a Cover Pool may be reduced by:

- (a) default by borrowers (each borrower being, in respect of a Loan Asset, the individual specified as such in the relevant mortgage terms together with each individual (if any) who assumes from time to time an obligation to repay such Loan Asset (the **Borrower**) in payment of amounts due on their Loans;
- (b) changes to the lending criteria of the Issuer; and
- (c) possible regulatory changes by the regulatory authorities.

Each of these factors is considered in more detail below. However, it should be noted that the Cover Pool Adequacy Criteria and the Eligibility Criteria are intended to ensure that there will be an adequate amount of Loan Assets in a Cover Pool to enable the Issuer to repay the Covered Bonds following service of a Notice of Default and/or the appointment of a Covered Bond Business Administrator and accordingly it is expected (but there is no assurance) that the Cover Pool Assets could be realised for sufficient value to enable the Issuer to meet its obligations under the Covered Bonds.

Default by Borrowers in paying amounts due on their Loan Assets

Borrowers may default on their obligations under the Loan Assets in a Cover Pool. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loan Assets. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loan Assets. In addition, the ability of a Borrower to sell a property given as security for a Loan Asset at a price sufficient to repay the amounts outstanding under that Loan Asset will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

Changes to the Lending Criteria of the Issuer

Each of the Loan Assets originated by the Issuer will have been originated in accordance with its Lending Criteria at the time of origination. It is expected that the Issuer's Lending Criteria will generally consider, *inter alia*, type of property, term of loan, age of applicant, the loan-to-value ratio, status of applicant and credit history. The Issuer retains the right to revise its Lending Criteria from time to time but would do so only to the extent that such a change would be acceptable to a reasonable, prudent mortgage lender. If the Lending Criteria change in a manner that affects the creditworthiness of the Loan Assets, that may lead to increased defaults by Borrowers and may affect the realisable value of a Cover Pool, or part thereof, and the ability of the Issuer to make payments under the Covered Bonds.

Sale of Loan Assets and their Related Security by the CBBA

Following the appointment of a CBBA, the CBBA, or any person appointed by the CBBA, will be entitled to sell in whole or in part the Loan Assets in order to help satisfy the Issuer's obligations in respect of the Covered Bonds. The proceeds from any such sale will be credited to the relevant Transaction Account and applied in accordance with the applicable Priority of Payments. There is no guarantee that the CBBA will be able to sell in whole or in part the Loan Assets as the CBBA may not be able to find a buyer at the time it chooses to sell.

Reliance on Hedging Counterparties

To provide a hedge against possible variances in the rates of interest payable on the Loan Assets in a Cover Pool (which may, for instance, include discounted rates of interest, fixed rates of interest or rates of interest which track a base rate and other variable rates of interest) and EURIBOR for 1, 3 or 6 month euro deposits, the Issuer may enter into an Interest Rate Swap with the Interest Rate Swap Provider in respect of each Series of Covered Bonds under the Interest Rate Swap Agreement.

In addition, to provide a hedge against interest rate, currency and/or other risks in respect of amounts received by the Issuer under the Loan Assets in a Cover Pool and the Interest Rate Swaps and amounts payable by the Issuer under the Covered Bonds and amounts payable by the Issuer under the Covered Bonds, the Issuer may enter into a Covered Bond Swap with a Covered Bond Swap Provider in respect of a Series of Covered Bonds under the Covered Bond Swap Agreement.

If the Issuer fails to make timely payments of amounts due under any Hedging Agreement, then it will have defaulted under that Hedging Agreement. A Hedging Counterparty is only obliged to make payments to the Issuer as long as the Issuer complies with its payment obligations under the relevant Hedging Agreement. If the Hedging Counterparty is not obliged to make payments or if it defaults on its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Issuer on the due date for payment under the relevant Hedging Agreement, the Issuer will be exposed to any changes in the relevant currency exchange rates to Euro and to any changes in the relevant rates of interest. Unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments under the Covered Bonds.

If a Hedging Agreement terminates, then the Issuer may be obliged to make a termination payment to the relevant Hedging Counterparty. There can be no assurance that the Issuer will have sufficient funds available to make a termination payment under the relevant Hedging Agreement, nor can there be any assurance that the Issuer will be able to enter into a replacement swap agreement, or if one is entered into, that the credit rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then current ratings of the Covered Bonds by a Rating Agency.

If the Issuer is obliged to pay a termination payment under any Hedging Agreement, such termination payment will rank ahead of amounts due on the Covered Bonds (in respect of the Interest Rate Swaps) and *pari passu* with amounts due on the Covered Bonds (in respect of the Covered Bond Swaps), except where default by, or downgrade of, the relevant Hedging Counterparty has caused the relevant Swap Agreement to terminate.

Differences in timings of obligations of the Issuer and the Covered Bond Swap Provider under the Covered Bond Swaps

With respect to each of the Covered Bond Swaps, the Issuer will, periodically, pay or provide for payment of an amount to each corresponding Covered Bond Swap Provider based on EURIBOR for Euro deposits for the agreed period. The Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the Issuer under a Covered Bond Swap until amounts are due and payable by the Issuer under the Covered Bonds. If a Covered Bond Swap Provider does not meet its payment obligations to the Issuer under the relevant Covered Bond Swap Agreement or such Covered Bond Swap Provider does not make a

termination payment that has become due from it to the Issuer under the Covered Bond Swap Agreement, the Issuer may have a shortfall in funds with which to make payments under the Covered Bonds. Hence, the difference in timing between the obligations of the Issuer and the obligations of the Covered Bond Swap Providers under the Covered Bond Swaps may affect the Issuer's ability to make payments with respect to the Covered Bonds. A Covered Bond Swap Provider may be required, pursuant to the terms of the relevant Covered Bond Swap Agreement, to post collateral with the Issuer if the relevant rating of the Covered Bond Swap Provider is downgraded by a Rating Agency below the rating specified in the relevant Covered Bond Swap Agreement.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Specified Currency (the **Investor's Currency**). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Conflicts of Interest

Certain parties to this Transaction act in more than one capacity. The fact that these entities fulfil more than one role could lead to a conflict between the rights and obligations of these entities in one capacity and the rights and obligations of these entities in another capacity. In addition, this could also lead to a conflict between the interests of these entities and the interests of the Covered Bondholders. Any such conflict may adversely affect the ability of the Issuer to make payments of principal and/or interest in respect of the Covered Bonds.

Change of counterparties

The parties to the Transaction Documents who receive and hold moneys pursuant to the terms of such documents (such as the Account Banks) are required to satisfy certain criteria in order that they can continue to receive and hold moneys.

These criteria include requirements in relation to the short-term, unguaranteed and unsecured credit ratings ascribed to such party by Moody's (or such other credit ratings criteria that may be agreed by the Rating Agencies from time to time). If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive moneys on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Covered Bondholders may not be required in relation to such amendments and/or waivers.

Geographical Concentration of the Loan Assets

The security for the Covered Bonds may be affected by, among other things, a decline in real estate values. Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than will other regions and, consequently, may experience higher rates of loss and delinquency on mortgage loans generally. Although borrowers are located throughout Cyprus and, as applicable, Greece, the borrowers may be concentrated in certain locations, such as densely populated areas. Any deterioration in the economic condition of the areas in which the borrowers are located, or any deterioration in the economic condition of other areas that causes an adverse effect on the ability of the borrowers to repay the Loan Assets could increase the risk of losses on the Loan Assets. A concentration of borrowers in such areas may therefore result in a greater risk of loss than would be the case if such concentration had not been present. Such losses, if they occur, could have an adverse effect on the yield to maturity of the Covered Bonds as well as on the repayment of principal and interest due on the Covered Bonds. Certain areas of Cyprus and/or, as applicable, Greece may from time to time experience declines in real estate values. No assurance can be given that values of the underlying properties have remained or will remain at their levels on the dates of origination of the related Loans. If the residential real estate market in Cyprus and/or, as applicable, Greece in general, or in any particular region, should experience an overall decline in property values such that the outstanding balances of the Loans become equal to or greater than the value of the underlying properties, such a decline could in certain circumstances result in the value of the interest in the underlying property securing the Loans being significantly reduced and, ultimately, may affect the repayment of the Covered Bonds.

The Issuer is exposed to risks faced by other financial institutions

The Issuer routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Defaults by, and even rumours or questions about the solvency of certain financial institutions and counterparties generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. These liquidity concerns have negatively impacted, and may continue to negatively impact, inter-institutional financial transactions in general. Many of the routine transactions the Issuer enters into expose it to significant credit risk in the event of default by one of its significant counterparties. In addition, the Issuer's credit risk may be exacerbated when the collateral it holds cannot be realised upon or is liquidated at prices not sufficient for it to recover the full amount of the loan or derivative exposure. A default by a significant financial counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Interest rate risk

Interest rate risk is the risk of a change in the fair value of future cash flows of a financial instrument due to changes in market interest rates. Interest rate risk arises as a result of timing differences on the reprising of assets and liabilities.

Changes in market interest rates, yield curves and credit spreads may affect the interest margin between the lending and deposit interest rates and consequently impact the Issuer's net interest income.

An increase in interest rates may result in an increase of non-performing loans, a decrease in demand for new loans or a limitation of the Issuer's ability to grant new loans. On the other hand, a decrease in interest rates may cause, among other things, loan prepayments and increased competition for deposits.

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

The Issuer's equity is also affected by changes in market interest rates. The changes in the Issuer'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 ineffective cash flow hedges.

Price risk

Price risk is the risk that fluctuations in the market prices of equities and other traded securities will affect the value of the Issuer's investment portfolio.

Changes in the prices of equity securities classified as "investments at fair value through profit or loss" affect the Issuer's results, whereas changes in the value of equity securities classified as "available-for-sale" affect the Issuer's equity.

In order to manage the risk of loss from changes in equity prices, maximum limits have been set for the amounts that can be invested in equity shares in the trading book. Other restrictions such as maximum amount invested in a specific issuer, specific industry, etc. also exist.

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

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

Furthermore, the Issuer's insurance and investment businesses are subject to the risk of negative price adjustments in the value of equities and other securities held by the Issuer or its insurance funds.

Currency risk

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

Foreign exchange rate fluctuations expose the Issuer to risks that arise from transactions in foreign currencies, as well as from changes in the value of the Issuer's assets and liabilities denominated in foreign currencies. Losses may also arise from the management of the Issuer's assets/liabilities in foreign countries.

The Issuer's international businesses, earnings and net assets are denominated in local currency which may fluctuate according to the prevailing exchange rates. It is difficult to accurately predict changes in economic or market conditions and such changes may have an adverse impact on the Issuer's operating results, financial condition and prospects.

Credit risk

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

The level of non-performing loans and advances affect the Issuer's results. As at 31 December 2010, the Issuer's non-performing loans and advances represented 7.3 per cent. of the total Issuer loans and advances. The majority of non-performing loans and advances originate from banking operations in Cyprus. The total level of non-performing loans in Cyprus is estimated at 7.0 per cent.

The Issuer has taken measures for the improvement of its loan portfolio. These measures include the improvement of its credit approval systems and its credit rating and credit scoring systems. The Issuer has also adopted detailed and strict procedures for handling overdue amounts. However, there can be no assurance that the measures taken by the Issuer will effectively contain the level of non-performing loans and advances and no assurance can be provided as to the Issuer's satisfaction from the liquidation of collateral.

Future provisions for non-performing loans and advances may have a material negative impact on the Issuer's results. In addition, the financial and economic crisis and the slowdown of the world economies may lead to an increase in the level of non-performing loans.

Changes in the credit quality of the Issuer's borrowers and counterparties arising from the financial crisis, the slowdown of the world economies and the slowdown of Cyprus economy, may reduce the value of the Issuer's assets and increase the Issuer'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 the borrowers' ability to repay loans. In addition, the economic crisis may negatively impact the prospects of the Cypriot (and the global) economy resulting in the deterioration of the value of securities held against lending exposures and increasing the risk of loss in the event of borrower default.

If the current economic downturn, uncertainty, reduced affordability and low availability of credit continue, there is a possibility of an extended economic crisis, resulting in the decrease of housing prices and the increase of unemployment rates. This may adversely affect the Issuer's housing portfolio which is likely to increase its impairment losses, hence affecting the operations, financial condition and prospects of the Issuer.

Liquidity risk

The Issuer's operations are subject to inherent risks concerning liquidity, particularly if the current market conditions continue to reduce the availability of traditional sources of funding. This may affect the Issuer's ability to meet its financial obligations.

Liquidity risk is the risk that the Issuer may be unable to fully or promptly meet payment obligations and potential payment obligations as they fall due. This risk also includes the possibility that the Issuer may have to raise funding at a higher cost or sell assets at a discount. The Issuer's banking businesses require a steady flow of funds both to meet their obligations relating to maturing deposits as well as to satisfy customer requests for additional borrowing. Such undrawn customer facilities are included by the Issuer as part of its liquidity management.

The Issuer's ability to access funding sources on favourable economic terms depends on a variety of factors, including some beyond its control, such as liquidity constraints, general market conditions and loss of confidence in the Cypriot banking system. In the current environment of unprecedented market volatility, the access of banks to traditional funding sources has been and may continue to be significantly restricted.

Liquidity is monitored daily by Group Market Risk Management (**GMRM**). The responsibility for the management of liquidity rests with the treasury units at each location, in cooperation with Group Treasury. GMRM is responsible for monitoring the liquidity position of all banking units of the Issuer's group in order to ensure compliance with both internal policies and the limits set by the regulatory authorities in the countries in which the Issuer's group operates. The liquidity position is assessed under various scenarios, including a bank-specific crisis and a market crisis.

The Issuer's 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 12 months is monitored at Issuer's group level, with the minimum acceptable ratio set at 25 per cent. Liquid assets are defined as cash, interbank deposits maturing within days and debt and equity securities at discounts prescribed by the regulatory authorities.

Capital requirement risk

The Issuer is subject to the risk of insufficient capital resources to meet the minimum capital levels required by regulators. In addition, there is the risk that the minimum capital adequacy requirements set by the relevant regulating bodies may be altered.

There is a possibility that the Issuer may be obligated by the regulatory body to maintain higher capital levels in the future. This may result in less operating flexibility and increased financing expenses.

Furthermore, any failure of the Issuer to maintain its minimum regulatory capital ratios may result in administrative actions or sanctions, which in turn may have an adverse impact on the Issuer's operating results, financial condition and prospects. In addition a shortage of available capital may also affect the Issuer's ability to maintain its organic growth or to pursue further acquisitions or other strategic growth opportunities.

Systemic risk

As a result of the financial crisis, the Issuer is subject to the risk of deterioration of the commercial soundness and/or perceived soundness of other financial services institutions within and outside Cyprus, which may result in significant systemic liquidity problems, losses or defaults. Financial services institutions that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships.

The Issuer 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. Consequently, the Issuer is exposed to the risk of loss of capital if the counterparty financial institutions fail or are otherwise unable to meet their obligations.

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

Credit rating risk

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

As at the date of this Prospectus, the long-term credit ratings of the Issuer are A3 (negative outlook) by Moody's Investors Service Inc.

Deterioration of the long-term credit ratings of the Issuer may 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 may adversely affect the Issuer's access to liquidity and its competitive position, hence, adversely affecting the Issuer's business, financial position and results.

Operational risk

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency, systems failure and external events. Operational risk is inherent in every business organisation and covers a wide range of issues.

The Issuer's operations are subject to a number of operational risks that may result from inefficiency or failure in internal procedures and systems due to human error, as well as due to external factors such as fraud, misappropriation or theft of the Issuer assets, unauthorised transactions, errors, omissions, reduced

efficiency and problems with the orderly operation of information systems, other systems and internal procedures of the Issuer.

The Issuer manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by a programme of periodic reviews undertaken by the Issuer Internal Audit department and by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

Any weakness in the Issuer's internal control systems and processes within the environment of the global economic crisis may have a negative impact on the Issuer's results. Furthermore, any damage to the Issuer's reputation arising from inadequacies, weaknesses or failures in its systems may have a significant adverse impact on the Issuer's operations.

Political and economic risk

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 may have a negative impact on international economic conditions and in turn, on the business and results of the Issuer in ways that cannot be predicted.

External factors, such as political and economic developments in Cyprus and overseas, may negatively affect the Issuer's operations, strategy and prospects. Events outside the Issuer's control which may adversely affect it 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;
- introduction/change of the European Union's regulations and directives relating to the banking and other sectors;
- political instability or military conflict that impact Europe and/or other regions; and
- taxation and other political, economic or social developments affecting Cyprus, Greece, Russia and any other country where the Issuer operates.

Regulatory risk

The Issuer's operations are subject to substantial regulation and regulatory and governmental oversight. Adverse legal or regulatory changes may be introduced in the future either by the European Union or by the Central Bank of Cyprus or changes in government policy, which may have a negative impact on the Issuer's operating results, financial condition and prospects.

The operations of the Cypriot insurance companies are supervised by the Insurance Companies Control Service (which is part of the Ministry of Finance) (the **ICCS**). Legal or regulatory changes may be introduced in the future by either the European Union or the ICCS which may adversely affect the results and financial position of the Issuer's insurance companies.

In the current market environment, with increased government intervention of the banking sector, future changes in regulation, fiscal or other policies are unpredictable and beyond the control of the Issuer.

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

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- other 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 the way these were historically applied by the Issuer;
- changes in the competitive environment and pricing in the market;
- further developments in the financial reporting environment; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty.

Litigation risk

The Issuer 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 Issuer, which may result in additional costs incurred.

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

The Issuer's management pays special attention to the sound evaluation and monitoring of the risks involved with litigation, arbitration or other legal matters.

Tax risk

Tax risk is the risk associated with changes in tax rates or legislation, or misinterpretation of the relevant legislation. This could result in increased tax charges or tax liabilities. Failure to adequately manage this risk may adversely impact the Issuer.

Competition risk

The Issuer 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 further competition.

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

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

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 Issuer at a competitive disadvantage to local banks in such jurisdictions.

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

Failure to attract or retain senior management or other key employees

The Issuer's success depends on the ability and experience of its senior management. The loss of key employees, particularly to competition, may have an adverse effect on the Issuer's revenue, profit and financial condition. In addition, the Issuer's operations and future success will depend on its ability to attract and retain highly skilled and qualified personnel, which cannot be guaranteed.

Furthermore, failure to effectively manage trade union relationships may result in the Issuer's disruption of business and operations, causing potential financial loss.

The failure to attract or retain a sufficient number of appropriate personnel may significantly impede the Issuer's financial plans, growth and other strategic objectives.

Insurance risk

Insurance risk is the uncertainty involved in the amount of an insurance claim should an insured event under an insurance contract occur. Given the nature of an insurance contract, this risk is random and highly unpredictable.

For a portfolio of insurance contracts, where the theory of probability is applied to pricing and provisioning, the principal risk that the Issuer 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 is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits vary from year to year based on estimates established using statistical techniques.

The above risk exposure is mitigated by the Issuer through the diversification of its insurance portfolio, the careful selection of risks to be undertaken through strategic and sound risk underwriting policies and the use of reinsurance arrangements. However, although the Issuer 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 this reason, the creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength and credit rating.

IT risk

Interruption or violation of the Issuer's information technology systems may cause loss of work and other damages.

For conducting its business, the Issuer relies on information technology and telecommunication systems. The Issuer's Information Technology Department is responsible for the smooth operation of the information technology and 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 the monitoring of client accounts, and the booking and administration of client deposits and advances.

The Issuer cannot guarantee that such events will not materialise or if they do materialise that they are going to be managed effectively. Any interruption or suspension of the IT systems may have adverse effects on the Issuer's financial position and results.

Pension risk

The Issuer operates several defined benefit retirement plans.

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

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

The Issuer's retirement benefit plan obligations as at 31 December 2010 are presented in note 11 of the Consolidated Financial Statements. Any amendment in the underlying assumptions used for the actuarial valuations may cause a significant increase to these obligations, as well as to the contributions for the cover of any actuarial or operating deficits of the retirement benefit plans.

Non-performing loans have had a negative impact on the Issuer's operations and may continue to do so

Non-performing loans represented approximately 7.0 per cent. of the Issuer's total customer loans portfolio as at 31 December 2010. The effect of the Greek economic crisis and negative macroeconomic conditions in certain of the countries in which the Issuer operates may lead to additional non-performing loan generation during the remainder of 2011. The Issuer's current credit approval and monitoring procedures focus on the borrower's cash flow and ability to repay in an effort to improve the quality of its loan assets and mitigate future allowances for loan losses (in addition the Statutory Eligibility Criteria require that no principal or interest instalment in respect of a Loan is in arrears at the time of inclusion in the Cover Pool for a period of one month or more and any Loans included in the Cover Pool no longer count towards the calculation of the relevant Statutory Tests if they are in arrears for a period of 90 days or more). However, the Issuer cannot guarantee that these credit approval and monitoring procedures will reduce the amount of provisions for loans that become non-performing in the future. In addition, the outlook remains unstable for the economy of Greece and SEE countries in the near future. This may result in adverse changes in the credit quality of 'Borrowers, with increasing delinquencies and defaults. Future provisions for non-performing loans could have a materially adverse effect on its operating results.

Deteriorating asset valuations resulting from poor market conditions may adversely affect the Issuer's future earnings

The economic slowdown caused by the economic crisis has resulted in an increase in non-performing loans and significant changes in the fair values of the Issuer's exposures. Severe market events, and further deteriorating macroeconomic conditions, could result in it incurring significant losses. Moreover, an increase in market volatility or adverse changes in the liquidity of the Issuer's assets could impair its ability to value certain of its assets and exposures. Valuations in future periods, reflecting then-prevailing market conditions,

may result in significant changes in the fair values of these assets and exposures. In addition, the value ultimately realized by the Issuer will depend on the fair value as determined at that time and may be materially different from the current or estimated fair value. Any of these factors could require the Issuer to recognise write-downs or realize impairment charges, any of which may adversely affect the Issuer's financial condition and results of operations.

The Issuer may incur significant losses on its trading and investment activities due to market fluctuations and volatility

The Issuer maintains trading and investment positions in debt, currency, equity and other markets. These positions could be adversely affected by volatility in financial and other markets, creating a risk of substantial losses. Volatility can also lead to losses relating to a broad range of other trading and hedging products the Issuer uses, including swaps, futures, options and structured products.

Security and insolvency considerations

In accordance with the Cypriot Covered Bond Law and, where relevant, the Greek Covered Bond Legislation and the laws of any other relevant Member State, by virtue of the Covered Bond Legislation, the Transaction Documents and pursuant to any Registration Statement, the relevant Cover Pool(s) and all cashflows derived therefrom (including any amounts standing to the credit of the Transaction Account) will be available both prior to and following the commencement of dissolution proceedings in respect of the Issuer to satisfy the obligations of the Issuer to the Covered Bondholders in respect of the relevant Cover Pool and the other Cover Pool Creditors in respect of that Cover Pool in priority to the Issuer's obligations to any other creditors, until the repayment in full of the Covered Bonds. In certain circumstances, including the occurrence of certain insolvency events in respect of the Issuer, the ability to realise any such security may be delayed and/or the value of the security impaired. There can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Covered Bondholders would not be adversely affected by the application of insolvency laws (including Cypriot and Greek insolvency laws). If, following the commencement of dissolution proceedings in respect of the Issuer, the Cover Pool Creditors have not received the full amount due to them pursuant to the terms of the Cypriot Covered Bond Law, where relevant, the Greek Covered Bond Legislation and the Transaction Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

The Issuer's hedging may not prevent losses

If any of the variety of instruments and strategies that the Issuer uses to hedge its exposure to various types of risk in its businesses is not effective, the Issuer may incur losses. Many of the Issuer's strategies are based on historical trading patterns and correlations. Unexpected market developments therefore may adversely affect the effectiveness of its hedging strategies. Moreover, the Issuer does not hedge all of its risk exposure in all market environments or against all types of risk. In addition, the manner in which gains and losses resulting from certain ineffective hedges are recorded may result in additional volatility in the Issuer's reported earnings.

An interruption in or a breach of security in the Issuer's information systems may result in lost business and other losses

The Issuer relies on communications and information systems provided by third parties to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in its customer relationship management, general ledger, deposit, and servicing and/or loan organisation systems. The Issuer cannot provide assurances that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures or interruptions could result in a loss of customer data and an inability to service the Issuer's customers, which could have a material adverse effect on the Issuer's reputation, financial condition and results of operations.

Factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme

The Covered Bonds may not be a suitable investment for all investors

Each potential investor in the Covered Bonds 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 Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Base Prospectus and any applicable supplement and/or Final Terms;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds 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 Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) 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.

In addition, an investment in Covered Bonds linked to other assets or bases of reference may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to these risks set out in "Risks relating to the structure of a particular issue of Covered Bonds".

Some Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the Covered Bonds

Limited description of the Cover Pools

Other than receipt of the Monthly Investor Report the Covered Bondholders will not receive detailed statistics or information in relation to the Loan Assets in each Cover Pool because it is expected that the constitution of the Cover Pools will frequently change due to, for instance:

- (vi) the Issuer assigning Additional Cover Pool Assets to a Cover Pool; and

- (vii) the Issuer removing Cover Pool Assets from a Cover Pool or substituting existing Cover Pool Assets in the Cover Pool with Additional Cover Pool Assets.

There is no assurance that the characteristics of the Loan Assets assigned to a Cover Pool on the relevant Issue Date will be the same as those Loan Assets in a Cover Pool as at any date thereafter. However, each Loan Asset will be required to meet the Eligibility Criteria. In addition, the Cover Pool Adequacy Criteria (and the Issuer's obligations to remedy breaches of the Cover Pool Adequacy Criteria) are intended to ensure that the Statutory Value of a Cover Pool is greater than the Principal Amount Outstanding of the Covered Bonds secured by that Cover Pool (although there is no assurance that it will do so) and the Covered Bond Monitor will submit the CBM Report to the Competent Authority (with a copy to the Issuer and the CBBA (if appointed), in each case, on a six-monthly basis (or such other time period as may be required by the Competent Authority). The CBM Report will set out (i) verification of the accuracy and completeness of information included in the Register; (ii) examination of the valuation process in relation to cover assets; (iii) compliance by the Issuer on an on-going basis with respect to the Cover Pool Adequacy Criteria; and (iv) examination of the entries into a removals from the Register.

Ratings of the Covered Bonds

The credit ratings assigned to the Covered Bonds (where applicable) address:

- (i) the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date; and
- (ii) the likelihood of ultimate payment of principal in relation to Covered Bonds on (a) the Final Maturity Date thereof, or (b) if the Covered Bonds are subject to an Extended Final Maturity Date in accordance with the applicable Final Terms, the Extended Final Maturity Date thereof.

The expected credit ratings of the Covered Bonds, if applicable, are set out in the relevant Final Terms for each Series of Covered Bonds. In addition to issuing Covered Bonds that are rated, the Issuer may also issue Covered Bonds which are unrated. A Rating Agency may lower its rating or withdraw its rating if, in the sole judgment of that Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any credit rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may reduce. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds.

Covered Bonds issued under the Programme

Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds or have different terms to an existing Series of Covered Bonds (in which case they will constitute a new Series). All Covered Bonds will rank *pari passu* and *pro rata* without any preference or priority among themselves, irrespective of their Series, except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Following the occurrence of an Event of Default and service by the Trustee of a Notice of Default, the Covered Bonds of all outstanding Series will become immediately due and payable against the Issuer.

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Covered Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Covered Bondholders including Covered Bondholders who did not attend and vote at the relevant meeting and Covered Bondholders who voted in a manner contrary to the majority.

The Trustee may agree to modifications to the Transaction Documents without the Covered Bondholders' or Cover Pool Creditors' prior consent

Pursuant to the terms of the Trust Deed, the Trustee may, without the consent or sanction of any of the Covered Bondholders or any of the other Cover Pool Creditors concur with the Issuer or any person in making or sanctioning any modification to the Transaction Documents and the Conditions:

- (i) provided that the Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of any of the Covered Bondholders; or
- (ii) which in the sole opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of law.

Rating Agency Confirmation means, a confirmation (or, in the case of Moody's, affirmation) in writing by the relevant Rating Agency (as applicable) that the then current ratings of the Covered Bonds will not be adversely affected by or withdrawn as a result of the relevant event or matter provided that if: (a) a confirmation or affirmation of rating or other response by a Rating Agency is a condition to any action or step under any Transaction Document; and (b) a written request for such confirmation affirmation or response is delivered to that Rating Agency by any of the Issuer, the Covered Bond Monitor, the CBBA, the Trustee, as applicable (each a **Requesting Party**) and one or more of the Rating Agencies (each a **Non-Responsive Rating Agency**) indicates that it does not consider such confirmation, affirmation or response necessary in the circumstances, the Requesting Party shall be entitled to disregard the requirement for a confirmation or affirmation of rating or other response by each Non-Responsive Rating Agency and proceed on the basis of the confirmations or affirmations of rating or other responses received by each other Rating Agency or, if all the Rating Agencies indicate that they do not consider such confirmation, affirmation or response necessary in the circumstances, on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request. If a Rating Agency does not respond to a written request for a confirmation or affirmation such non response shall not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step or any deemed indication that it does not consider such confirmation, affirmation or response necessary in the circumstances, provided that in the event of a non-response from all Rating Agencies, the Requesting Party will be entitled to proceed on the basis that such confirmation or affirmation of rating or other response by a Rating Agency is not required in the particular circumstances of the request. However, nothing herein shall in any way affect the right of a Rating Agency to downgrade or withdraw its then current ratings of the Covered Bonds in a manner as it sees fit.

Certain decisions of Covered Bondholders taken at Programme level

Any Extraordinary Resolution to direct the Trustee to take any enforcement action must be passed at a single meeting of the holders of all Covered Bonds of all Series then outstanding.

Absence of secondary market

There is not, at present, an active and liquid secondary market for the Covered Bonds, and no assurance is provided that a secondary market for the Covered Bonds will re-emerge. The Arrangers are not obliged to and do not intend to make a market for the Covered Bonds. None of the Covered Bonds has been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth under "Subscription and Sale" and "Transfer and Selling Restrictions". If a secondary market does re-emerge, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield.

In addition, Covered Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Covered Bonds. As a result of the current liquidity crisis, there exist significant additional risks to the Issuer and the investors which may affect the returns on the Covered Bonds to investors.

In addition, the current liquidity crisis has stalled the primary market for a number of financial products including instruments similar to the Covered Bonds. While it is possible that the current liquidity crisis may soon alleviate for certain sectors of the global credit markets, there can be no assurance that the market for securities similar to the Covered Bonds will recover at the same time or to the same degree as such other recovering global credit market sectors.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Covered Bonds not in physical form

Unless the Global Covered Bonds are exchanged for bearer Definitive Covered Bonds, respectively, which exchange will only occur in the limited circumstances following the occurrence of an Exchange Event, the beneficial ownership of the Covered Bonds will be recorded in book-entry form only with Euroclear and Clearstream, Luxembourg. The fact that the Covered Bonds are not represented in physical form could, among other things:

- result in payment delays on the Covered Bonds because distributions on the Covered Bonds will be sent by or on behalf of the Issuer to Euroclear, Clearstream, Luxembourg instead of directly to Covered Bondholders;
- make it difficult for Covered Bondholders to pledge the Covered Bonds as security if Covered Bonds in physical form are required or necessary for such purposes; and
- hinder the ability of Covered Bondholders to resell the Covered Bonds because some investors may be unwilling to buy Covered Bonds that are not in physical form.

Risks related to Cypriot law

Cypriot insolvency proceedings

If insolvency proceedings were commenced against the Issuer in Cyprus, a receiver would be appointed over the Issuer in Cyprus. However, this would not affect the ability of the CBBA to undertake the servicing functions of the Issuer in relation to the Cover Pools and/or to take action on behalf of the Cover Pool Creditors. In relation to a winding up of the Issuer, Cypriot law Banking (Amendment) Law 151 (I) /2004 incorporated Directive 2001/24/EC of the European Parliament and of the Council of April 2001 on the reorganisation and winding up of credit institutions (the **Credit Institutions Insolvency Directive**) into Cypriot law in April 2004. The Credit Institutions Insolvency Directive applies to credit institutions and their branches set up in Member States other than those in which they have their head offices, as defined in Directive 2000/12/EC, subject to the conditions and exemptions laid down in the Credit Institutions

Insolvency Directive. Only the administrative or judicial authorities of the home member state which are responsible for winding up are empowered to decide on the opening of winding up.

Risks related to the structure of a particular issue of Covered Bonds

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Cover Pools

The Issuer may create multiple Cover Pools. The Covered Bondholders and the other Cover Pool Creditors shall have recourse to the relevant Cover Pool specified in the relevant Final Terms (or any subsequent amendment to the terms and conditions of the relevant Series). However, the Covered Bondholders and the other Cover Pool Creditors will not have recourse to any Cover Pool which is not specified in the relevant Final Terms.

Extendable obligations under the Covered Bonds

Unless specified otherwise in the Final Terms or previously redeemed as provided in the Conditions, the Covered Bonds of each Series will be redeemed at their Principal Amount Outstanding on the relevant Final Maturity Date. If the Covered Bonds are not redeemed in full on the relevant Final Maturity Date or (as described below) where the Covered Bonds are subject to an Extended Final Maturity Date, on the relevant Extended Final Maturity Date, then the Trustee may serve a Notice of Default on the Issuer pursuant to the Conditions. Following the service of a Notice of Default: (a) any Covered Bond which has not been redeemed on or prior to its Final Maturity Date or, as applicable, Extended Final Maturity Date shall remain outstanding at its Principal Amount Outstanding, until the date on which such Covered Bond is cancelled or redeemed; and (b) interest shall continue to accrue on any Covered Bond which has not been redeemed on its Final Maturity Date or, as applicable, Extended Final Maturity Date and any payments of interest or principal in respect of such Covered Bond shall be made in accordance with the relevant Priority of Payments until the date on which such Covered Bond is cancelled or redeemed.

The applicable Final Terms may provide that the Issuer's obligations under the relevant Covered Bonds to pay the Principal Amount Outstanding on the relevant Final Maturity Date may be deferred past the Final Maturity Date until the Extended Final Maturity Date (as specified in the Final Terms) (such date the **Extended Final Maturity Date**). In such case, such deferral will occur automatically if the Issuer fails to pay any amount representing the amount due on the Final Maturity Date as set out in the Final Terms (the **Final Redemption Amount**) in respect of the relevant Series of Covered Bonds on their Final Maturity Date provided that, any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date thereafter up to (and including) the relevant Extended Final Maturity Date. Interest will continue to accrue and be payable on any unpaid amounts on each Interest Payment Date up to the Extended Final Maturity Date in accordance with the Conditions and the Issuer will make payments on each relevant Interest Payment Date and Extended Final Maturity Date.

Covered Bonds where denominations involve integral multiples: definitive Covered Bonds

In relation to any issue of Covered Bonds that have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Covered Bondholder who, as a result of trading such amounts, holds an amount which (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be

printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to a Specified Denomination.

If definitive Covered Bonds are issued, Covered Bondholders should be aware that definitive Covered Bonds that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Covered Bonds subject to optional redemption by the Issuer

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index-Linked Covered Bonds, Dual Currency Interest Covered Bonds and other Variable Interest Covered Bonds

The Issuer may issue Covered Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Covered Bonds with principal or interest payable in one or more currencies which may be different from the currency in which the Covered Bonds are denominated. Potential investors should be aware that:

- (i) the market price of such Covered Bonds may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Covered Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Covered Bonds, Dual Currency Interest Covered Bonds or other Variable Linked Covered Bonds (as the case may be). Accordingly, an investor should consult its own financial, tax and legal advisers about the risk entailed by an investment in any Index Linked Interest

Covered Bonds, Dual Currency Interest Covered Bonds or other Variable Interest Covered Bonds (as the case may be) and the suitability of such Covered Bonds in light of their particular circumstances.

Partly-paid Covered Bonds

The Issuer may issue Covered Bonds where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Fixed/Floating Rate Covered Bonds

Fixed/Floating Rate Covered Bonds may bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

Covered Bonds issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

General risk factors

Suspension of Enforcement Proceedings

There are various provisions of Greek law which could result in enforcement proceedings against a Borrower in Greece being delayed or suspended. Enforcement proceedings are usually commenced against a Borrower in respect of a Loan once it becomes 90 days in arrears, at which point the Loan is terminated. An order of payment is obtained from the Judge of the competent Court of First Instance following service of the notice of termination of the Loan on the Borrower and non-payment by that Borrower. Enforcement is commenced by service of the order for payment and a demand to pay on such Borrower, with the ultimate target being the collection of the proceeds of the auction of the relevant property securing the Loan. See for further details "*The Mortgage Market in Greece - Enforcing Security*" below.

However, a Greek Borrower may delay enforcement against the relevant property by contesting the order for payment and/or the procedure for enforcement which in turn will delay the receipt of proceeds from an enforcement against the property by the Issuer after the relevant Loan has been terminated. A Borrower can file a petition of annulment against the order for payment pursuant to Articles 632-633 of the Greek Civil Procedure Code (an **Article 632-633 Annulment Petition**) with the relevant Court of First Instance within 15 business days after service of the order for payment contesting the substantive or procedural validity of the order of payment. If the Borrower fails to contest the order for payment, the order may be served again on the Borrower and a further ten business days are available to the Borrower to file an Article 632-633 Annulment Petition. The order for payment will be final either if both terms of 15 and 10 business days elapse or if the Court of Appeal rejects the Article 632-633 Annulment Petition.

The filing of an Article 632-633 Annulment Petition entitles the Borrower to file a petition for suspension of the enforcement against the relevant property pursuant to Article 632 of the Greek Civil Procedure Code (an **Article 632 Suspension Petition**). Upon filing an Article 632 Suspension Petition, enforcement

procedures may be suspended until the hearing of the Article 632 Suspension Petition, which takes place approximately one to two months after the Article 632 Suspension Petition has been filed. Following the issue of a decision in relation to the hearing of the Article 632 Suspension Petition (which itself can take up to approximately two months to be issued), enforcement may be suspended until the Court of First Instance has issued an official decision in respect of the Article 632-633 Annulment Petition. This can take up to approximately 20 months after the decision in respect of the Article 632 Suspension Petition. In some cases suspension of enforcement may be granted until the Court of Appeal reaches a final decision which means an additional delay in enforcement of approximately 12 months. The procedure can take up to approximately four and a half years from the issue of a decision in relation to the Article 632 Suspension Petition if the Borrower requests adjournments of the hearings for the Article 632-633 Annulment Petition before the Court of First Instance and Court of Appeal, up until the decision of the latter.

The Borrower may also file with the relevant Court of First Instance a petition for the annulment of certain actions of the foreclosure proceedings based on reasons pertaining to both the validity of the order of payment and to procedural irregularities (an **Article 933 Annulment Petition**) pursuant to Article 933 of the Greek Civil Procedure Code. Both Annulment Petitions may be filed either concurrently or consecutively, but it should be noted that the Article 632-633 and Article 933 Annulment Petitions may not be based on reasons pertaining to the validity of the order for payment, once the order for payment has become final as mentioned above. The time for the filing of an Article 933 Annulment Petition varies depending on the foreclosure action that is contested.

The filing of an Article 933 Annulment Petition entitles the Borrower to file a petition for the suspension of the enforcement until the decision of the Court of First Instance on the annulment motion is issued pursuant to Article 938 of the Greek Civil Procedure Code (an **Article 938 Suspension Petition**). Again, foreclosure proceedings may be suspended until the hearing of the Article 938 Suspension Petition, which, in a normal case where the Borrower seeks the suspension of the auction, takes place five days prior to the auction and the relevant decision is issued two days prior to the auction. It should nevertheless be noted that such suspension is more difficult to obtain if the Court has already rejected a suspension requested for similar reasons under Article 632. However, it is to be noted that the initial auction price cannot be less than the taxable ("objective") value of the property (set out in accordance with Articles 41 and 41a of Greek Law 1249/1982) pursuant to the Greek Law 3714/2008, Article 2.

The Borrower may seek the postponement of the auction by alleging that the value of the property has been underestimated by the enforcing party or that the fixed first offer is too low. Furthermore, suspension of the auction for up to six months may be sought by the Borrower, on the grounds that there is a good chance of the Borrower being able to satisfy the enforcing party or that, following the suspension period, a better offer would be received at auction.

Once the allocation of proceeds amongst the creditors of the Borrower has been determined pursuant to a deed issued by a notary public, the creditors of the Borrower may dispute the allocation and file a petition contesting the deed. The Court of First Instance will adjudicate the matter but the relevant creditor is entitled to appeal against the decision to the Court of Appeal. This procedure may delay the collection of proceeds for up to two and a half years. This can further delay the time at which the Issuer finally receives the proceeds of the enforcement of the relevant property. However, the law provides that a bank is entitled to the payment of its claim even if its allocation priority is subject to a challenge, provided that the bank provides a guarantee securing repayment of the money in the event that such challenge is upheld. In addition, there is a period of mandatory suspension for all enforcement procedures between 1 and 31 August of each year, except for auctions, which cannot be conducted between 1 August and 15 September of each year. Finally, pursuant to a Legislative Decree issued on 16 September 2009 (published in the Government Gazette No. A/181/16-9-2009) all auctions for claims of credit institutions, credit companies or their assignees not exceeding €200,000 were suspended until 31 December 2009. This suspension has now been extended to 30 June 2011 pursuant to Legislative Decree issued on 4 January 2011, as ratified by Greek Law 3949/2011.

Greek Legislation relating to rescheduling of debts of distressed debtors

Greek Law 3869/2010 was passed by the Greek Parliament on 28 July 2010 aiming to introduce legal provisions for the rescheduling of due and payable obligations of insolvent non-business individuals. The law provides for out-of-court and judicial procedures aiming to enable such individuals to develop a plan to repay their overdue debts in the course of time. Should these procedures fail, their debts may be rescheduled by the court (by way of monthly repayments to all creditors for a period of up to 4 years), to the extent that income and other assets and the personal situation of the debtor are such that the debtor is in a position to meet the rescheduled payments. In extreme circumstances, such as long-term unemployment, severe health problems etc., an individual may not be required to make any payments to debtors, but in such a case the court would re-examine on a regular basis (not less than 5 months) whether those circumstances continue to apply. If the debtor has assets that may be liquidated for the purposes of paying off its overdue debt, such liquidation is undertaken by a liquidator appointed by the court or the majority of the individual's creditors. The court may exempt the main residence of the debtor from such liquidation, provided that the property's value does not exceed 150% of the threshold for tax exemptions re the acquisition of main residence (that is set from time to time in accordance with Greek income tax laws); in such case the court may reschedule the aggregate debt to 85% of the commercial value of the property (pursuant to valuations made by the court) and/or may impose a payment holiday; capitalisation of interest is forbidden, whilst the interest rate is capped at the contractual interest rate applied for the respective debt or the average floating rate for mortgage loans, adjusted by the applicable ECB interest rate. Amortising instalments may be payable for a period of up to 20 years. Holders of mortgages or prenotations of mortgage are satisfied preferentially by the proceeds of the liquidation of the mortgaged property. Finally, the rescheduling plan can be terminated only if the debtor fails to pay at least 4 consecutive monthly instalments.

The submission of a request to reschedule (before the competent court) by the debtor does not suspend enforcement; however the debtor may request (and obtain) suspension of enforcement until the issuance of the court's final ruling on the request; the suspension is coupled with an automatic restriction for the debtor to dispose his assets.

Cypriot Covered Bond Legislation

The Covered Bond Legislation came into force on 23 December 2010. The transactions contemplated in this Base Prospectus are based on and subject to the provisions of the Cypriot Covered Bond Legislation. So far as the Issuer is aware, as at the date of this Base Prospectus there have been a very small number of similar issues of securities based upon the Cypriot Covered Bond Legislation but there has been no judicial authority as to the interpretation of any of the provisions of the Cypriot Covered Bond Legislation. For further information on the Cypriot Covered Bond Legislation, see Summary of the Cypriot Covered Bond Legislation. There are a number of aspects of Cypriot law which are referred to in this Base Prospectus with which potential Covered Bondholders are likely to be unfamiliar. Particular attention should be paid to the sections of this Base Prospectus containing such references.

Greek Covered Bond Legislation

The Greek Covered Bond Legislation came into force on 1 August 2007 and was amended on 25 August 2008 and on 16 February 2009. The transactions contemplated in this Base Prospectus are based on and subject to the provisions of the Greek Covered Bond Legislation to the extent of the creation of the Greek Statutory Charge. So far as the Issuer is aware, as at the date of this Base Prospectus there have been a number of similar issues of securities based upon the Greek Covered Bond Legislation but there has been no judicial authority as to the interpretation of any of the provisions of the Greek Covered Bond Legislation. For further information on the relevant provisions of the Greek Covered Bond Legislation, see Summary of the Greek Statutory Charge. There are a number of aspects of Greek law which are referred to in this Base Prospectus with which potential Covered Bondholders are likely to be unfamiliar. Particular attention should be paid to the sections of this Base Prospectus containing such references.

EU Savings Directive

Under EU Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, each Member State of the European Union, including Belgium from January 2010 is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non European Union countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). If a payment were to be made or collected through a Member State of the European Union which has opted for a withholding system and an amount of or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to the Directive.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

Cyprus has transposed the said Directive into its legislation by virtue of the provisions of the Assessment and Collection of Taxes (Amendment) Law 146(I) of 2004. Pursuant to this law, the Council of Ministers issued the Assessment and Collection of Taxes (Provision of Information Regarding Interest Payments) Regulations of 2005. These regulations impose Directive standards on economic operators making EU cross-border savings interest payments to individuals resident in (i) other EU Member States, (ii) certain associated or dependant territories of EU Member States, (iii) certain other States with which the European Union has concluded relevant agreements, such as automatic reporting to the tax authorities of the other EU Member States of (a) the individual's identity and permanent address, (b) the name and address of the paying agent and (c) bank account details.

Changes of law

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on English, Cypriot and Greek law, respectively, in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English, Cypriot or Greek law or administrative practice in the U.K., Cyprus or Greece after the date of this Base Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the audited consolidated annual financial statements of the Issuer for the financial years ended 2009 and 2010 together, in each case, with the audit report thereon, which have been previously published or are published simultaneously with this Base Prospectus and which have been filed with the CSSF. Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Base Prospectus may be obtained from (i) the registered office of the Bank, and/or (ii) the website of the Luxembourg Stock Exchange (www.bourse.lu).

The table below sets out the relevant page references for the audited consolidated annual financial statements for the financial years ended 2009 and 2010 as set out in the Issuer's Annual Report 2009 and 2010. Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only, and does not form part of this Base Prospectus.

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PROSPECTUS SUPPLEMENT

If at any time the Issuer shall be required to prepare a prospectus supplement pursuant to Article 13 of the Luxembourg Act, the Issuer will prepare and make available an appropriate supplement to this Base Prospectus or a further Base Prospectus which shall be approved by the CSSF and which, in respect of any subsequent issue of Covered Bonds to be listed on the Official List and admitted to trading on the Luxembourg Stock Exchange Regulated Market, shall constitute a supplement to the base prospectus as required by Article 13 of the Luxembourg Act.

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Covered Bonds and whose inclusion in this Base Prospectus or removal is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Covered Bonds, the Issuer shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Covered Bonds and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

TERMS AND CONDITIONS OF THE COVERED BONDS

The following are the Terms and Conditions of the Covered Bonds. The applicable Final Terms in relation to any Series of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, modify the following Terms and Conditions for the purpose of such Covered Bonds. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond. Reference should be made to "Form of the Covered Bonds" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Covered Bonds.

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Bank of Cyprus Public Company Limited (the **Issuer**) pursuant to the Trust Deed and the Covered Bond Legislation (as defined below).

References herein to the Covered Bonds shall be references to the Covered Bonds of this Series and shall mean:

- (a) in relation to any Covered Bonds represented by a global Covered Bond (a **Global Covered Bond**), units of the lowest denomination specified in the relevant Final Terms (**Specified Denomination**) in the currency specified in the relevant Final Terms (**Specified Currency**);
- (b) any Global Covered Bond; and
- (c) any definitive Covered Bonds (each a **Definitive Covered Bond**) issued in exchange for a Global Covered Bond.

The Covered Bonds, the Receipts and the Coupons are constituted by a trust deed (such trust deed as amended and/or supplemented and/or restated from time to time, the **Trust Deed**) dated the Programme Closing Date and made between, *inter alios*, the Issuer and BNY Mellon Corporate Trustee Services Limited (the **Trustee**, which expression includes the trustee or trustees for the time being of the Trust Deed) as trustee for the Covered Bondholders. The Trustee and each of the other Cover Pool Creditors shall be, for the avoidance of doubt, a "cover pool creditor" in accordance with paragraph (g) of the definition of "covered pool creditor" as set out in Section 2(1) of the Cypriot Covered Bond Law.

The Covered Bonds, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated the Programme Closing Date and made between, *inter alios*, the Issuer, The Bank of New York Mellon as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent), the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing Definitive Covered Bonds have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Covered Bonds repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Covered Bonds do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Covered Bond which supplement these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, modify the Conditions for the purposes of this Covered Bond.

References to the applicable Final Terms are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond.

Any reference to Covered Bondholders or holders in relation to any Covered Bonds shall mean the holders of the Covered Bonds and shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Series** means a tranche of Covered Bonds together with any further tranche or tranches of Covered Bonds which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Principal Paying Agent and copies may be obtained from those offices save that, if this Covered Bond is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Covered Bondholder holding one or more Covered Bonds and such Covered Bondholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Covered Bonds and identity. The Covered Bondholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the applicable Final Terms and/or the master definitions and construction schedule made between the parties to the Transaction Documents on or about the Programme Closing Date (the **Master Definitions and Construction Schedule**), a copy of each of which may be obtained as described above.

1. Form, Denomination and Title

The Covered Bonds are in bearer form and, in the case of Definitive Covered Bonds, serially numbered, in the Specified Currency and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond, a Zero Coupon Covered Bond, an Index Linked Interest Covered Bond, a Dual Currency Interest Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Covered Bond may be an Instalment Covered Bond or a Partly Paid Covered Bond, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

The Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Final Terms save that the minimum denomination of each Covered Bond will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as is required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

It is a condition precedent to the issuance of a new Series of Covered Bonds that (A) pursuant to the Covered Bond Legislation, the Covered Bond Monitor has verified that the Issuer as at the date of issuance (i) satisfies all requirements for registration as an approved institution pursuant to Part II of the Cypriot Covered Bond Law; (ii) complies with all provisions of the Covered Bond Legislation with respect to any outstanding Series of Covered Bonds (iii) complies with the requirements of Article 11 of the Covered Bond Directive and (iv) complies with the provisions of Sections 14(1)(d) and (e) of the Cypriot Covered Bond Law; and (B) where the applicable Series of Covered Bonds is to be rated, the Rating Agencies have been notified of such issuance. For the avoidance of doubt, to the extent the Issuer is subject to dissolution proceedings it will not be compliant with the provisions of Part II of the Cypriot Covered Bond Law and therefore would be prohibited from issuing further Series of Covered Bonds. Definitive Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds in which case references to Coupons and Couponholders in these Conditions are not applicable. Definitive Covered Bonds are issued with Receipts, only in respect of Instalment Covered Bonds, and references to Receipts and Receiptholders in these Conditions are only applicable to such Covered Bonds.

Subject as set out below, title to the Covered Bonds, Receipts and Coupons will pass by delivery. The Issuer, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Covered Bond, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Covered Bonds are represented by a Global Covered Bond held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or printout of electronic records provided by the relevant clearing system (including, without limitation, Euroclear's EUCLID or Clearstream's Creation Online system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) shall be treated by the Issuer, the Paying Agents and the Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Covered Bonds, for which purpose the bearer of the relevant Global Covered Bond shall be treated by the Issuer, any Paying Agent and the Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expressions **Covered Bondholder** and **holder of Covered Bonds** and related expressions shall be construed accordingly.

Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

2. Status of the Covered Bonds

Status

The Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer secured by the Cypriot Statutory Charge and/or Greek Statutory Charge as the case may be and together with, where applicable, any other security documents. They are issued in accordance with Cypriot Covered Bond Legislation and are backed by the assets of the Cover Pool specified in the Final Terms in respect of a Series of Covered Bonds. They will at all times rank *pari passu* without any preference among themselves with all other outstanding unsubordinated obligations of the Issuer that have been provided with equivalent priority of claim to the relevant Cover Pool.

3. Priorities of Payments

Prior to the delivery of a Notice of Default, the Issuer shall apply (i) all Covered Bonds Available Funds in respect of a Cover Pool (which funds shall include all amounts standing to the credit of the relevant Transaction Account) and (ii) to the extent the Covered Bonds Available Funds are insufficient to satisfy all amounts set out in the Pre-Event of Default Priority of Payments any other funds available to the Issuer on each Cover Pool Payment Date in making the following payments and provisions in the following order of priority (the **Pre-Event of Default Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first, pari passu and pro rata* according to the respective amounts thereof, in or towards satisfaction of all amounts then due and payable or to become due and payable prior to the next Cover Pool Payment Date to the Trustee or any Appointee (including remuneration or amounts by way of indemnity payable to it) under the provisions of the Trust Deed or any other Transaction Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein and any additional fees, costs, expenses and taxes due and payable on the Cover Pool Payment Date or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date to fund any notice to be given to any parties in accordance with any of the Transaction Documents or to the Covered Bondholders;
- (ii) *then*, to pay all amounts due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments), to any Cover Pool Creditors other than the Covered Bondholders and with the exception of any amount due to be paid, or that will become due and payable prior to the next Cover Pool Payment Date, to the Hedging Counterparties under the Hedging Agreements;
- (iii) *then, pari passu and pro rata*, according to the respective amounts thereof (a) to pay all amounts of interest due and payable on the Covered Bonds on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date or are otherwise required to be provisioned for with respect to the relevant Liquidity Tests on any Covered Bonds and (b) to pay any amounts due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date under any Hedging Agreement other than Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements;
- (iv) *then*, to pay all amounts of principal due and payable on the Covered Bonds on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date or are otherwise required to be provisioned for

with respect to the relevant Liquidity Tests (if any) on any Covered Bonds;

- (v) *then*, to pay *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable on the Cover Pool Payment Date, or to provide for all such amounts that will become due and payable prior to the next Cover Pool Payment Date to any Hedging Counterparties arising out of any Subordinated Termination Payment; and
- (vi) *finally*, for so long as the Issuer is in compliance with the Cover Pool Adequacy Criteria, to pay any excess to the Issuer and, for so long as the Issuer is not in compliance with the Cover Pool Adequacy Criteria, shall be: (a) utilised for the creation or acquisition of Cover Pool Assets; or (b) deposited in the relevant Transaction Account to the extent not utilised with respect to (a) above.

Any amounts held in the relevant Transaction Account pursuant to item (vi)(b) above may be used at any time for the purposes of acquiring or creating new assets in the relevant Cover Pool.

Subordinated Termination Payment means, subject as set out below, any termination payments due and payable to any Hedging Counterparty under a Hedging Agreement where such termination results from (a) an Additional Termination Event "*Ratings Event*" as specified in the schedule to the relevant Hedging Agreement, (b) the bankruptcy of the relevant Hedging Counterparty, or (c) any default and/or failure to perform by such Hedging Counterparty under the relevant Hedging Agreement, other than, in the event of (a) or (b) above, the amount of any termination payment due and payable to such Hedging Counterparty in relation to the termination of such transaction to the extent of any premium received by the Issuer from a replacement hedging counterparty.

Following delivery of a Notice of Default, all Covered Bonds Available Funds with respect to a particular Cover Pool shall be applied on any Business Day in making the following payments and provisions in the following order of priority (the **Post-Event of Default Priority of Payments**) (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, in or towards satisfaction of all amounts then due and payable to the Trustee or any Appointee (including remuneration or amounts by way of indemnity payable to it) under the provisions of the Trust Deed or any other Transaction Document together with interest and applicable VAT (or other similar taxes) thereon to the extent provided therein;
- (ii) *then*, *pari passu* and *pro rata* according to the respective amounts thereof to pay any additional fees, costs, expenses and taxes due and payable to fund any notice to be given to any parties in accordance with any of the Transaction Documents or to the Covered Bondholders;
- (iii) *then*, *pari passu* and *pro rata* according to the respective amounts thereof to pay all amounts due and payable (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments), to any Cover Pool Creditors other than the Covered Bondholders and with the exception of any amount due to be paid to the Hedging Counterparties under the Hedging Agreements;
- (iv) *then*, *pari passu* and *pro rata*, according to the respective amounts thereof (a) to pay all amounts of interest and principal then due and payable on any Covered Bonds and (b) to pay any amounts then due and payable, under any Hedging Agreement other than Subordinated Termination Payments to any Hedging Counterparties under any such Hedging Agreements;
- (v) *then*, to pay *pari passu* and *pro rata*, according to the respective amounts thereof, any amount then due and payable on the Cover Pool Payment Date to any Hedging

Counterparties arising out of any Subordinated Termination Payment; and

(vi) *finally*, once all Covered Bonds have been redeemed, to pay any excess to the Issuer.

Where the Issuer is subject to dissolution proceedings and a Cover Pool is sold or otherwise disposed of in its entirety, all proceeds of such disposal (the **Cover Pool Disposal Proceeds**) shall be applied on any Business Day in accordance with the order of priority of payments (the **Cover Pool Disposal Priority of Payments** and, together with the Pre-Event of Default Priority of Payments and the **Post-Event of Default Priority of Payments**, the **Priorities of Payments** and, each of them a **Priority of Payments**) provided in Sections 43 to 45 (inclusive) of the Cypriot Covered Bond Law provided that such amounts will be distributed first, *pari passu* and *pro rata*, towards payment of all amounts due and payable to any Covered Bond Business Administrator and the Covered Bond Monitor (provided that all amounts due and payable to the Trustee (a) in respect of activities, services or other matters performed at the behest, or with the consent, of the Covered Bond Business Administrator and/or the Competent Authority or (b) resulting from or in connection with the holding of any meetings of Covered Bondholders or (c) resulting from or related to any actions taken or to be taken pursuant to resolutions passed at such meetings (provided that the amounts due and payable to the Trustee in respect of such actions have been approved by the Covered Bondholders at any such meetings) will be treated as amounts due and payable to the Covered Bond Business Administrator and be paid at this level of priority).

4. Interest

4.1 Interest on Fixed Rate Covered Bonds

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable, subject as provided in these Conditions, in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on but excluding such date (**Fixed Coupon Amount**). Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the broken amount specified in the relevant Final Terms (the **Broken Amount**) so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

4.2 Floating Rate Covered Bond and Variable Interest Covered Bond Provisions

(a) Interest on Payment Dates

Each Floating Rate Covered Bond and Variable Interest Covered Bond bears interest on its Principal Amount Outstanding (subject to Condition 4.5 (*Partly-Paid Covered Bond Provisions*)) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the **Specified Period** in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, the expression **Interest Period** shall mean the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds and Variable Interest Covered Bonds will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Covered Bonds

Where **ISDA Determination** is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Principal Paying Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Series of the Covered Bonds (the **ISDA Definitions**), and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is the period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (I) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (II) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), (1) **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date** have the meanings given to those terms in the ISDA Definitions and (2) **Euro-zone** means the region comprising the member states of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

When this subparagraph (i) applies, in respect of each relevant Interest Period the Principal Paying Agent or the above-mentioned person will be deemed to have discharged its obligations under Condition 4.2(d) below in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this subparagraph (i).

(ii) Screen Rate Determination for Floating Rate Covered Bonds

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this subparagraph (ii) in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the applicable Final Terms.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms for a Floating Rate Covered Bond or a Variable Interest Covered Bond specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms for a Floating Rate Covered Bond or a Variable Interest Covered Bond specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Covered Bonds, and the Calculation Agent, in the case of Variable Interest Covered Bonds, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Variable Interest Covered Bonds, the Calculation Agent will notify the

Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Covered Bonds or Variable Interest Covered Bonds for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Covered Bonds or Variable Interest Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bond (or, if they are Partly Paid Covered Bonds, the aggregate amount paid up); or
- (ii) in the case of Floating Rate Covered Bonds or Variable Interest Covered Bonds in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Covered Bond or a Variable Interest Covered Bond in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Covered Bond shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(e) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds or Variable Interest Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing or trading and to be published in accordance with Condition 15 (*Notices*) as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 4.7) thereafter and in the case of any notification to be given to the Luxembourg Stock Exchange on or before the first Business Day of each Interest Period. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified by the Principal Paying Agent or the Issuer to the Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds or Variable Interest Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing or trading and to Covered Bondholders in accordance with Condition 15 (*Notices*).

(f) Determination or Calculation by Trustee

If for any reason at any relevant time after the Issue Date, the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph 4.2(b)(i) or 4.2(b)(ii) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph 4.2(d) above, the Trustee may determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it may think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee may calculate the Interest

Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). If such determination or calculation is made the Trustee shall as soon as reasonably practicable notify the Issuer and the Stock Exchange of such determination or calculation and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as the case may be.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2, whether by the Principal Paying Agent, the Calculation Agent or the Trustee shall (in the absence of wilful default or manifest error) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, the other Paying Agents, the Trustee and all Covered Bondholders, Receiptholders and Couponholders and (in the absence of wilful default, gross negligence, bad faith or fraud) no liability to the Issuer the Covered Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Interest on Zero Coupon Covered Bonds

Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount and will not bear interest. When a Zero Coupon Covered Bond becomes repayable prior to its Maturity Date it will be redeemed at the Early Redemption Amount calculated in accordance with Condition 6.5 (*Early Redemption Amounts*). In the case of late payment the amount due and repayable shall be calculated in accordance with Condition 6.9 (*Late Payment*).

4.4 Dual Currency Interest Covered Bond Provisions

In the case of Dual Currency Interest Covered Bonds where the rate or amount of interest fails to be determined by reference to an exchange rate, the rate or amount of interest shall be determined in the manner specified in the applicable Final Terms.

4.5 Partly-Paid Covered Bond Provisions

In the case of Partly-Paid Covered Bonds (other than Partly-Paid Covered Bonds which are Zero Coupon Covered Bonds), interest will accrue on the paid up nominal amount of such Covered Bonds or as otherwise specified in the applicable Final Terms.

4.6 Accrual of interest

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event, interest will continue to accrue as provided in Condition 6.9 (*Late Payment*).

4.7 Business Day, Business Day Convention, Day Count Fractions and other adjustments

(a) In these Conditions, **Business Day** means:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency

deposits) in London, Nicosia and Athens and any Additional Business Centre specified in the applicable Final Terms; and

- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) or as otherwise specified in the applicable Final Terms or (B) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (**TARGET2**) System (the **TARGET2 System**) is open.
- (b) If a **Business Day Convention** is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:
- (i) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii), the **Floating Rate Convention**, such Interest Payment Date (1) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (II) below shall apply mutatis mutandis, or (2) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (I) such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and (II) each subsequent Interest Payment Date shall be the last Business Day in the month which falls within the Specified Period after the preceding applicable Interest Payment Date occurred; or
 - (ii) the **Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
 - (iii) the **Modified Following Business Day Convention**, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
 - (iv) the **Preceding Business Day Convention**, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.
- (c) **Day Count Fraction** means, in respect of the calculation of an amount of interest for any Interest Period:
- (i) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
 - (A) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period (as defined in Condition 4.7(e)) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of (I) the

number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and (II) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

- (ii) if **Actual/Actual** or **Actual/Actual (ISDA)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366, and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (iii) if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iv) if **Actual/365 (Sterling)** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (v) if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (vi) if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y^2 - Y^1)] + [30x(M^2 - M^1)] + (D^2 - D^1)}{360}$$

where:

"Y¹" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y²" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M¹" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M²" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D¹" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D¹ will be 30; and

"D²" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D¹ is greater than 29, in which case D² will be 30;

- (vii) if **30E/360** or **Eurobond Basis** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y^2 - Y^1)] + [30x(M^2 - M^1)] + (D^2 - D^1)}{360}$$

where:

"Y¹" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y²" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M¹" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M²" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D¹" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D¹ will be 30; and

"D²" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D² will be 30;

- (viii) if **30E/360 (ISDA)** is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y^2 - Y^1)] + [30x(M^2 - M^1)] + (D^2 - D^1)}{360}$$

where:

"Y¹" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y²" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M¹" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M²" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D¹" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D¹ will be 30; and

"D²" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Final Maturity Date or (ii) such number would be 31 and D² will be 30; or

such **other** Day Count Fraction as may be specified in the applicable Final Terms.

- (d) **Determination Date** has the meaning given in the applicable Final Terms.

- (e) **Determination Period** means each period from (and including) a Determination Date to (but **excluding**) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).
- (f) **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.
- (g) **Interest Commencement Date** means in the case of interest-bearing Covered Bonds, the date specified in the applicable Final Terms from (and including) which the relevant Covered Bonds will accrue interest.
- (h) **Interest Payment Date** means, in respect of Fixed Rate Covered Bonds, the meaning given in the applicable Final Terms and in respect of Floating Rate Covered Bonds and Variable Interest Covered Bonds, the meaning given in Condition 4.2, together the **Interest Payment Dates**.
- (i) **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.
- (j) **Principal Amount Outstanding** means in respect of a Covered Bond on any day the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof on or prior to that day provided that the Principal Amount Outstanding in respect of a Covered Bond that has been purchased and cancelled by the Issuer shall be zero.
- (k) If **adjusted** is specified in the applicable Final Terms against the Day Count Fraction, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, as such Interest Payment Date shall, where applicable, be adjusted in accordance with the Business Day Convention.
- (l) If **not adjusted** is specified in the applicable Final Terms against the Day Count Fraction, interest in respect of the relevant Interest Period shall be payable in arrear on the relevant Interest Payment Date and calculated from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date, but such Interest Payment Dates shall not be adjusted in accordance with any Business Day Convention.
- (m) **sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, euro 0.01.

5. Payments

5.1 Method of payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively);

- (ii) payments in euro will be made by credit or electronic transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque; and
- (iii) payments in U.S. Dollars will be made by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this Condition 5, means the United States of America, including the State and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction), or by cheque drawn on a United States bank.

In no event will payment in respect of Covered Bonds be made by a cheque mailed to an address in the United States. All payments of interest in respect of Covered Bonds will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 7 (*Taxation*). References to Specified Currency will include any successor currency under applicable law.

5.2 Presentation of Definitive Covered Bonds, Receipts and Coupons

Payments of principal and interest (if any) (other than instalments of principal prior to the final instalment) will (subject as provided below) be made in accordance with Condition 5.1 (*Method of payment*) only against presentation and surrender of Definitive Covered Bonds, Receipts or Coupons (or, in the case of part payment of any sum due, endorsement of the Definitive Covered Bond (or Coupon)), as the case may be, only at a specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments (if any) of principal other than the final instalment, will (subject as provided below) be made in accordance with Condition 5.1 (*Method of payment*) only against presentation and surrender (or, in the case of part of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in accordance with Condition 5.1 (*Method of payment*) only against presentation or surrender (or, in the case of part of any sum due, endorsement) of the Definitive Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Covered Bond to which it appertains. If any Definitive Covered Bond is redeemed or becomes repayable prior to the stated maturity thereof, principal will be payable in accordance with Condition 5.1 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum, endorsement) of such Definitive Covered Bond together with all unmatured Receipts appertaining thereto. Receipts presented without the Definitive Covered Bond to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer. On the date on which any Definitive Covered Bond becomes due and payable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect of them.

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the

relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 9 (*Prescription*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer prior to its Final Maturity Date (or, as the case may be, Extended Final Maturity Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond or Variable Interest Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Covered Bond** is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond.

If the due date for redemption of any Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender of the relevant Definitive Covered Bond.

5.3 Payments in respect of Global Covered Bonds

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond against presentation or surrender, as the case may be, of such Global Covered Bond if the Global Covered Bond is not intended to be issued in new global covered bond (**NGCB**) form at the specified office of any Paying Agent outside the United States. On the occasion of each payment, (i) in the case of any Global Covered Bond which is not issued in NGCB form, a record of such payment made on such Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Global Covered Bond by the Paying Agent and such record shall be prima facie evidence that the payment in question has been made and (ii) in the case of any Global Covered Bond which is issued in NGCB form, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

No payments of principal, interest or other amounts due in respect of a Global Covered Bond will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

5.4 General provisions applicable to payments

The bearer of a Global Covered Bond (or, as provided in the Trust Deed,) the Trustee shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the obligations of the Issuer will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to Euroclear or Clearstream, Luxembourg, as the case may

be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Covered Bond (or the Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Trust Deed, the Trustee) shall have any claim against the Issuer in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, payments of principal and/or interest in respect of Covered Bonds in U.S. Dollars will only be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and/or interest on the Covered Bonds in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer adverse tax consequences to the Issuer.

5.5 Payment Day

If the date for payment of any amount in respect of any Covered Bond, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Day and shall not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the applicable Final Terms), **Payment Day** means any day which (subject to Condition 9 (*Prescription*)) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) London;
 - (C) Nicosia; and
 - (D) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, Athens, London and any Additional Financial Centre) or as otherwise specified in the applicable Final Terms or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount (as defined in the Final Terms) (the **Final Redemption Amount**) of the Covered Bonds;
- (iii) the Early Redemption Amount of the Covered Bonds but excluding any amount of interest referred to therein;
- (iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6.5(iii));
- (vi) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds; and
- (vii) in relation to any Dual Currency Interest Covered Bonds, the principal payable in any relevant Specified Currency.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

5.7 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Covered Bondholders, the Receiptholders and the Couponholders, on giving prior written notice to the Trustee and the Agents, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Covered Bondholders in accordance with Condition 15 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Covered Bonds shall be redenominated in euro. In relation to any Covered Bonds where the applicable Final Terms provides for a minimum Specified Denomination in the Specified Currency which is equivalent to at least €100,000 and which are admitted to trading on a regulated market in the European Economic Area, it shall be a term of any such redenomination that the holder of any Covered Bonds held through Euroclear and/or Clearstream, Luxembourg must have credited to its securities account with the relevant clearing system a minimum balance of Covered Bonds of at least €100,000.

The election will have effect as follows:

- (i) the Covered Bonds and any Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Covered Bond and Receipt equal to the nominal amount of that Covered Bond or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, in consultation with the Agents that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Covered Bondholders, the competent listing authority, stock exchange and/or market (if any) on or by which the Covered Bonds may be listed and/or admitted to trading and the Paying Agents of such deemed amendments;

- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Covered Bonds will be calculated by reference to the aggregate nominal amount of Covered Bonds presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (iii) if Definitive Covered Bonds are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of €100,000 and/or such higher amounts as the Agents may determine and notify to the Covered Bondholders and any remaining amounts less than €100,000 shall be redeemed by the Issuer and paid to the Covered Bondholders in euro in accordance with Condition 7 (*Taxation*);
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Covered Bonds, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Covered Bonds, Receipts and Coupons so issued will also become void on that date although those Covered Bonds, Receipts and Coupons will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Covered Bonds, Receipts and Coupons will be issued in exchange for Covered Bonds, Receipts and Coupons denominated in the Specified Currency in such manner as the Agents may specify and as shall be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Covered Bonds;
- (v) after the Redenomination Date, all payments in respect of the Covered Bonds, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Covered Bonds to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (vi) if the Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;
- (vii) (if the Covered Bonds are Floating Rate Covered Bonds or Variable Interest Covered Bonds, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes shall be made to this Condition (and the Transaction Documents) as the Issuer may decide, after consultation with the Agents and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

5.8 Definitions

In these Conditions, the following expressions have the following meanings:

Accrual Yield has, in relation to a Zero Coupon Covered Bond, the meaning given in the applicable Final Terms.

Calculation Amount has the meaning given in the applicable Final Terms.

Cover Pool Creditors means with respect to a particular Cover Pool, the Covered Bondholders, the Receiptholders, the Couponholders, the Trustee, the Custodian, the Covered Bond Monitor, the Covered Bond Business Administrator, the Account Bank, the Agents, the Hedging Counterparties and any other creditor of the Issuer having the benefit of the Charged Property in accordance with the Cypriot Covered Bond Law and, where relevant, the Greek Covered Bond Legislation, or pursuant to any transaction document entered into in the course of the Programme having recourse to the relevant Cover Pool. Each of the Cover Pool Creditors set out above shall be, for the avoidance of doubt "cover pool creditors" in accordance with paragraph (g) of the definition of "cover pool creditor" as set out in Section 2(1) of the Cypriot Covered Bond Law.

Earliest Maturing Covered Bonds means, at any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the Transaction Accounts) that has or have the earliest Final Maturity Date as specified in the applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to an Event of Default).

Early Redemption Amount means the amount calculated in accordance with Condition 6.5 (*Early Redemption Amounts*).

Established Rate means the rate for the conversion (if any) of the relevant Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty.

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

Extraordinary Resolution means a resolution of the Covered Bondholders passed as such under the terms of the Trust Deed.

Instalment Covered Bonds means Covered Bonds which will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms.

Minimum Rate of Interest means in respect of Floating Rate Covered Bonds or Variable Interest Covered Bonds, the percentage rate per annum (if any) specified as such in the applicable Final Terms.

Notice of Default has the meaning given to it in Condition 8 (*Events of Default and Enforcement*).

Optional Redemption Amount(s) has the meaning (if any) given in the applicable Final Terms.

Potential Event of Default means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Event of Default.

Rate of Interest means the rate of interest payable from time to time in respect of Fixed Rate Covered Bonds, Floating Rate Covered Bonds and Variable Interest Covered Bonds, as determined in, or as determined in the manner specified in, the applicable Final Terms.

Redenomination Date means (in the case of interest bearing Covered Bonds) any date for payment of interest under the Covered Bonds or (in the case of Zero Coupon Covered Bonds) any date, in each case specified by the Issuer in the notice given to the Covered Bondholders pursuant to Condition 5.7 (*Redenomination*) above and which falls on or after the date on which the country of the relevant Specified Currency first participates in the third stage of European economic and monetary union.

Reference Price has, in respect of a Zero Coupon Covered Bond, the meaning given in the applicable Final Terms.

Screen Rate Determination means, if specified as applicable in the applicable Final Terms, the manner in which the Rate of Interest on Floating Rate Covered Bonds is to be determined in accordance with Condition 4.2(b)(ii).

Treaty means the Treaty establishing the European Community, as amended.

6. Redemption and Purchase

6.1 Final redemption

- (i) Unless previously redeemed in full or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Final Maturity Date.
- (ii) If an Extended Final Maturity Date is specified in the applicable Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms, then (subject as provided below) payment of the unpaid amount by the Issuer shall be deferred until the Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date.
- (iii) The Issuer shall confirm to the Competent Authority, the Covered Bond Monitor, the CBBA (if appointed), the Rating Agencies, any relevant Hedging Counterparty, the Trustee and the Principal Paying Agent as soon as reasonably practicable and in any event at least 2 Business Days prior to the Final Maturity Date of any inability of the Issuer to pay in full the Final Redemption Amount in respect of a Series of Covered Bonds on the Final Maturity Date. Any failure by the Issuer to notify such parties shall not affect the validity of effectiveness of the extension nor give rise to any rights in any such party.
- (iv) Where the applicable Final Terms for a relevant Series of Covered bonds provides that such Covered Bonds are subject to an Extended Final Maturity Date, such failure to pay by the Issuer on the Final Maturity Date shall not constitute a default in payment.

6.2 Redemption for taxation reasons

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the relevant Covered Bond is not a Floating Rate Covered Bond or a Variable Interest Covered Bond) or on any Interest Payment Date (if the relevant Covered Bond is a Floating Rate Covered Bond or a Variable Interest Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Trustee and, in accordance with Condition 15 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that on the occasion of the next date for payment of interest on the relevant Covered

Bonds, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*). Covered Bonds redeemed pursuant to this Condition 6.2 (*Redemption for taxation reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 6.5 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

If an issuer call is specified in the applicable Final Terms (**Issuer Call**), the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Covered Bondholders and the Trustee in accordance with Condition 15 below with a copy of such notice to be provided to the Trustee; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent;

which notice shall be irrevocable and shall specify the date fixed for redemption (the **Optional Redemption Date**), redeem all or some only of the Covered Bonds then outstanding on any Optional Redemption Date and at the **Optional Redemption Amount(s)** specified in, or determined in the manner specified in, the applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount (if any) as specified in the applicable Final Terms. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the **Redeemed Covered Bonds**) will be selected individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in each case, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 15 (*Notices*) not less than 15 days (or such shorter period as may be specified in the applicable Final Terms) prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds or represented by Global Covered Bonds shall, in each case, bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds or Global Covered Bonds outstanding bears, in each case, to the aggregate nominal amount of the Covered Bonds outstanding on the Selection Date, provided that such nominal amounts shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 15 (*Notices*) at least five days (or such shorter period as is specified in the applicable Final Terms) prior to the Selection Date.

6.4 Redemption at the option of the Covered Bondholders (Investor Put)

- (i) If an investor put is specified in the Final Terms (the **Investor Put**), then if and to the extent specified in the applicable Final Terms, upon the holder of this Covered Bond giving to the Issuer not less than 30 nor more than 60 days' (or such other notice period specified in the applicable Final Terms) notice (which notice shall be irrevocable), the Issuer will, upon the

expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Final Terms, such Covered Bond on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Final Terms, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date.

- (ii) If this Covered Bond is in definitive form, to exercise the right to require redemption of this Covered Bond, the holder of this Covered Bond must deliver such Covered Bond, on any Business Day (as defined in Condition 4.7) falling within the above-mentioned notice period at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise of the Investor Put in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition 6.4.
- (iii) Any Put Notice given by a Covered Bondholder of any Covered Bond pursuant to this Condition shall be irrevocable.

It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

6.5 Early Redemption Amounts

For the purpose of Condition 6.1 (*Final redemption*), Condition 6.2 (*Redemption for taxation reasons*) and Condition 8 (*Events of Default and Enforcement*), each Covered Bond will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Covered Bond other than a Zero Coupon Covered Bond (but including an Instalment Covered Bond or a Partly Paid Covered Bond), with a Final Redemption Amount which is or may be less or greater than the Issuer Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its Principal Amount Outstanding, together with interest accrued to (but excluding) the date fixed for redemption; and
- (iii) in the case of a Zero Coupon Covered Bond, at an amount (the **Amortised Face Amount**) equal to the sum of:
 - (A) the Reference Price; and
 - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Series of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable.

Where such calculation in paragraph (ii) above is to be made for a period which is not a whole number of years, it shall be made (A) in the case of a Zero Coupon Covered Bond payable in a Specified Currency other than euro, on the basis of a 360-day year consisting of 12 months of 30 days each, or (B) in the case of a Zero Coupon Covered Bond payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the

sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non leap year divided by 365) or (C) on such other calculation basis as may be specified in the applicable Final Terms.

6.6 Instalments

Instalment Covered Bonds will be redeemed in the instalment amount as specified in the Final Terms (the **Instalment Amount**) and on the date specified in the Final Terms (the **Instalment Date**). In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6.5 (*Early Redemption Amounts*).

6.7 Purchases

The Issuer or any subsidiary of the Issuer may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons appertaining thereto are attached thereto or surrendered therewith) at any price in the open market either by tender or private agreement or otherwise. If purchases are made by tender, tenders must be available to all Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer or the relevant subsidiary, surrendered to any Paying Agent for cancellation.

6.8 Cancellation

All Covered Bonds which are redeemed will forthwith be cancelled (together with, in the case of Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6.7 (*Purchases*) and cancelled (together with, in the case of Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

6.9 Late Payment

If any amount payable in respect of any Covered Bond is improperly withheld or refused upon its becoming due and repayable or is paid after its due date, the amount due and repayable in respect of such Covered Bond (the **Late Payment**) shall itself accrue interest (both before and after any judgment or other order of a court of competent jurisdiction) from (and including) the date on which such payment was improperly withheld or refused or, as the case may be, became due, to (but excluding) the Late Payment Date in accordance with the following provisions:

- (i) in the case of a Covered Bond other than a Zero Coupon Covered Bond or a Variable Interest Covered Bond (but including an Instalment Covered Bond or a Partly Paid Covered Bond) at the rate determined in accordance with Condition 4.1 (*Interest on Fixed Rate Covered Bonds*) or 4.2 (*Floating Rate Covered Bond and Variable Interest Covered Bond Provisions*), as the case may be;
- (ii) in the case of a Zero Coupon Covered Bond, at a rate equal to the Accrual Yield; and
- (iii) in the case of a Variable Interest Covered Bond, at a rate calculated by the Calculation Agent so as to compensate reasonably the holder of the Covered Bond for the cost of funding the delay in receiving the Late Payment,

in each case on the basis of the Day Count Fraction specified in the applicable Final Terms or, if none is specified, on a 30/360 basis.

For the purpose of this Condition 6.9, the Late Payment Date shall mean the earlier of:

- (i) the date which the Principal Paying Agent determines to be the date on which, upon further presentation of the relevant Covered Bond, payment of the full amount (including interest as aforesaid) in the relevant currency in respect of such Covered Bond is to be made; and
- (ii) the seventh day after notice is given to the relevant Covered Bondholder (whether individually or in accordance with Condition 15 (*Notices*)) that the full amount (including interest as aforesaid) in the relevant currency in respect of such Covered Bond is available for payment,

provided that in the case of both (i) and (ii), upon further presentation thereof being duly made, such payment is made.

6.10 Partly Paid Covered Bonds

Partly Paid Covered Bonds will be redeemed at maturity in accordance with the provisions of the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6.5 (*Early Redemption Amounts*).

7. Taxation

- (a) The Issuer shall make all payments to be made by it without any Tax Deduction (as defined below), unless a Tax Deduction is required by law.
- (b) If a Tax Deduction is required by law to be made by the Issuer, the amount of the payment due from the Issuer shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
- (c) The Issuer is not required to make an increased payment to a Covered Bondholder under paragraph (b) above for a Tax Deduction if on the date on which the payment falls due:
 - (i) the Covered Bondholder is a person who is a tax resident of the Republic of Cyprus that has not declared to the Issuer that it earns such interest within the ordinary course of its business or that the earning of such interest is closely connected to its ordinary course of business;
 - (ii) the Covered Bondholder is a tax resident of a state with which the Republic of Cyprus has a tax treaty that provides for payments to be made without a Tax Deduction and the Issuer is able to demonstrate that the payment could have been made to the Covered Bondholder without the Tax Deduction had that Covered Bondholder complied with its obligations under paragraph (e) below;
 - (iii) the Covered Bondholder would not be liable or subject to a Tax Deduction if it were to comply with a statutory requirement or to make a declaration of non residence or other similar claim but fails to do so; or
 - (iv) such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive or law implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

- (d) If the Issuer is required to make a Tax Deduction, the Issuer shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (e) If the Covered Bondholder to which the Issuer makes a payment is a tax resident of a state with which the Republic of Cyprus has a tax treaty that provides for payments to be made without a Tax Deduction, the Covered Bondholder and the Issuer shall co-operate in completing any procedural formalities necessary for the Issuer to obtain authorisation to make that payment without a Tax Deduction.
- (f) If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Cyprus, references in the Conditions to the Republic of Cyprus shall be construed as references to the Republic of Cyprus and/or such other jurisdiction.

For these purposes a **Tax Deduction** means a deduction or withholding for on account of Tax, imposed by the Republic of Cyprus or any political subdivision or any authority thereof, from a payment.

8. Events of Default and Enforcement

8.1 Events of Default

If any of the following events occurs, and is continuing:

- (a) on the Final Maturity Date (in respect only of any Series to which an Extended Final Maturity Date is not applicable) or Extended Final Maturity Date, as applicable, in respect of any Series or on any Interest Payment Date on which principal is due and payable thereon, there is a failure to pay any amount of principal due on such Covered Bonds on such date and such default is not remedied within a period of 7 Business Days from the due date thereof; or
- (b) on any Interest Payment Date, a default in the payment of the amount of interest due on any Series occurs and such default is not remedied within a period of 14 Business Days from the due date thereof; or
- (c) dissolution proceedings are entered into with respect to the Issuer and no Covered Bond Business Administrator is appointed by the Competent Authority within a period of 10 Business Days thereafter,

then the Trustee shall, if it has been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series and (if applicable) converted into Euro at either the relevant Covered Bond Swap Rate (if applicable) or the Established Rate) or by a request in writing by the holders of not less than 25.0% of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and (if applicable) converted into Euro at either the relevant Covered Bond Swap Rate (if applicable) or the Established Rate) (subject to being indemnified and/or secured and/or prefunded to its satisfaction), serve a notice (a **Notice of Default**) on the Issuer (copied to the Covered Bond Monitor, the Competent Authority, the Custodian and, if appointed the CBBA). Following the service of a Notice of Default, (i) no further Covered Bonds will be issued and (ii) the Covered Bonds of each Series shall become immediately due and payable. Service of a Notice of Default may, if so requested by the Covered Bondholders in such Extraordinary Resolution or, as the case may be, such written request be deemed to be approval from all the Covered Bondholders for the immediate settlement of the Covered Bonds by the Covered Bond Administrator as set out in Section 62(1)(a) of the Cypriot Covered Bond Law.

If the Trustee receives, or has been notified by the Issuer, the Competent Authority or the Covered Bond Monitor that it has received, notice from the CBBA that it wishes to exercise its powers under Section 62(2) of the Covered Bond Law, the Trustee shall be required to seek directions from the Covered Bondholders (by way of an Extraordinary Resolution of the Covered Bondholders of all Series taken as a single Series) as to what action they wish the CBBA to take.

8.2 Enforcement

The Trustee may (subject to the consent of the Competent Authority) at any time, at its discretion and without notice, take such proceedings, action or steps against the Issuer and/or any other person as it may think fit to enforce the provisions of the Trust Deed, the Covered Bonds or any other Transaction Document in accordance with its terms but it shall not be bound to take any such proceedings, action or steps unless (i) it shall have been so directed by an Extraordinary Resolution of all the Covered Bondholders of all Series (with the Covered Bonds of all Series taken together as a single Series and (if applicable) converted into Euro at either the relevant Covered Bond Swap Rate (if applicable) or the Established Rate) or by a request in writing by the holders of not less than 25.0% of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and (if applicable) converted into Euro at either the relevant Covered Bond Swap Rate (if applicable) or the Established Rate), and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

Following the delivery of a Notice of Default, any enforcement of the Cypriot Statutory Charge and/or the Greek Statutory Charge shall be undertaken only by the Covered Bond Business Administrator, who shall also have the right, subject as follows, to direct the Trustee in writing in relation to the enforcement of its rights in respect of the Cypriot Statutory Charge and/or the Greek Statutory Charge under these presents and the other Transaction Documents. Upon being so directed in accordance with this Condition 8.2, the Trustee will be bound to take the relevant action(s) in the manner instructed by the Covered Bond Business Administrator provided that the Trustee has been indemnified and/or secured to its satisfaction against all Liabilities to which it may render itself liable or which it may incur by so doing and, for this purpose, the Trustee may demand, prior to taking any such action, that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so to indemnify it and provided further that the Trustee cannot be directed or instructed to take any action contrary to any law or regulation that would expose it to any Liability for which indemnity in full is not assured to it.

The Trustee shall not be liable to any Covered Bondholder or any other Cover Pool Creditor or to the Issuer for any action it may take in accordance with any direction or instruction received pursuant to this Condition 8.2. The Trustee shall be entitled to seek clarification from the Covered Bond Business Administrator with regard to any such direction or instruction and may in its discretion elect not to act pending receipt of such clarification to its satisfaction from the Covered Bond Business Administrator.

In exercising any of its powers, trusts, authorities and discretions under this Condition 8.2 the Trustee shall only have regard to the general interests of the Covered Bondholders of all Series taken together and shall not have regard to the interests of any other Cover Pool Creditors.

No Covered Bondholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or to take any action with respect to the Trust Deed, any other Transaction Document, the Covered Bonds, the Receipts, the Coupons, or the Security unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing.

For these purposes, **Liability** means any loss, damage, cost, charge, claim, demand, expense, judgment, decree, action, proceeding or other liability whatsoever (including, without limitation in

respect of Taxes, duties, levies, imposts and other charges) and including any amounts in respect of VAT or other Tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis and **Liabilities** shall be construed accordingly

9. Prescription

Claims against the Issuer for payment of principal and interest in respect of the Covered Bonds will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for paying in respect of which would be void pursuant to this Condition 9 or Condition 5 (*Payments*).

As used herein, the **Relevant Date** means the date on which payment in respect of the Covered Bond, Receipt or Coupon first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent on or prior to such date, the Relevant Date shall be the date on which such moneys shall have been so received and notice to that effect has been given to Covered Bondholders in accordance with Condition 15 (*Notices*).

10. Replacement of Covered Bonds Receipts, Coupons and Talons

If any Covered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (and, if the Covered Bonds are then listed on any stock exchange which requires the appointment of an Agent in any particular place, the Paying Agent having its specified office in the place required by such stock exchange), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Covered Bonds, Receipts, Talons or Coupons must be surrendered before replacements will be issued.

11. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.

12. Trustee and Agents

- (a) In acting under the Agency Agreement and in connection with the Covered Bonds and the Coupons, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders, Receiptholders or Couponholders.
- (b) The initial Agents and their initial specified offices are set forth in the Base Prospectus and in the Master Definitions and Construction Schedule. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and to appoint a successor Principal

Paying Agent or Calculation Agent and additional or successor paying agents provided, however, that:

- (i) so long as the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority there will at all times be a Paying Agent (which may be the Principal Paying Agent), in the case of Covered Bonds, with a specified office in such place as may be required by the rules and regulations of such stock exchange or other relevant authority;
- (ii) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- (iii) if and for so long as the Covered Bonds are listed on any stock exchange which requires the appointment of an Agent in any particular place, the Issuer shall maintain an Agent having its specified office in the place required by such stock exchange; and
- (iv) the Issuer shall at all times maintain a paying agent in an Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive or law implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any change in any of the Agents or in their specified offices shall promptly be given by the Issuer to the Covered Bondholders in accordance with Condition 15 (*Notices*).

- (c) Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded to its satisfaction and relieved from responsibility in certain circumstances and to be paid its remuneration, costs and expenses in priority to the claims of the Covered Bondholders and the other Cover Pool Creditors.

13. Meetings of Covered Bondholders, Modification and Waiver

- (a) *Meetings of Covered Bondholders:* The Trust Deed contains provisions for convening meetings of Covered Bondholders of each Series to consider matters relating to the Covered Bonds, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution of the Covered Bondholders of the relevant Series. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer upon the request in writing signed by Covered Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Covered Bonds of the relevant Series. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than half of the aggregate principal amount of the outstanding Covered Bonds of the relevant Series or, at any adjourned meeting, one or more persons being or representing Covered Bondholders of such Series whatever the principal amount of the Covered Bonds of such Series held or represented; *provided, however, that* Series Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Covered Bondholders of the relevant Series at which one or more persons holding or representing more than half or, at any adjourned meeting, more than one-quarter of the aggregate principal amount of the outstanding Covered Bonds of the relevant Series form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Covered Bondholders and Couponholders of the relevant Series, whether present or not.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Trustee to take any enforcement action pursuant to Condition 8.2 (*Enforcement*) (each a **Programme Resolution**) shall only be capable of being passed at a single meeting of the holders of the Covered Bonds of all Series then outstanding. Any such meeting to

consider a Programme Resolution may be convened by the Issuer or the Trustee. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the nominal amount of the Covered Bonds of all Series then outstanding. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series shall be binding on all Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Receiptholders and Couponholders in respect of such Covered Bonds.

In connection with any meeting of the holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in Euro, the nominal amount of the Covered Bonds of any Series not denominated in Euro shall be converted into Euro at either the relevant Covered Bond Swap Rate (if applicable) or the Established Rate.

In addition, a resolution in writing signed by or on behalf of 90 per cent. of Covered Bondholders of any Series who for the time being are entitled to receive notice of a meeting of Covered Bondholders will take effect as if it were an Extraordinary Resolution of such Series. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Covered Bondholders of such Series.

- (b) *Modification:* The Trustee may, without the consent or sanction of any of the Covered Bondholders, Receiptholder, Couponholders of any Series or any of the other Cover Pool Creditors (other than the Hedging Counterparties in respect of modification to the Pre-Event of Default Priority of Payments, the Post-Event of Default Priority of Payments, these Conditions, the Eligibility Criteria or any provision of the Trust Deed) at any time and from time to time concur with the Issuer and any other party, to:
- (i) any modification (other than in respect of a Series Reserved Matter) of the terms and conditions applying to the Covered Bonds of one or more Series (including these Conditions), the related Receipts and/or Coupons or any Transaction Document provided that in the sole opinion of the Trustee such modification is not materially prejudicial to the interests of the Covered Bondholders of any Series, or
 - (ii) any modification of the terms and conditions applying to Covered Bonds of any one or more Series (including these Conditions), the related Receipts and/or Coupons or any Transaction Document which is in the sole opinion of the Trustee of a formal, minor or technical nature or is to correct a manifest or proven (in the opinion of the Trustee) error.

Series Reserved Matter in relation to Covered Bonds of a Series means:

- (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds of such Series other than in accordance with the terms thereof;
- (ii) alteration of the currency in which payments under the Covered Bonds, Receipts and Coupons of such Series are to be made other than in accordance with Condition 5.7;
- (iii) alteration of the quorum or majority required to pass an Extraordinary Resolution;
- (iv) the sanctioning of any such scheme or proposal for the exchange or sale of the Covered Bonds of such Series for or the conversion of the Covered Bonds of such Series into, or the

cancellation of the Covered Bonds of such Series in consideration of, shares, stock, covered bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, covered bonds, debentures, debenture stock and/or other obligations; and

(v) alteration of this definition of Series Reserved Matter.

- (c) The definitions of Cypriot Eligibility Criteria, the Greek Eligibility Criteria and the Cover Pool Adequacy Criteria may be amended by the Issuer from time to time as a consequence of including New Asset Types in the Cover Pools and/or changes to the hedging policies or servicing and collection procedures of the Issuer without the consent of the Trustee provided that (i) the Rating Agencies then rating the Covered Bonds, the Competent Authority, the Covered Bond Monitor and, if applicable, the CBBA are notified of such amendments and (ii) the Competent Authority consents to such amendments.
- (d) The Issuer agrees that, prior to making any modification in accordance with this Condition 13, it shall have obtained consent from the Competent Authority.

14. Further Issues

The Issuer may from time to time, without the consent of the Covered Bondholders, the Receiptholders or the Couponholders, create and issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest thereon, issue date and/or issue price) so as to form a single series with the Covered Bonds provided that (A) pursuant to the Covered Bond Legislation, the Covered Bond Monitor has verified that the Issuer as at the date of issuance (i) satisfies all requirements for registration as an approved institution pursuant to Part II of the Cypriot Covered Bond Law; (ii) complies with all provision of the Covered Bond Legislation with respect to any outstanding Series of Covered Bonds (iii) complies with the requirements of Article 11 of the Covered Bond Directive and (iv) complies with the provisions of Sections 14(1)(d) and (e) of the Cypriot Covered Bond Law; and (B) where the applicable Series of Covered Bonds is to be rated, the Rating Agencies have been notified of such issuance. For the avoidance of doubt, to the extent the Issuer is subject to dissolution proceedings it will not be compliant with the provisions of Part II of the Cypriot Covered Bond Law and therefore would be prohibited from issuing further Series of Covered Bonds.

15. Notices

All notices regarding the Covered Bonds will be valid if published in one leading English language daily newspaper of general circulation in London or any other daily newspaper in London approved by the Trustee and, (for so long as any Covered Bonds are listed on the official list of the Luxembourg Stock Exchange) if published in a daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange; www.bourse.lu. It is expected that such publication will be made in the Financial Times in London and (in relation to Covered Bonds listed on the official list of the Luxembourg Stock Exchange) in the *Luxemburger Wort* or the *Tageblatt* in Luxembourg]. The Issuer or, in the case of a notice given by the Trustee, the Trustee shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Covered Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers or where published in such newspapers on different dates, the last date of such first publication). If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Covered Bondholders.

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Covered Bond in definitive form) with the relevant Covered Bond or Covered Bonds, with the Principal Paying Agent. Whilst the Covered Bonds are represented by Global Covered Bonds any notice shall be deemed to have been duly given to the relevant Covered Bondholder if sent to the Clearing Systems for communication by them to the holders of the Covered Bonds and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Covered Bonds are admitted to trading on, and listed on the official list of, the Luxembourg Stock Exchange), any notice shall also be published in accordance with the relevant listing rules (which includes publication on the website of the Luxembourg Stock Exchange, www.bourse.lu).

16. Substitution of the Issuer

- (a) If so requested by the Issuer, the Trustee shall, in accordance with Section 35 of the Cypriot Covered Bond Law, with the prior consent by Extraordinary Resolution of the Covered Bondholders, agree with the Issuer to the substitution in place of the Issuer of any other body incorporated in any country in the world as the debtor in respect of the Covered Bonds, any Coupons and the Trust Deed (the **New Company**) upon notice by the Issuer and the New Company to be given in accordance with Condition 15 (*Notices*), *provided that*:
- (i) the Issuer is not in default in respect of any amount payable under the Covered Bonds or the Trust Deed;
 - (ii) the Issuer and the New Company have entered into such documents (the **Documents**) as are necessary to give effect to the substitution and in which the New Company has undertaken in favour of the Trustee and each Covered Bondholder to be bound by these Conditions and the provisions of the Trust Deed as the debtor in respect of the Covered Bonds in place of the Issuer (or of any previous substitute under this Condition 16 (*Substitution of the Issuer*));
 - (iii) if the New Company is resident for tax purposes in a territory (the **New Residence**) other than that in which the Issuer prior to such substitution was resident for tax purposes (the **Former Residence**), the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that the Trustee and each Covered Bondholder has the benefit of an undertaking in terms corresponding to the provisions of this Condition 16 (*Substitution of the Issuer*), with the substitution of references to the Former Residence with references to the New Residence;
 - (iv) the New Company and the Issuer have obtained all necessary governmental approvals and consents for such substitution and for the performance by the New Company of its obligations under the Documents;
 - (v) legal opinions shall have been delivered to the Trustee (with a copy of such legal opinions also to be provided to the Rating Agencies) from lawyers of recognised standing in the jurisdiction of incorporation of the New Company, in England and in Cyprus as to matters of law relating to the fulfilment of the requirements of this Condition 16 (*Substitution of the Issuer*) and that the Covered Bonds and any Receipts, Coupons and/or Talons are legal, valid and binding obligations of the New Company;
 - (vi) each Rating Agency has been notified by the Issuer of the proposed substitution;

- (vii) each stock exchange on which the Covered Bonds are listed shall have confirmed in writing to the Trustee that, following the proposed substitution of the New Company, the Covered Bonds will continue to be listed on such stock exchange; and
 - (viii) if applicable, the New Company has appointed a process agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Covered Bonds and any Coupons.
- (b) Upon such substitution the New Company shall succeed to, and be substituted for, and may exercise every right and power, of the Issuer under the Covered Bonds, any Coupons and the Trust Deed with the same effect as if the New Company has been named as the Issuer therein, and the Issuer shall be released from its obligations under the Covered Bonds, any Receipts, Coupons and/or Talons and under the Trust Deed.
 - (c) After a substitution pursuant to Condition 16(a) the New Company may, in accordance with Section 35 of the Cypriot Covered Bond Law, with the consent by Extraordinary Resolution of the Covered Bondholders, effect a further substitution. All the provisions specified in Conditions 16(a) and 16(b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further New Company.
 - (d) After a substitution pursuant to Condition 16(a) or 16(c) any New Company may, in accordance with Section 35 of the Cypriot Covered Bond Law, with the consent by Extraordinary Resolution of the Covered Bondholders, reverse the substitution, *mutatis mutandis*.
 - (e) The Documents shall be delivered to, and kept by, the Principal Paying Agent. Copies of the Documents will be available free of charge during normal business hours at the specified office of the Principal Paying Agent.

17. Renominalisation and Reconventioning

If the country of the Specified Currency of the Covered Bonds of any Series becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Trustee, the Covered Bondholders and the Couponholders, on giving at least 30 days' prior notice to the Trustee, the Covered Bondholders and the Paying Agents, designate a date (the **Redenomination Date**), being an Interest Payment Date under the Covered Bonds of such Series falling on or after the date on which such country becomes a Participating Member State to redenominate all, but not some only, of the Covered Bonds of such Series.

18. Governing Law and Jurisdiction

The Covered Bonds and all matters arising from or connected with the Covered Bonds are governed by, and shall be construed in accordance with, English law, save that Condition 2 (*Status of the Covered Bonds*) above, shall be governed by, and construed in accordance with Cypriot law.

The courts of England have exclusive jurisdiction to settle any dispute (a **Dispute**) arising from or connected with the Covered Bonds.

19. Third Parties

No person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999.

FORMS OF THE COVERED BONDS

The Covered Bonds of each Series will be in bearer form, with or without receipts, interest coupons and/or talons attached. Covered Bonds will be issued outside the United States in reliance on Regulation S.

Each Series of Covered Bonds will be in bearer form initially issued in the form of a temporary global covered bond without receipts and interest coupons attached (a **Temporary Global Covered Bond**) which will:

- (a) if the Global Covered Bonds (as defined below) are issued in new global covered bond (**NGCB**) form, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the relevant Series to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and
- (b) if the Global Covered Bonds are not issued in NGCB form, be delivered on or prior to the issue date of the relevant Series to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

The Covered Bonds will only be delivered outside the United States and its possessions.

If the Covered Bonds are stated in the applicable Final Terms to be issued in NGN form, they may be intended to be eligible collateral for Eurosystem monetary policy. Delivering the Covered Bonds to the Common Safekeeper does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Whilst any Covered Bond is represented by a Temporary Global Covered Bond, payments of principal, interest (if any) and any other amount payable in respect of the Covered Bonds due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Covered Bond if the Temporary Global Covered Bond is not issued in NGCB form) only outside the United States and its possessions and to the extent that certification (in a form to be provided by Euroclear and/or Clearstream, Luxembourg) to the effect that the beneficial owners of interests in such Covered Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a permanent global covered bond without receipts and interest coupons attached (a **Permanent Global Covered Bond** and, together with the Temporary Global Covered Bonds, the **Global Covered Bonds** and each a **Global Covered Bond**) of the same Series or (b) for Definitive Covered Bonds of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms), in each case against certification of non-U.S. beneficial ownership as described above unless such certification has already been given. Purchasers in the United States and certain U.S. persons will not be able to receive Definitive Covered Bonds or interests in the Permanent Global Covered Bond. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond or for Definitive Covered Bonds is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Covered Bond will be made outside the United States and its possession and through Euroclear and/or Clearstream, Luxembourg

against presentation or surrender (as the case may be) of the Permanent Global Covered Bond (if the Permanent Global Covered Bond is not issued in NGCB form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Definitive Covered Bonds with, where applicable, receipts, interest coupons and talons attached upon either the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Global Covered Bond (and any interests therein) exchanged for Definitive Covered Bonds. The Issuer will promptly give notice to Covered Bondholders of each Series of Global Covered Bonds in accordance with Condition 15 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (b) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Global Covered Bonds, Definitive Covered Bonds and any Coupons, Talons or Receipts attached thereto will be issued pursuant to the Trust Deed.

The following legend will appear on all Covered Bonds that have an original maturity of more than one year and on all receipts and interest coupons relating to such Covered Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States persons (as defined for U.S. federal tax purposes), with certain exceptions, will not be entitled to deduct any loss on Covered Bonds, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale or other disposition in respect of such Covered Bonds, receipts, talons or interest coupons.

Covered Bonds which are represented by a Global Covered Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Covered Bonds*"), the Principal Paying Agent shall arrange that, where a further Series of Covered Bonds is issued which is intended to form a single Series with an existing Series of Covered Bonds, the Covered Bonds of such further Series shall be assigned a common code and ISIN and, where applicable, CINS number which are different from the common code, ISIN and CINS number assigned to Covered Bonds of any other Series of the same Series until at least the Exchange Date applicable to the Covered Bonds of such further Series.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

No Covered Bondholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails so to do within a reasonable period and the failure shall be continuing.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which, subject to any necessary amendment, will be completed for each Series of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

[Date]

BANK OF CYPRUS PUBLIC COMPANY LIMITED

Issue of [Aggregate Nominal Amount of Series] [Title of Covered Bonds]

Under the €5 billion

Covered Bond Programme

The Base Prospectus referred to below (as completed by this Final Terms) has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of the Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in any other circumstances.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated [date] [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**). This document constitutes the final terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of this Final Terms and the Base Prospectus. Copies of the Base Prospectus [and the supplement to the Base Prospectus] are available free of charge to the public at the registered office of the Issuer and from the specified office of each of the Paying Agents.

[The following alternative language applies if the first Series of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the **Terms and Conditions**) set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated [date]]. This document constitutes the final terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Terms and Conditions which are extracted from the Base Prospectus dated [original date] and are attached hereto. Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of this Final Terms and the Base Prospectus dated [original date] and [current date] [and the supplement to the Base Prospectus dated [date]]. Copies of such Base Prospectuses are available free of charge to the public at the registered office of the Issuer and from the specified office of each of the Paying Agents.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs.]

[When completing any final terms or adding any other final terms or information including final terms at items [10, 16, 18 or 28 of Part A] or in relation to disclosure relating to the interests of natural and legal persons involved in the issue/offer in [Part B] consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. Issuer: Bank of Cyprus Public Company Limited

2. Cover Pool [Cypriot Cover Pool/Greek Cover Pool]

3. (i) Series Number: [●]

(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible).

(ii) Description of relevant Cover Pool: [●]

(iii) Additional Cypriot Eligibility Criteria/Greek Eligibility Criteria: [●]

4. Specified Currency or Currencies: [●]

5. Aggregate Nominal Amount of Covered Bonds: [●]

[(i)] Series: [●]

6. Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]

7. (i) Specified Denominations: [●]

(N.B. Where multiple denominations above €10,000 or equivalent are being used the following sample wording should be followed: €10,000 and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Covered Bonds in definitive form will be issued with a denomination above [€●,000].)

(N.B. If an issue of Covered Bonds is (i) NOT admitted to trading on a regulated market within the European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €10,000 minimum denomination is not required.)

- (ii) Calculation Amount:
8. (i) Issue Date:
- (ii) Interest Commencement Date:
9. (i) Final Maturity Date: *[Fixed rate - specify date/Floating Rate - Interest Payment Date falling in or nearest to the relevant month and year]*
- (ii) Extended Final Maturity Date *[Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year, in each case falling one year after the Final Maturity Date]]*
- [If an Extended Final Maturity Date is specified and the Final Redemption Amount is not paid in full on the Maturity Date, payment of the unpaid amount will be automatically deferred until the Extended Final Maturity Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Final Maturity Date. See Condition 5 (Payments)*
- N.B. Zero Coupon Covered Bonds are not to be issued with an Extended Final Maturity Date unless otherwise agreed with the Dealers and the Trustee*
10. Interest Basis: % Fixed Rate
- [LIBOR/EURIBOR] %
- Floating Rate
- Zero Coupon
- Index Linked Interest
- Dual Currency Interest
- [specify other]* (further particulars specified below)
11. Redemption/Payment Basis: Redemption at par
- Partly Paid
- Instalment
- [specify other]*
- [N.B. If the Final Redemption Amount is other than 100.0 % of the nominal value, the Covered Bonds will*

be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This pro-forma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.]

12. Change of Interest Basis or Redemption/ Payment Basis: [Specify details of any provision for convertibility of Covered Bonds into another Interest Basis or Redemption/Payment Basis]
13. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
14. (i) [Status of the Covered Bonds:] Senior
- (ii) [Date [Board] approval for issuance of Covered Bonds obtained:] [●]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular Series of Covered Bonds)
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Covered Bond Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●]% per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [[●] in each year up to and including the Final Maturity Date, or the Extended Final Maturity Date, if applicable]/[specify other]
- (iii) Business Day Convention [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]
- (iv) Business Day(s) [●]
- (v) Additional Business Centre(s) [●]
- (vi) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
(Applicable to Covered Bonds in definitive form)
- (vii) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]

definitive form)

- (viii) Day Count Fraction: [30/360/Actual/Actual [(ICMA/ISDA)]]/[specify other]] [adjusted/not adjusted] (N.B. If interest is not payable on a regular basis (for example, if Broken Amounts are specified) Actual/Actual (ICMA) may not be a suitable Day Count Fraction)
- (ix) Determination Date [●] in each year
[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon] (This will need to be amended in the case of regular interest payment dates which are not of equal durations)
(N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (x) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: [Not Applicable/Specify details]

17. **Floating Rate Covered Bond Provisions** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Interest Period(s): [●]
- (ii) Specified Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (v) Business Day(s) [●]
- (vi) Additional Business Centre(s): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination / ISDA Determination / [specify other]]
- (viii) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●]
- (ix) Screen Rate Determination:
– Reference Rate: [●] (Either LIBOR, EURIBOR or other. If other, provide additional information, including amendment

to fallback provisions in the Agency Agreement)

- Interest Determination Date(s): [●] (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR or EURIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)

N.B. Specify the Interest Determination Date(s) up to and including the Extended Final Maturity Date, if applicable
- Relevant Screen Page: [●]
(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
- Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (x) ISDA Determination:
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (xi) Margin(s): [+/-][●]% per annum
- (xii) Minimum Rate of Interest: [●]% per annum
- (xiii) Maximum Rate of Interest: [●]% per annum
- (xiv) Day Count Fraction: [Actual/ Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
(See Condition [●] for alternatives)
[adjusted/not adjusted]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different [●]

from those set out in the
Conditions:

18. **Zero Coupon Covered Bond Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) [Amortisation/Accrual] Yield: [●]% per annum
 - (ii) Reference Price: [●]
 - (iii) Any other formula/basis of determining amount payable: *(Consider applicable Day Count Fraction if not U.S. dollar denominated)*
 - (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
 - (v) Business Day(s): [●]
 - (vi) Additional Business Centre(s): [●]
 - (vii) Day Count Fraction in relation to Early Redemption Amounts and late payments: Conditions 6.5(iii) and 6.9(ii) apply/*specify other*]
19. **Variable Interest Covered Bond Provisions (other than Dual Currency Covered Bonds)** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula/other variable: [*give or annex details*]
 - (ii) Calculation Agent responsible for calculating the interest due: [●]
 - (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [●]
 - (iv) Determination Date(s): [●]
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●] (*Include a description of market disruption or settlement disruption events and adjustment provisions*)

- (vi) Interest or Calculation Period(s)/ Specified Interest Payment Dates:
- (vii) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]*
- (viii) Business Day(s):
Additional Business Centre(s):
- (ix) Minimum Rate of Interest: % per annum
- (x) Maximum Rate of Interest: % per annum
- (xi) Day Count Fraction: [adjusted/not adjusted]

20. **Dual Currency Covered Bond Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: *[give or annex details]*
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent):
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *(Include a description of market disruption or settlement disruption events and adjustment provisions)*
- (iv) Person at whose option Specified Currency(ies) is/are payable:
- (v) Business Day(s):
Additional Business Centre(s):

PROVISIONS RELATING TO REDEMPTION

21. **Issuer Call** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s):

(ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Calculation Amount

(iii) (If redeemable in part:

(a) Minimum Redemption Amount: [●] per Calculation Amount

(b) Maximum Redemption Amount: [●] per Calculation Amount

(iv) Notice period (if other than as set out in the Terms and Conditions) [●]

(N.B. If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent and the Trustee)

22. **Investor Put**

[Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Optional Redemption Date(s): [●]

(ii) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Calculation Amount

(iii) Notice period: [●]

(N.B. If setting notice periods which are different to those provided in the Terms and Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent and the Trustee)

23. **Final Redemption Amount of each Covered Bond**

[●] per Calculation Amount/specify other/see Appendix

(N.B. If the Final Redemption Amount is other than 100% of the nominal value, the Covered Bonds will be derivative securities for the purposes of the Prospectus)

Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply. This proforma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.)

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

- (i) Index/Formula/variable: [give or annex details]
- (ii) Party responsible for calculating the Final Redemption Amount (if not the Principal Paying Agent) [●]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Determination Date(s): [●]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) Minimum Final Redemption Amount: [●] per Calculation Amount
- (vii) Maximum Final Redemption Amount: [●] per Calculation Amount

24. **Early Redemption Amount**

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [●]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

25. Form of Covered Bonds:

Covered Bonds:

[Temporary Global Covered Bond exchangeable for Definitive Covered Bonds or a Permanent Global Covered Bond which is exchangeable for Definitive

Covered Bonds [on 60 days' notice given at any time/only upon an Exchange Event]]

(N.B. The exchange upon notice should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in paragraph 7 includes language substantially to the following effect: "[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000].")

26. New Global Covered Bond: [Yes/No]
27. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/give details]. Covered Bond that this item relates to the date and place of payment, and not interest period end dates, to which items [16(ii), 17(v) and 19(ix)] relates]
28. Talons for future Coupons or Receipts to be attached to Definitive Covered Bonds (and dates on which such Talons mature): [Yes/No. If yes, give details]
29. Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment: [Not Applicable/give details]
(N.B. a new form of Temporary Global Covered Bond and/or Permanent Global Covered Bond may be required for Partly Paid issues)
30. [Details relating to Instalment Covered Bonds:]
- (i) Instalment Amount(s) [Not Applicable/give details]
- (ii) Instalment Date(s) [Not Applicable/give details]
31. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition 17 (*Renominatisation and Reconventioning*)] apply]
32. [Consolidation provisions:] [Not Applicable/The provisions [in Condition 14 (*Further Issues*)] apply]
33. Transaction Account; [●]
34. Other terms or special conditions [Not Applicable/give details]

(When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

35. (i) If syndicated, names of Managers: [Not Applicable/*give names, addresses and underwriting commitments*]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
36. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
37. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]
38. Additional selling restrictions: [Not Applicable/*give details*]
39. Date of Subscription Agreement: [●]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the regulated market of the [*specify relevant regulated market*] of the Covered Bonds described herein pursuant to the €5 billion Covered Bond Programme of Bank of Cyprus Public Company Limited

STABILISATION

In connection with this issue, [insert name of Stabilising Manager(s)] (the **Stabilising Manager(s)**) (or any person acting for the Stabilising Manager(s)) may over-allot or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager(s) (or any agent of the Stabilising Manager(s)) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [*Relevant third party information*] has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Admission to trading and admission to listing: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the regulated market of the [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's Regulated Market or the Regulated Market of the Irish Stock Exchange) and if relevant, admission to an official list (for example, the Official List of the U.K. Listing Authority)] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on the [specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's Regulated Market or the Regulated Market of the Irish Stock Exchange) and if relevant, admission to an official list (for example, the Official List of the U.K. Listing Authority)] with effect from [].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original Covered Bonds are already admitted to trading.)

- (ii) Estimate of total expenses related to admission to trading: [●]

2. RATINGS

Ratings:

The Covered Bonds to be issued have been rated:

[Moody's: [●]]

[[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/other] is established in the European Union and has made an application to be (but as at the date hereof is not) registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC)No.106012009), as amended

3. [COVERED BOND SWAP

Covered Bond Swap Provider [●]

Nature of Covered Bond Swap [●]

4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

["Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Covered Bonds has an interest material to the offer."]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

5. [REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) [Reasons for the offer [●]

(See ["Use of Proceeds"] wording in Base Prospectus – if reasons for offer differ from making profit and/or hedging certain risk, those reasons will need to be included.)]

(ii) [Estimated net proceeds:] [●]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) [Estimated total expenses:] [●]

(Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".)

(If the Covered Bonds are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

6. YIELD (Fixed Rate Covered Bonds only)

Indication of yield: [●]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. HISTORIC INTEREST RATES: (Floating Rate Covered Bonds only).

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].

8. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.] **

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

9. PERFORMANCE OF RATE[S] OF EXCHANGE (Dual Currency Covered Bonds only)

[Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

10. TRADABLE AMOUNTS:

So long as the Covered Bonds are represented by a Global Covered Bond and [specify relevant clearing system(s)] so permit, the Global Covered Bond shall be tradable in minimum principal amounts of [€100,000]/[specify equivalent to €100,000 if Global Covered Bond not denominated in Euro] and integral multiples of [●] (the Tradable Amount) in addition thereto.

[If item 25 of Part A indicates that the Global Covered Bond is exchangeable for Definitive Covered Bonds at the option of the Covered Bondholders, the Covered Bonds will be tradable only in principal amounts of at least the Specified Denomination.]

11. OPERATIONAL INFORMATION

ISIN Code: [●]

Common Code: [●]

(insert here any other relevant codes such as CINS codes): [●]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [●]

Names and addresses of additional Paying Agent(s) (if any): [●]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No] [Covered Bond that the designation "yes" simply means that the Covered Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Covered Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] [*Include this text if "yes" selected in which case the Covered Bonds must be issued in NGCB form*]

USE OF PROCEEDS

The net proceeds from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

SUMMARY OF THE COVERED BOND LEGISLATION

The following is a summary of the provisions of the Cypriot Covered Bond Legislation relevant to the transactions described in this Base Prospectus and of which prospective Covered Bondholders should be aware. The summary does not purport to be, and is not, a complete description of all aspects of the Cypriot legislative and regulatory framework pertaining to covered bonds and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.

Introduction

The Covered Bond Legislation was enacted in December 2010 following promotion of the legislation by the Central Bank of Cyprus and consultation with the Ministry of Finance, the Co-operative Societies Supervision and Development Authority and local banks in Cyprus. The introduction of the Covered Bond Legislation has also received the positive opinion of the European Central Bank. The Covered Bond Legislation will allow Cypriot banks to attract alternative sources of funds on favourable terms.

Registration

In accordance with the provisions of the Covered Bond Legislation the Competent Authority (with respect to banks and credit institutions for which it is the regulator), shall maintain the Register of Approved Institutions. In order to be registered on the Register of Approved Institutions as an approved institution (each such institution an **Approved Institution**), the applicant institution must satisfy the Competent Authority that:

- (a) it is able to carry out the obligations set out in the Cypriot Covered Bond Law; and
- (b) it fulfils the criteria set out in Article 5(3) of the Covered Bond Directive which are:
 - (i) it is incorporated in Cyprus;
 - (ii) it maintains Core Tier 1 capital of at least €50 million and satisfies the capital adequacy ratios set by the Competent Authority under Pillar I and Pillar II of the Capital Requirements Directive;
 - (iii) its activities include the granting of residential loans and/or commercial loans and/or maritime loans and/or incurring public sector exposures;
 - (iv) the conduct of its covered bonds business is integrated into the corporate strategy of the institution, approved by its board of directors and the support of the activity is ensured through well documented policies and procedures;
 - (v) it has necessary organisational structure ensuring a clear delegation of functions and responsibilities and assignment of authority limits for each bank section involved for the support and effective performance of covered bond business;
 - (vi) it has necessary automated infrastructure;
 - (vii) it has required resources, systems, policies and procedures for the recognition, management, monitoring and control of the risks that may arise from the conduct of the covered bond business; and

- (viii) it has in place procedures, policies and systems for the support of any other relevant business of the covered bond business such as issue and servicing of covered bonds and valuation of collateral.

Once the Competent Authority is satisfied that these conditions are met, it will register the relevant institution in the Register of Approved Institutions (subject to any further conditions it may deem appropriate). Only an Authorised Institution that remains on the Register of Approved Institutions can issue covered bonds under the Covered Bond Legislation.

An Authorised Institution shall be removed from the Register of Approved Institutions if:

- (i) it applies for removal;
- (ii) dissolution proceedings are commenced against it;
- (iii) it ceases to exist as a legal entity in Cyprus;
- (iv) it does not issue Covered Bonds within 18 months of the date of its registration on the Register of Approved Institutions;
- (v) it does not carry on a covered bond business for 18 consecutive months;
- (vi) the registration was achieved on the basis of misleading or false representations;
- (vii) it no longer complies with any of the registration conditions set out in Part II of the Cypriot Covered Bond Law;
- (viii) there are reasons to appoint a CBBA;
- (ix) it has violated or violates or has failed or fails to comply with any provision of the Covered Bond Legislation;
- (x) it has violated or violates or has failed or fails to comply with any provision of the Banking Laws or any Directives, Regulations or Administrative Order issued thereunder.

The Central Bank may, if there are reasons to remove an Approved Institution from the Register of Approved Institutions, choose instead to prohibit the Approved Institution from issuing further covered bonds and give time to comply under penalty of removal, in case of failure to comply with any such demands.

Eligibility Criteria

Statutory Eligibility Criteria

Each Loan Asset to be included in the Cover Pool shall comply with the eligibility criteria set out in section 18 of the Cypriot Covered Bond Law and Part IV of the Covered Bond Directive (the **Statutory Eligibility Criteria**). The Statutory Eligibility Criteria with respect to each Loan are as follows:

- (a) It is an existing Loan.
- (b) It is governed by the laws of Cyprus or any other Member State and the terms and conditions of such Loan do not provide for the jurisdiction of any court outside Cyprus or other applicable Member State (as the case may be).
- (c) It is secured by a valid and enforceable first ranking mortgage and/or equivalent tangible charge.

Each such mortgage must:

- (i) create a clear and complete tangible charge over the relevant property;
 - (ii) have been registered properly and in a timely manner;
 - (iii) have met all necessary legal requirements concerning completion and registration of the mortgage to ensure that the mortgage is legally effective and enforceable in all relevant jurisdictions; and
 - (iv) enable the Issuer to realise the underlying property within a reasonable timeframe.
- (d) In the case where a mortgage and/or equivalent tangible charge also secures other obligations of the underlying obligor, Loans which are secured by subsequent mortgages and/or equivalent tangible charges may be included in the Cover Pool provided that: (a) all preceding mortgages on the underlying property are in favour of the Issuer and are also included in the same Cover Pool and (b) the Issuer ensures that the Loans included in the Cover Pool have priority over the security against all other loans and/or obligations of the customer to the Issuer which are not included in the Cover Pool.
- (e) The mortgage or the equivalent charge on immovable property securing the Loan is created for an amount at least equal to the value of the Loan.
- (f) The immovable property securing the Loan must be situated in the territory of Cyprus or in the jurisdiction of other Member States. The total amount of loans secured by immovable property located in Member States that the Issuer has no physical presence (i.e. a subsidiary or branch) shall not exceed 10% of the total value of the Cover Pool.
- (g) An institution may include in the Cover Pool a residential or commercial loan secured by buildings under construction provided that the total value in each Cover Pool of the Loans secured by buildings under construction does not exceed 10% of the Cover Pool value.
- (h) If the Loan is a Rescheduled Loan, it has not been rescheduled more than three times; at least six months have elapsed since the date of the first rescheduled loan instalments; and, at the date of inclusion, no amount of principal, interest or other loan instalment is more than one month overdue.
- (i) Such Loan, together with all other Loans to the same counterparty included in a Cover Pool do not exceed 2% of the total value of that Cover Pool.
- (j) The terms of such Loan do not prohibit its inclusion in the Cover Pool.
- (k) Throughout the term of the Loan the underlying buildings shall be insured against all relevant risks, taking into consideration the location and type of the property, for an amount equal, at least, to the lower of the replacement cost of the buildings and the loan amount.
- (l) The Issuer shall ensure that the insurance cover is assigned in favour of the Cover Pool. The Issuer shall also have in place adequate procedures enabling it to monitor, on an on-going basis, whether the underlying property is adequately insured against possible damage.
- (m) The Loan does not breach the Loan to Value Test and the underlying property related thereto has been subject to an independent valuation.

- (n) No principal or interest instalment in respect of the Loan is in arrears for a period of one month or more.

Rescheduled Loan means (i) any Loan which has presented one or more instalment(s) in arrear following which the Issuer has agreed to a revision of the relevant repayment programme (including by way of extension of any grace period, suspension of payment of one or more loan instalment(s), reduction in the amount of any instalment, write off of any instalments of principal and/or interest in arrear); and (ii) any Loan whose interest and/or principal instalments have been repaid from the proceeds of a new loan.

An instalment shall not be construed to be in arrear unless the borrower has failed to meet scheduled payments of at least 10% or more of the relevant payment.

Cypriot Eligibility Criteria

In addition to the Statutory Eligibility Criteria, the Issuer has warranted that each Cypriot Loan Asset to be included in the Cypriot Cover Pool shall comply with the following criteria (the **Cypriot Eligibility Criteria**):

- (a) Each Cypriot Loan is denominated and payable in euros;
- (b) All construction with respect to buildings over which security has been taken under a Cypriot Loan has been completed;
- (c) The immovable property securing a Cypriot Loan is a residential house or a flat located in Cyprus;
- (d) No prior charge exists in respect of the Cypriot Loan;
- (e) No provision has been made in respect of a Cypriot Loan;
- (f) Each Borrower under a Cypriot Loan is an individual or natural person;
- (g) Each Cypriot Loan is governed by the laws of Cyprus and the terms and conditions of such Cypriot Loan do not provide for the jurisdiction of any court outside of Cyprus;
- (h) Each Cypriot Loan was advanced for one or more of the following purposes:
 - (i) acquisition of residential properties; and/or
 - (ii) repairs, renovations, modifications and alterations to residential dwellings or buildings; and/or
 - (iii) release of equity in respect of a residential property; and/or
 - (iv) refinancing of a loan granted by another bank with respect to any of (i) to (iii) above;
- (i) No Cypriot Loan is an interest only loan;
- (j) Each Cypriot Loan is fully drawn down and the Issuer is not obliged (under the terms of the relevant Loan documentation or otherwise) to advance any further amounts to the relevant Borrower;
- (k) All lending criteria and preconditions applied by the Issuer's credit policy and customary lending procedures have been satisfied with regards to the granting of each Cypriot Loan;

- (l) Each Cypriot Loan is either a fixed or floating rate loan or a combination of both;
- (m) Each Cypriot Loan's outstanding nominal value remains a debt, which has not been paid or discharged;
- (n) Each Cypriot Loan can be segregated and identified for ownership on any day; and
- (o) Each Cypriot Loan has been originated by the Issuer in compliance with the Cypriot Lending Criteria applicable at the time of origination.

In addition to the Statutory Eligibility Criteria, the Issuer has warranted that each Greek Loan Asset to be included in the Greek Cover Pool shall comply with the following criteria (the **Greek Eligibility Criteria**):

- (a) Each Greek Loan is denominated and payable in euros;
- (b) All construction with respect to buildings over which security has been taken under a Greek Loan has been completed;
- (c) The immovable property securing a Greek Loan is a residential house or a flat located in Greece;
- (d) No prior charge exists in respect of the Greek Loan;
- (e) No provision has been made in respect of a Greek Loan;
- (f) Each Greek Loan has been entered into with an individual or individuals;
- (g) Each Greek Loan is governed by the laws of Greece and the terms and conditions of such Greek Loan do not provide for the jurisdiction of any court outside of Greece;
- (h) Each Greek Loan was advanced for one or more of the following purposes:
 - (i) acquisition of residential properties; and/or
 - (ii) repairs, renovations, modifications and alterations to residential dwellings or buildings; and/or
 - (iii) release of equity in respect of a residential property; and/or
 - (iv) the refinancing of a loan granted by another bank with respect to any of (i) to (iii) above;
- (i) No Greek Loan is an interest only loan;
- (j) Each Greek Loan is fully drawn down and the Issuer is not obliged (under the terms of the relevant Loan documentation or otherwise) to advance any further amounts to the relevant Borrower;
- (k) All lending criteria and preconditions applied by the Issuer's credit policy and customary lending procedures have been satisfied with regards to the granting of each Greek Loan;
- (l) Each Greek Loan is either a fixed or floating rate loan or a combination of both;
- (m) Each Greek Loan's outstanding nominal value remains a debt, which has not been paid or discharged;

- (n) Each Greek Loan can be segregated and identified for ownership on any day; and
- (o) Each Greek Loan has been originated by the Issuer in compliance with the Greek Lending Criteria applicable at the time of origination.

Complementary Assets

Subject to Article 16 of the Covered Bond Directive certain complementary assets (**Complementary Assets**) may be included in a Cover Pool. Subject to the provisions of the Covered Bond Legislation, such Complementary Assets may be included in a Cover Pool as part of the Basic Collateralisation and the Supervisory Over-collateralisation.

The following Complementary Assets may be included in a Cover Pool:

- (a) traded claims against or guaranteed by central or regional governments;
- (b) deposits with ECB and central banks;
- (c) deposits with multilateral development banks and international organizations having 0% risk weighting for the purposes of Annex VI of Directive 2006/48/EC;
- (d) deposits with institutions (i.e. credit institutions and investment firms) as defined in Article 3(1)(c) of Directive 2006.49.EC; and
- (e) traded debt securities issued by institutions falling in paragraph (d) above.

As regards Covered Bonds collateralised by public claims, the following may be included in the 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:

- (a) government bonds, treasury bills, or securities issued by Republic of Cyprus;
- (b) deposits with ECB or central banks of other Member States;
- (c) deposits with credit institutions of the Member States and of the countries referred to in paragraph 5 of Part 1 of Annex VI of Unit A of the Capital Requirements Directive (Australia, Canada, Japan, Switzerland and USA) whose credit assessment is assigned to the first credit quality step in accordance with point 29 of Part 1 of Annex VI of the Directive 2006/48/EC. Deposits with credit institutions in Member States with a maturity not exceeding 100 days shall not be comprised by the step 1 requirement but those institutions must, as a minimum, qualify for credit quality step 2. The deposits with each credit institution shall not exceed 2% of the outstanding balance of covered bonds secured by public claims.
- (d) sovereign bonds, treasury bills or securities issued by a Member State other than the Republic of Cyprus;
- (e) sovereign bonds, treasury bills or securities whose issuer is the central government of a country referred to in point (f) of subparagraph (2) of paragraph 14, provided that all conditions referred to in the same point are fulfilled;
- (f) securities guaranteed by any of the bodies referred to in points (d) and (e) above;
- (g) deposits with the central banks of the countries referred to in point (f) of subparagraph (2) of

paragraph 14 provided that the conditions referred to in the same point are fulfilled; and

- (h) deposits with multilateral banks and international organisations the exposures against thereof are assigned a 0% risk weight for the purposes of Annex VI of the Directive 2006/48/EC.

The Covered Bond Directive sets the limit of the total value of all complementary assets included in the cover pool and counted in the basic collateralization (including claims under hedging contracts) at 15% of the total value of the covered bonds that the cover pool collateralizes.

Loan to value ratios and other restrictions

The Statutory Value of a Residential Loan or, where the same property secures more than one Loan included in a Cover Pool, the total Statutory Value of those Loan Assets, shall not exceed 75% of the value of the underlying immovable property on the basis of a valuation conducted by the Issuer in accordance with the Covered Bond Legislation. Loans whose Statutory Value or, as the case may be, in respect of which the total Statutory Value exceeds 75%, but is below 100%, of the value of the underlying immovable property may be included in the Cover Pool provided that (a) the total Statutory Value of all such Loan Assets included in the Cover Pool as a percentage of the Statutory Value of the Covered Bonds secured by the cover pool does not exceed 25% and (b) their inclusion would not result in the weighted LTV of the Cover Pool exceeding 80%. Where the Loan Asset is in relation to property under construction the value of the property for these purposes shall be deemed to be the value of the land on which the property is being constructed.

The Statutory Tests

The Statutory Tests are required to be met by the Issuer with respect to each Cover Pool separately on an ongoing basis and comprise the following: (i) the Nominal Value Test; (ii) the Present Value Test; (iii) the Supervisory Over collateralisation; (iv) the Weighted Maturity Test; (v) the Liquidity Test; and any Contractual Over-collateralisation. Details of the Statutory Tests are set out below.

Calculation Date means the first Business Day of each calendar month.

- (a) **The Nominal Value Test:** Pursuant to Article 24(1) of the Covered Bond Directive, the Issuer must ensure that on an ongoing basis, the Euro Equivalent of the Principal Amount Outstanding of all Series of Covered Bonds, is not greater than 100% of the nominal value of the relevant Cover Pool. In order to assess compliance with this test, all of the assets comprising the relevant Cover Pool shall be evaluated at their nominal value including the Hedging Agreements.

For the purposes of calculating the nominal value of the relevant Cover Pool, the value of any non-Euro denominated assets comprised in that Cover Pool shall be converted into euro on the basis of the exchange rate published by the European Central Bank (**ECB**) as at such Calculation Date.

For the purposes of calculating the Principal Amount Outstanding of a Loan, this shall be deemed to be:

- (i) where the Loan is not subject to any set-off and its LTV is lower or equal to 75%, the value of the Loan;
- (ii) where the Loan is subject to set-off and its LTV is lower or equal to 75%, the value of the Loan net of the set-off amount;
- (iii) where the Loan is not subject to any set-off and its LTV is higher than 75% but equal to or less than 100%, the value that corresponds to a 75% LTV;
- (iv) where the Loan is subject to set-off and its LTV is higher than 75% but equal to or less than

100%, the value that corresponds to a 75% LTV or the value of the Loan net of the set-off amount where this is lower.

For the purposes of calculating the Principal Amount Outstanding of a Complementary Asset this is the Statutory Value of such asset to a set-off in which case it is the Statutory Value of such asset net of the set-off amount.

- (b) **The Present Value Test:** Pursuant to Article 24(5) of the Covered Bond Directive, the Issuer must ensure that on an ongoing basis the total present value of the inflows arising from the Loans and Complementary Assets, including the value of the Hedging Arrangements, must cover the present value of payments to the Cover Pool Creditors by at least 105%.

Inflows shall be calculated net of any set-off. The calculation of the present values shall be initially performed for each currency on the basis of swap yield curves for that specific currency and then converted in the currency used for the servicing of the Covered Bond by applying the Euro reference rates published by the European Central Bank. In situations where the cash flows are in currencies for which no Euro reference rates are published by the European Central Bank, the conversion shall be made on the basis of buying and selling mean rates as published by reliable sources of information.

The Present Value Test must also be satisfied under the assumption of parallel shifts of the yield curve by 200 basis points. Changes in interest rates from shifts in the yield curves on the basis of a 99% confidence interval and a holding period of six months, using as reference the daily changes in interest rates of the previous 365 days. Where interest rates are negative, they should be assumed to be zero.

In addition, the Present Value Test must also be satisfied in the event of static changes in the exchange rate of the currency servicing the Covered Bond against:

- (i) the Euro and currencies of the Member States: 10%;
 - (ii) the currencies of USA, Canada, Japan, Switzerland and Australia: 15%;
 - (iii) other currencies: 25%; and
 - (iv) changes in exchange rates on the basis of a 99% confidence interval and a holding period of six months, using as reference the daily changes in exchange rates of the previous 365 days.
- (c) **Supervisory over collateralisation:** In addition to the compliance with the criteria referred to paragraphs (a) and (b) above (**Basic Collateralisation**), the Issuer shall enhance the Cover Pool with Complementary Assets the value of which, after the possible application of set-off, covers the Principal Amount Outstanding of the Covered Bonds by at least 5% (**Supervisory Over-collateralisation**).
- (d) **Weighted Maturity Test:** The weighted maturity of the assets in a Cover Pool counted in the measurement of the Basic Collateralisation and the Supervisory Over-collateralisation (in each case, as calculated in accordance with the provisions of the Cypriot Covered Bond Legislation) must be longer than the weighted maturity of the Covered Bonds.
- (e) **Liquidity Test:** The Issuer must reconcile the cash inflows from assets comprised in the Cover Pool and the cash outflows for servicing the obligations under the Covered Bonds, excluding capital repayments, on a daily basis for the 180 days following the relevant Calculation Date and cover the highest net cash outflow that arises with Complementary Assets, included in the Cover Pool.

In addition, the Issuer must maintain liquidity for the repayment of the capital amount of the covered bonds as follows:

- (i) during the period between 180 days to 30 days before the repayment date of any Covered Bonds not less than 50% of the capital amount due for repayment; and
- (ii) during the period between 30 days before the repayment date and the repayment date of any Covered Bonds not less than 100% of the capital amount due for repayment.

(f) **Contractual Over-collateralisation:**

Pursuant to Article 23(1)(c) of the Covered Bond Directive and the terms of the Trust Deed, the Issuer has covenanted that it will ensure on and from the date on which the Issuer delivers an OC Percentage Notice to the Trustee, the Covered Bond Monitor and each Rating Agency then rating the relevant Covered Bonds, that the product of the relevant OC Percentage (as set out in the then most current OC Percentage Notice) multiplied by the Euro Equivalent of the Principal Amount Outstanding of all series of Covered Bonds secured by the relevant Cover Pool, will be less than 100% of the nominal value of the relevant Cover Pool.

The Issuer may on any Business Day send an OC Percentage Notice to the Trustee, the Covered Bond Monitor and each Rating Agency then rating the relevant Covered Bonds notifying them of a change to the level of OC Percentage that shall apply to the Covered Bonds related to such Cover Pool on and from the date of such notification provided that:

- (i) until such time as the Issuer delivers an OC Percentage Notice with respect to a particular Cover Pool and/or on and from the date on which no Covered Bonds are outstanding with respect to a particular Cover Pool, no Contractual Over-collateralisation shall be applicable to such Cover Pool;
- (ii) any Contractual Over-collateralisation (and the OC Percentage related thereto) shall at all times exceed the requirements of the other Statutory Tests and shall not be negative;
- (iii) for all Covered Bonds, the Issuer may increase the level of Contractual Over-collateralisation at any time, in order to obtain an upgrade of the rating of the relevant Covered Bonds;
- (iv) with respect to rated Covered Bonds, the Issuer may increase the level of Contractual Over-collateralisation by increasing the OC Percentage at any time, in order to maintain the then current rating of the relevant Covered Bonds;
- (v) with respect to Covered Bonds rated by Moody's, the Issuer may decrease the level of Contractual Over-collateralisation, by decreasing the OC Percentage at any time, if this would cause the over-collateralisation to be at the level necessary to ensure that each series of outstanding Covered Bonds then rated by Moody's achieves and maintains the original rating assigned to such Covered Bonds by Moody's on their relevant Issue Date using Moody's expected loss methodology as determined at such Issue Date; and
- (vi) with respect to Covered Bonds rated by any Rating Agency other than Moody's, 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 and (B) a Rating

Agency Confirmation from each relevant Rating Agency.

OC Percentage means the over-collateralisation percentage applicable to a particular Cover Pool notified by the Issuer to the relevant Rating Agencies and the Trustee in the then most current OC Percentage Notice in accordance with the terms of the Trust Deed.

OC Percentage Notice means the notice delivered by the Issuer to the Trustee, the Covered Bond Monitor and each Rating Agency then rating the relevant Covered Bonds, setting out the then current OC Percentage applicable to all series of Covered Bonds then outstanding with respect to a particular Cover Pool.

For the purposes of calculating the nominal value of the relevant Cover Pool, the value of any non-Euro denominated assets comprised in that Cover Pool shall be converted into euro on the basis of the exchange rate published by the European Central Bank (ECB) as at such Calculation Date.

For the purposes of calculating the Principal Amount Outstanding of a Loan, this shall be deemed to be:

- (i) where the Loan is not subject to any set-off and its LTV is lower or equal to 75%, the value of the Loan;
- (ii) where the Loan is subject to set-off and its LTV is lower or equal to 75%, the value of the Loan net of the set-off amount;
- (iii) where the Loan is not subject to any set-off and its LTV is higher than 75% but equal to or less than 100%, the value that corresponds to a 75% LTV;
- (iv) where the Loan is subject to set-off and its LTV is higher than 75% but equal to or less than 100%, the value that corresponds to a 75% LTV or the value of the Loan net of the set-off amount where this is lower.

Information regarding of any Contractual Over-collateralisation and the OC Percentage applicable to a Cover Pool shall be detailed in the Monthly Investor Report.

Pursuant to Article 28 of the Covered Bond Directive, in the event that the Issuer is removed from the register of approved institutions to issue Covered Bonds, the Issuer will, on and from such date, be under an obligation to ensure that the fair value (as calculated in accordance with Article 28(2) of the Covered Bond Directive) of the Cover Assets counted in the Cover Pool Adequacy Criteria net of appropriate haircuts (as determined by the Competent Authority) exceeds the capital amount of the Covered Bonds then outstanding.

In accordance with Article 19(3) of the Covered Bond Directive, in calculating such tests, all Loans that are in arrears for three months or more during the immediately preceding calculation period, shall be given a zero value.

Benefit of priority right in the Cover Pool

The provisions of the Cypriot Covered Bond Law (section 16(b)) provide that the Loans Assets will secure all the claims of the Covered Pool Creditors who also enjoy the benefit of the Cypriot Statutory Charge over the Loan Assets. The Issuer is prohibited for so long as there are outstanding obligations under the Covered Bonds from creating any charge on any of the Loan Assets other than for the benefit of the Cover Pool Creditors.

In the event that the Issuer is subject to dissolution proceedings (as this term is defined in the Covered Bond Law), the claims and rights of the Covered Bondholders, Cover Pool Creditors, any hedging contract

counterparty, the Covered Bond Monitor or the CBBA will not be affected. All obligations under the Covered Bonds remain in force until all Cover Pool Creditors are satisfied in full.

In accordance with section 40(5) of the Cypriot Covered Bond Law, the Loan Assets do not form part of the assets available to satisfy claims of other creditors, members or contributories of the Issuer until the claims of the Cover Pool Creditors have been satisfied in full. None of the Loan assets shall be liable to attachment, sequestration or other form of seizure until the claims of the Cover Pool Creditors have been satisfied in full.

In the event that the Loan Assets are sold, then the Cover Pool Creditors will be satisfied out of the proceeds of sale in priority to all other creditors (see section 41 Cypriot Covered Bond Law).

The role of the Covered Bond Monitor and the Covered Bond Business Administrator

The Covered Bond Monitor

The Covered Bond Monitor will be responsible for overseeing the compliance of the Issuer with the provisions of the Cypriot Covered Bond Law and the Covered Bond Directive.

Pursuant to the terms of the Covered Bond Monitor Agreement, the Covered Bond Monitor will agree to undertake certain monitoring activities as required by the terms of the Covered Bond Legislation including (i) verification of the accuracy and completeness of information included in the Register; (ii) examination of the valuation process in relation to cover assets; (iii) compliance by the Issuer on an on-going basis with respect to the Cover Pool Adequacy Criteria; and (iv) examination of the entries into and removals from the Register. The Covered Bond Monitor shall submit the CBM Report to the Competent Authority (with a copy to the Issuer and the CBBA (if appointed) on a six-monthly basis (or such other time period as may be required by the Competent Authority).

The CBM Report shall be in such form as agreed between the Issuer, the Covered Bond Monitor and the Competent Authority from time to time and shall set out whether or not the Issuer is in compliance with the Cypriot Covered Bond Legislation and, to the extent the Issuer is not in compliance, the CBM Report shall further set out (A) how the Issuer has contravened or otherwise failed to comply with the relevant provisions of the Covered Bond Legislation and (B) provide any other information the Competent Authority may have requested in relation to such matter

Pursuant to the Covered Bond Directive the Central Bank of Cyprus may, by way of written notification, require additional functions to be carried out by the Covered Bond Monitor. Any such additional functions will be promptly notified by the Issuer to the Covered Bondholders.

The Covered Bond Business Administrator

The appointing authority for the CBBA is the Central Bank of Cyprus as the Competent Authority. The Central Bank of Cyprus:

- (a) must appoint a CBBA on the initiation of dissolution proceedings against the Issuer; and
- (b) may appoint a CBBA where:
 - (i) the Issuer has defaulted to pay any amount in relation to covered bonds within ten days after the amount fell due unless such failure is attributable to administrative difficulties arising from circumstances outside the control of the Issuer;
 - (ii) an application is made for the appointment of an Inspector under the provisions of the Companies Law, cap.113;

- (iii) the Central Bank considers the appointment of the CBBA necessary in order to safeguard the interests of the Covered Bondholders, hedge counterparties and other creditors of the Issuer.

The appointment of the CBBA will be effected through a formal decision of the Central Bank of Cyprus.

Upon the appointment of the CBBA, the CBBA shall:

- (i) where no dissolution proceedings have been initiated, take over the management of the Issuer's covered bond business;
- (ii) where dissolution proceedings have been initiated, take over the control of the Cover Pool, notify the Cover Pool Creditors and perform the provisions of Part VII of the Cypriot Covered Bond Law.

The CBBA shall, following his appointment, notify the Central Bank of Cyprus (and to the extent possible each Cover Pool Creditor) of the measures he has taken or proposes to take in order to discharge the Cover Pool Creditors.

The CBBA is subject to the supervision of the Central Bank of Cyprus.

The CBBA may with the approval of the Central Bank of Cyprus and of the Covered Bondholders, require:

- (a) the immediate settlement of the Covered Bonds; or
 - (b) the transfer of the covered bond business to another approved institution,
- where he reasonably considers that following the potential initiation of dissolution proceedings the cover pool will not be adequate to fully cover the claims of the Cover Pool Creditors.

The CBBA is granted pursuant to the Covered Bond Law, the powers to:

- (a) borrow;
- (b) enter into hedging contracts;
- (c) acquire or create Complementary Assets or, with the approval of the Central Bank of Cyprus, any other asset;
- (d) transfer or dispose of a Cover Asset;
- (e) enter into an agreement with an institution who will assume the Cover Pool and the obligations to the Cover Pool Creditors with the consent of the Covered Bondholders as provided in the terms of issue of the Covered Bonds;
- (f) institute or defend any legal actions;
- (g) issue receipt of partial or full repayment of credit facilities constituting Cover Assets;
- (h) exercise the powers and rights under the security, guarantee, indemnity and insurance held in relation to the Cover Assets or a hedging contract included in the Cover Pool;
- (i) inspect the books and records of the Issuer.

The appointment of the CBBA is terminated where:

- (a) being a natural person, he:
 - (i) dies;
 - (ii) resigns from office by way of notice in writing to the Central Bank of Cyprus;
 - (iii) is adjudged bankrupt or makes a compromise with his creditors;
 - (iv) is removed by the Central Bank due to breach or misconduct of his duties;
 - (v) is disqualified from being a director under the Companies Law, cap.113;
 - (vi) is convicted of an offence involving fraud or dishonesty or breach of duty;
 - (vii) is convicted of an offence punishable by imprisonment.
- (b) being a legal person, it:
 - (i) is insolvent;
 - (ii) resigns from office by written notice to the Central Bank of Cyprus;
 - (iii) is removed from office by the Central Bank due to breach or misconduct of his duties;
 - (iv) does not remove from office a director or manager who has been convicted for an offence involving fraud, dishonesty, breach of duty or punishable by imprisonment.

The appointment of the CBBA shall also terminate where:

- (a) all Covered Bond issues in respect of which the CBBA was appointed have been removed from the Covered Register; or
- (b) the reasons for the appointment of the CBBA no longer exist.

Supervision by the Central Bank of Cyprus

The Central Bank of Cyprus is the appointed competent authority and performs the roles of:

- (i) supervising and regulating approved credit institutions, viz. those credit institutions that are entered on the Register of Approved Institutions that it maintains pursuant to Part II of the Cypriot Covered Bond Law;
- (ii) supervising the Covered Bond Monitor pursuant to Part VIII of the Cypriot Covered Bond Law; and
- (iii) supervising the CBBA pursuant to Part IX of the Cypriot Covered Bond Law.

As the Competent Authority the Central Bank of Cyprus will maintain in addition to the Register of Approved Institutions, a register of covered bonds. All entries into and deletions from the covered bonds register are done with the approval of the Central Bank of Cyprus.

The Central Bank of Cyprus, as competent authority, has the power to define (which it has done by the Cypriot Covered Bond Directive) the conditions upon which assets will be included in the Cover Pool. The Covered Bond Directive has provided for:

- (a) the limitations as to the governing law – which is Cypriot law or the law of any other Member State;

- (b) the territories where the immovable property is situated – which is Cyprus or another Member State;
- (c) the type of immovable property securing commercial or residential loans;
- (d) the composition of the Cover Pool; and
- (e) the extent to which an asset in the Cover Pool is subject to set-off.

The Central Bank of Cyprus has also in the Cypriot Covered Bond Directive set out the adequacy criteria for Cover Assets.

The Central Bank of Cyprus in the exercise of its functions may at any time have access to the Cover Pool Register (as kept by the Issuer) and take copies of the cover pool register or any entry in it at the expense of the Issuer.

SUMMARY OF THE GREEK STATUTORY CHARGE

The following is a summary of the provisions of the Greek Covered Bond Legislation relevant to the transactions described in this Base Prospectus and of which prospective Covered Bondholders should be aware. The summary does not purport to be, and is not, a complete description of all aspects of the Greek legislative and regulatory framework pertaining to covered bonds and prospective Covered Bondholders should also read the detailed information set out elsewhere in this Base Prospectus.

Introduction

The creation of the Greek Statutory Charge, as described in this Base Prospectus is the subject of specific legislation, the Greek Covered Bond Legislation. As mentioned elsewhere in the Base Prospectus, the Greek Covered Bond Legislation includes Article 91 of Greek Law 3601/2007 (such law being published in the Government Gazette No. 178/A/1-8-2007 and dealing with, *inter alia*, the capital adequacy of investment firms and credit institutions, by implementation of Directive 2006/48/EC and Directive 2006/49/EC) as amended by Article 48 of Greek Law 3693/2008 (published in the Government Gazette No. 174/A/25-8-2008) and Article 69 of Greek Law 3746/2009 (published in the Government Gazette No. 27/A/16-2-2009) (defined elsewhere in this Base Prospectus as Article 91) and the Act of the Governor of the Bank of Greece No. 2598/2007 entitled "Regulatory framework for covered bonds issued by credit institutions" and published in the Government Gazette No. 2236/B/21-11-2007, as amended and restated by the codifying Act of the Governor of the Bank of Greece No. 2620/2009 (published in the Government Gazette No. 2107/B/29-9-2009). The Greek Covered Bond Legislation has been enacted, with a view, *inter alia*, to complying with the standards of Article 22(4) of Directive 85/611/EEC, and entitles credit institutions to issue (directly or through a special purpose vehicle) covered bonds with preferential rights in favour of the holders thereof and certain other creditors over a cover pool comprised by certain assets discussed in further detail below.

The provisions of the Greek Covered Bond Legislation that are relevant to the Programme may be summarised as follows:

Article 91

Benefit of a prioritised claim by way of statutory pledge

Claims comprised in a Cover Pool and constituting Greek Cover Pool Assets are named in a document (defined elsewhere in this Base Prospectus as a Registration Statement) signed by the issuer and the trustee and registered in a summary form including the substantial parts thereof, in accordance with article 3 of Greek Law 2844/2000. The form of the Greek Registration Statement has been defined by Ministerial Decree No. 95630/8-9-2008 (published in the Government Gazette No 1858/B/12-9-2008) of the Minister of Justice. Receivables forming part of the Cover Pool may be substituted for others and receivables may be added to the cover pool in the same manner.

Holders of Covered Bonds and certain other creditors having claims relating to the issuance of the Covered Bonds (such as, *inter alios*, the trustee and financial derivatives counterparties) named as secured creditors in the terms and conditions of the Covered Bonds are secured (by operation of paragraph 12 of Article 91) by a statutory pledge over the relevant Greek Cover Pool Assets.

With respect to the preferential treatment of holders of Covered Bonds and other secured creditors and pursuant to paragraph 6 of Article 91, claims that have the benefit of a statutory pledge rank ahead of claims referred to in article 975 of the Code of Civil Procedure (a general provision of Greek law on creditors' ranking), unless otherwise set out in the terms and conditions of the covered bonds. To the extent applicable to a non-Greek issuer, such as the Bank of Cyprus, in the event of bankruptcy of the Issuer, holders of Covered Bonds and other creditors secured by the Greek Statutory Charge shall be satisfied in respect of the

portion of their claims that is not paid off from the Cover Pool in the same manner as unsecured creditors from the remaining assets of the Issuer.

Paragraph 8 of Article 91 safeguards the interests of covered bondholders and other secured creditors in providing that assets included in the relevant cover pool may not be attached/seized nor offset against claims that the respective borrower may have against the issuer; in addition assets included in a cover pool cannot be disposed by the issuer without the written consent of the Trustee, unless otherwise set out in the Conditions.

BUSINESS DESCRIPTION OF THE ISSUER

Introduction

The Bank of Cyprus Public Company Limited (the **Issuer** or the **Bank**) was founded in 1899 and is the holding company of the Bank of Cyprus group (the **Group**). The registered office of the Bank is located at the Group Headquarters at 51 Stassinou Street, Ay. Paraskevi, Strovolos, 2002 Nicosia, Cyprus, telephone number +357 22 122100. The Issuer is a public company limited by shares and is registered in the companies register of Cyprus with registration number HE 165. The Bank's legal name is Bank of Cyprus Public Company Limited and its commercial name is Bank of Cyprus.

The Issuer is listed on the Cyprus Stock Exchange and the Athens Exchange. As at 31 December 2010, the Issuer had a market capitalisation of €2.3 billion and accounted for 44.90 per cent. of the total market capitalisation of the Cyprus Stock Exchange.

Recent Developments

The Group's profit before provisions for the first quarter ended March 2011 reached €172 million, marking a 4 per cent. increase compared to the first quarter of 2010. This improvement was mainly the result of the increase in net interest income which grew by 14 per cent. year on year to €276 million. Total income increased by 6 per cent. year on year to €356 million while total expenses increased by 7 per cent. year on year to €184 million.

Despite the increase in the profit before provisions, the profit after tax and non-controlling interests for the first quarter of 2011 declined to €71 million from €81 million in the first quarter of 2010. The decline in the profit after tax was mainly due to increased provisions for bad and doubtful debts and higher taxes due to the special tax on financial institutions in Cyprus.

The Group's total assets recorded an annual increase of 5 per cent. year on year and reached €41.7 billion at 31 March 2011.

The Group's gross loans and advances amounted to €29.1 billion as at 31 March 2011, recording a year on year increase of 7 per cent. The Group's gross loans and advances in Cyprus reached €14.2 billion, recording an annual increase of 8 per cent. The Group's gross loans and advances in Greece reached €10.2 billion, recording an annual increase of 3 per cent.

The Group's total customer deposits amounted to €32.2 billion as at 31 March 2011, marking an annual increase of 10 per cent. The Group's customer deposits in Cyprus reached €19.1 billion, marking an increase of 24 per cent. when compared to 31 March 2010. The Group's customer deposits in Greece reached €9.5 billion which is a decline of 10 per cent. year on year.

At 31 March 2011, the Group's total capital adequacy ratio was 11.6 per cent. and its tier 1 capital ratio was 11.1 per cent. The Group's capital adequacy was further strengthened with the issue on 18 May 2011 of €890 million convertible enhanced capital securities. As a result, the pro-forma capital ratio and tier 1 ratio as at 31 March 2011 reached 12.3 per cent. and 11.9 per cent. respectively.

General

As at 31 December 2010, the Group had consolidated total assets of €42.64 billion (€39.41 billion as at 31 December 2009). The Group recorded a profit after tax attributable to the owners of the Bank of €306 million for the year ended 31 December 2010 (€313 million for the year ended 31 December 2009).

The Group offers a wide range of financial products and services, which include (i) banking services in Cyprus, Greece, Russia, the United Kingdom, Australia, Romania, Ukraine and the Channel Islands, (ii) leasing services in Cyprus, Greece, Romania and Russia, and (iii) factoring, brokerage, fund management, investment banking, general and life insurance services in Cyprus and Greece.

The Bank is the leading financial services organisation in Cyprus with a market share in total banking system deposits and loans in Cyprus at 31 December 2010, including credit co-operatives, of 31.4 per cent. and 27.5 per cent. respectively (based on Central Bank of Cyprus information). The Bank operates 143 branches in Cyprus.

The Bank has been operating in Greece since 1991. The dynamic expansion of the Group's Greek operations started in 1999. As at 31 December 2010 the Bank operated 185 branches in Greece. The market share of the Group in deposits and loans in Greece in 31 December 2010, based on Bank of Greece information, amounted to 4.2 per cent and 4.2 per cent. respectively. Kyprou Leasing, a subsidiary of the Bank which operates in Greece, held the second largest market share in the Greek leasing sector.

The Group has been operating in the UK for more than 50 years and during that time it has established itself as an alternative to the mainstream clearing banks. The Bank serves a diverse business customer base across the UK from four offices in London.

The Bank's international activities were further enhanced in 2000 with the operation of a wholly owned subsidiary bank in Australia, which operates 12 branches.

In March 2007, the Bank expanded its operations to Romania with the provision of leasing services. In July 2007, the first banking branch became operational in Bucharest. Today the Bank operates 12 branches.

In Russia the Group commenced its operations in 2007 through the establishment of a wholly owned subsidiary and was the first Greek or Cypriot institution to enter the Russian market. In 2008 the Group's presence in the Russian market was further enhanced by the acquisition of an 80 per cent. interest in Uniastrum Bank. Uniastrum Bank was founded in 1994 and has its headquarters in Moscow. It operates through an extensive branch network of 211 branches in 48 regions. Uniastrum Bank offers an extensive range of products to the retail sector and enjoys high brand recognition.

In May 2008, the Group acquired 97 per cent. of the share capital of the Ukrainian bank PJSB Bank of Cyprus (previously AvtoZAZbank) which provides banking services in Ukraine. In December 2010 the Group's shareholding stood at 100 per cent. Currently the bank operates 27 branches.

At 31 December 2010 the Group operated through a total of 595 branches and employed 12,009 staff worldwide.

The Group has nine representative offices in Russia, Romania, Canada, Ukraine, Serbia and South Africa.

The following table shows the Group's summary income statement for each of the two years ended 31 December 2010 and 2009:

	<i>For the year ended 31 December</i>		
	<i>2010</i>	<i>2009</i>	<i>change</i>
	<i>(in millions of euro)</i>		<i>(per cent.)</i>
Net interest income.....	1,040.4	847.8	23
Net fee and commission income.....	231.2	243.4	(5)
Foreign exchange income.....	38.6	28.6	35
Net gains on sale, revaluation and impairment of investments, derivative financial instruments and subsidiaries.....	71.4	87.1	(18)
Insurance income net of insurance claims.....	59.4	62.8	(5)
Other income.....	8.9	16.8	(47)
Total income ⁽¹⁾	1,449.9	1,286.5	13
Staff costs and other operating expenses.....	(724.9)	(674.3)	8
Profit before provisions for impairment of loans and advances ⁽²⁾	725.0	612.2	18
Provisions for impairment of loans and advances.....	(374.5)	(247.9)	51
Profit before share of profit of associates.....	350.5	364.3	(4)
Share of (loss)/profit of associates.....	(2.0)	0.9	(322)
Profit before tax.....	348.5	365.2	(5)
Tax.....	(46.0)	(43.2)	6
Profit after tax.....	302.5	322.0	(6)
Attributable to:			
Owners of the Company.....	306.2	313.1	(2)
Non-controlling interests ((loss)/profit).....	(3.7)	8.9	(142)

Notes:

- (1) For the year ended 31 December 2010, divided between the Group's areas of activity as follows: banking and financial services (95.7 per cent.), insurance business (4.2 per cent.) and property and hotel business (0.1 per cent.).
- (2) For the year ended 31 December 2010, divided geographically as follows: Cyprus (60 per cent.), Greece (27 per cent.), Russia (6 per cent.) and other countries (7 per cent.).

All analysis in this Prospectus by geographic segment is shown on the basis that each segment's capital and related interest income and expense are adjusted in order to be on the same basis as a percentage of the segment's risk weighted assets, as calculated for capital adequacy purposes in accordance with the relevant regulations of the Central Bank of Cyprus. The results of each segment are also adjusted to reflect the liquidity surplus/shortfall of each segment. The Group's total profit as presented in the consolidated statement is not affected. The loans and advances to customers, the customer deposits and the related income and expense are included in the segment where the business is originated, instead of the segment where the transaction is recorded.

The Group's total income recorded a significant increase of 13 per cent. reaching €1,450 million for 2010, demonstrating the Group's ability to achieve increased recurring income even in adverse economic conditions. The Group's profit before provisions for 2010 reached €725 million and recorded an annual increase of 18 per cent. Despite the significant increase in profit before provisions, the Group's conservative policy regarding provisions resulted in profit after tax and non-controlling interests for 2010 declining by 2 per cent. and reaching €306 million, with the Group being profitable in all the markets in which it operates.

At the same time, the Group enjoys strong capital adequacy (Tier 1 ratio 11.0 per cent), and healthy liquidity (loans to deposits ratio 84 per cent.).

Despite its deterioration, loan quality remains at adequate levels (non-performing loans ratio of 7.3 per cent.) given the challenging macro environment.

- The Group's total income recorded an annual increase of 13 per cent., reaching €1,450 million for 2010, demonstrating the Group's ability to achieve increased recurring income even in adverse economic conditions.
- Profit before provisions for 2010 reached €725 million, recording an increase of 18 per cent. compared to 2009 (€612 million).
- The Group's net interest margin reached 2.66 per cent. for 2010, which is an increase of 27 basis points compared to 2.39 per cent. for 2009.
- The Group achieved satisfactory profitability for 2010, with increased recurring income and a positive contribution to profit from all the markets in which it operates. Despite the important increase in profits before provisions, the Group's conservative policy of strengthening the balance sheet through increased provisions resulted in profit after tax and non-controlling interests reaching €306 million for 2010 compared to €313 million for 2009.
- In Cyprus, profit before provisions reached €437 million, which is an increase of 16 per cent. compared to 2009. However, having taken into consideration the deterioration of the economic environment, the Group increased its charge for impairment of loans, resulting in profit after tax and non-controlling interests for 2010 of €256 million, which is 9 per cent. lower than 2009.
- In Greece, profit before provisions for 2010 reached €194 million, recording an increase of 34 per cent. compared to 2009. Despite the increased provision charge (€184 million for 2010 compared to €120 million for 2009), profit after tax reached €11 million compared to €3 million for 2009.
- In Russia, profit before provisions for 2010 reached €46 million; an increase of 12 per cent. compared with 2009, with profit after tax reaching €16 million compared to €7 million for 2009 (an annual increase of 116 per cent.).
- Profit after tax for other countries (Australia, the United Kingdom, Ukraine and Romania) reached €23 million, recording an increase of 12 per cent. compared to 2009.
- The capital adequacy ratio reached 11.9 per cent. at 31 December 2010, with the tier 1 ratio and the core tier 1 ratio reaching 11.0 per cent. and 8.1 per cent., respectively.
- The Group maintained its healthy liquidity, with a net loans to deposits ratio of 84.1 per cent.
- The Group improved its efficiency, with the cost to income ratio improving to 50.0 per cent. for 2010 from 52.4 per cent. for 2009.
- The Group's loan quality remained at adequate levels as a result of the emphasis placed on effective credit risk management. The non-performing loans ratio reached 7.3 per cent. at 31 December 2010 compared to 6.7 per cent. at 30 September 2010 and 5.6 per cent. at 31 December 2009. Despite an increase of 60 basis points in the non-performing loans ("NPL") ratio in the fourth quarter of 2010, the provisions coverage ratio (provisions as a percentage of non-performing loans) remained at a satisfactory level of 55 per cent. at 31 December 2010. The coverage ratio including tangible collateral amounted to 118 per cent. (106 per cent. taking into account tangible collateral at forced sale value).

* NPLs are defined as loans which are in arrears for longer than three months and which are not fully covered by tangible collateral.

At 31 December 2010 the Group's gross loans amounted to €28.9 billion recording an annual increase of 9 per cent. mainly due to the weak demand for lending in the two main markets of the Group, Cyprus and Greece, as well as the prudent credit policy applied by the Group, given the conditions prevailing during the year in the markets in which it operates.

At 31 December 2010 the Group's total loans in Cyprus amounted to €13.9 billion, recording an annual increase of 9 per cent. Loans in Cyprus represent 48 per cent. of the Group's total loan portfolio.

The Group has the largest market share of total loans of commercial banks and credit co-operatives in Cyprus (27.5 per cent. as of December 2010). The preservation of our leading market share is the result of the recognition of the Bank of Cyprus leading brand name, its extensive network and effective marketing campaigns.

At 31 December 2010, the Group's total loans in Greece reached €10.2 billion, representing 35 per cent. of the Group's total loan portfolio. Total loans in Greece recorded a small increase of 4 per cent. for 2010.

In December 2010, the Group's market share in loans in Greece was 4.2 per cent.

At 31 December 2010, the Group's total loans in Russia reached €1.9 billion recording a significant annual increase of 34 per cent. Loans in Russia represent 7 per cent. of the total Group loan portfolio.

At 31 December 2010, Group loans in other countries reached €3.0 billion, representing 10 per cent. of the total Group loan portfolio.

Specifically, the loans of the Group:

- in Romania and Ukraine amounted to €0.6 billion and €0.2 billion respectively, representing 3 per cent. of the Group's total loan portfolio;
- in the United Kingdom and Australia amounted to €1.1 billion and €1.0 billion respectively, representing 7 per cent. of the Group's total loan portfolio.

The Group's total deposits at 31 December 2010 reached €33.0 billion recording an annual increase of 15 per cent. The healthy liquidity of the Group, with a net loans to deposits ratio of 84 per cent. and its minimal reliance on wholesale funding (deposits to total assets ratio of 77 per cent.) provide the Group with a strong competitive advantage, particularly in the adverse conditions prevailing in international money markets and the intense competition on deposits evident in the main markets in which the Group operates.

In Cyprus, Group deposits reached €19.7 billion at 31 December 2010 recording an increase of 34 per cent. since the end of 2009. The Group has the leading market share (31.4 per cent.) of total deposits of commercial banks and credit co-operatives. The Group's market share between commercial banks in Cyprus for foreign currency deposits was 43.1 per cent. in December 2010.

In Greece, Group deposits reached €9.8 billion at 31 December 2010, recording an annual decrease of 10 per cent., with the market share reaching 4.2 per cent. at 31 December 2010.

Deposits in Russia recorded a particularly encouraging annual growth of 9 per cent., reaching €1.1 billion at 31 December 2010.

At 31 December 2010, the Group's deposits in other countries reached €2.4 billion. Specifically, Group deposits:

- in the United Kingdom and Australia amounted to €1.3 billion and €0.9 billion respectively;

- in Romania and Ukraine amounted to €0.2 billion and €41 million respectively.

At 31 December 2010, the Group's shareholders' funds amounted to €2.8 billion. The Group's total capital adequacy ratio based on Basel II requirements reached 11.9 per cent. with the tier 1 ratio at 11.0 per cent. and the core tier 1 ratio at 8.1 per cent.

Group Structure

SNA 9-6.1
RDA 11-6.1

The companies and branches included in the consolidated financial statements of the Group as at 31 December 2010, their activities, their country of incorporation and the percentage held by the Bank (directly or indirectly) are:

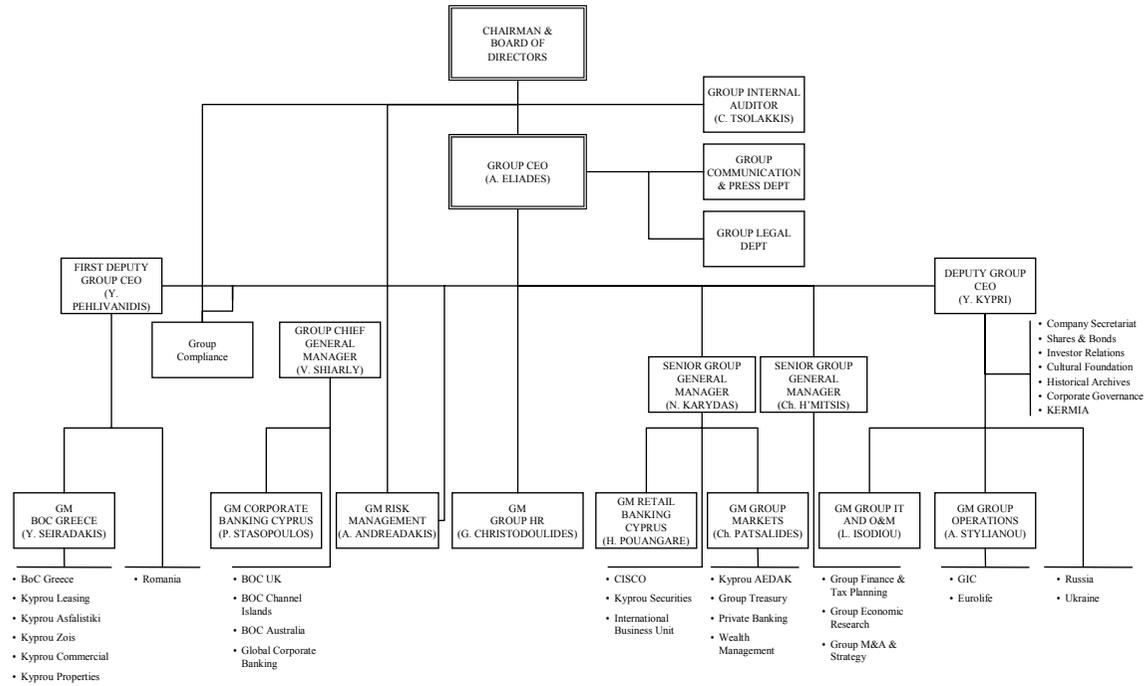
<i>Company</i>	<i>Country</i>	<i>Activities</i>	<i>Percentage holding (per cent.)</i>
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
BOC Ventures Ltd	Cyprus	Management of venture capital investments	100
Tefkros Investments Ltd	Cyprus	Investment fund	100
Bank of Cyprus Mutual Funds Ltd	Cyprus	Inactive	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	50
Diners Club (Cyprus) Ltd	Cyprus	Diners Club credit card facilities	100
BOC Russia (Holdings) Ltd	Cyprus	Intermediate holding company	80
Otherland Properties Ltd	Cyprus	Intermediate holding company	100
Gosman Properties Ltd	Cyprus	Intermediate holding company	100
Pittsburg Properties Ltd	Cyprus	Intermediate holding company	100
Battersee Properties Ltd	Cyprus	Intermediate holding company	100
Trecoda Properties Ltd	Cyprus	Intermediate holding company	100
Bonayia Properties Ltd	Cyprus	Intermediate holding company	100
Bank of Cyprus Public Company Ltd (branch)	Greece	Commercial bank	N/A
Kyprou Leasing SA	Greece	Leasing	100
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100
Kyprou Securities SA	Greece	Investment banking	100

<i>Company</i>	<i>Country</i>	<i>Activities</i>	<i>Percentage holding (per cent.)</i>
Kyprou Asset Management (AEDAK)	Greece	Management of mutual funds	100
Kyprou Properties SA	Greece	Property management	100
Kyprou Insurance Services Ltd	Greece	General insurance brokers	100
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	100
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	100
Bank of Cyprus United Kingdom (branch)	United Kingdom	Commercial bank	N/A
Katoikia I Mortgage Finance Plc	United Kingdom	Special purpose entity	–
Katoikia I Holdings Ltd	United Kingdom	Special purpose entity	–
Misthosis Funding Plc	United Kingdom	Special purpose entity	–
Misthosis Funding (Holding) Ltd	United Kingdom	Special purpose entity	–
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Tefkros Investments (CI) Ltd	Channel Islands	Investment fund	100
Bank of Cyprus Australia Ltd	Australia	Commercial bank	100
Bank of Cyprus Romania (branch)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
Otherland Properties Dorobanti SRL	Romania	Property investment	100
S.C. ONT Carpati S.A.	Romania	Hotel business	94
Pittsburg Properties SRL	Romania	Property investment	100
Battersee Real Estate SRL	Romania	Property investment	100
Trecoda Real Estate SRL	Romania	Property investment	100
Green Hills Properties SRL	Romania	Property investment	100
CB Uniastrum Bank LLC	Russia	Commercial bank	80
Leasing Company Uniastrum Leasing	Russia	Leasing	100
PJSB Bank of Cyprus	Ukraine	Commercial bank	100
Kyprou Finance (NL) B.V.	Netherlands	Financing company	100

The Group owns 45 per cent. of the share capital of JCC Payment Systems Ltd, for which proportional consolidation is used.

The Group also owns a 23 per cent. interest in Interfund Investments Plc which is a closed-end investment company listed on the Cyprus Stock Exchange. It also has a 30 per cent. indirect interest in Grand Hotel Enterprises Society Ltd which is incorporated in Romania and is the owner of a hotel. These two investments are accounted for by the Group as associates.

GROUP ORGANISATIONAL STRUCTURE



Strategic Priorities

The Bank of Cyprus Group sets its strategic priorities for the year 2011 which aim to create shareholder value on a sustainable basis. The strategic priorities of the Group for the year 2011 focus on maintaining its healthy liquidity position and strong capital adequacy, on achieving satisfactory profitability with improved efficiency and cost containment and on effective risk management. In addition, the Group aims to further enhance its presence in the new markets in which it operates, which have strong growth potential, thereby creating long-term diversification of income, profitability and risks.

Deposits and Funding

The Group's funding principally consists of customer deposits. These are attracted through the Group's branch networks in Cyprus, Greece, the United Kingdom, the Channel Islands, Australia, Russia, Romania and Ukraine. The Group also holds debt securities and takes deposits on the interbank market. The following table shows a breakdown of the Group's funding by type as at the dates indicated.

	2008 <i>(restated)</i>	2009	2010
	<i>(in thousands of euro)</i>		
Customer deposits	27,935,747	28,584,561	32,952,567
Obligations to central banks and amounts due to banks.....	2,832,298	5,290,897	3,706,975
Debt securities in issue	959,169	519,111	83,957
	<u>31,727,214</u>	<u>34,394,569</u>	<u>36,743,499</u>

The Group accepts foreign currency deposits, mostly in U.S. dollars, pounds Sterling, Australian dollars, Russian rubles and Ukrainian hryvnia from a diversified depositor base.

Customer Deposits and Other Accounts

The majority of the Group's financing consists of customer deposits. As at 31 December 2010, the Group had €32.95 billion customer deposits (€28.58 billion as at 31 December 2009). As at 31 December 2010, the Bank had a market share of approximately 31.4 per cent. of the total deposits held in the Cypriot banking system (including deposits held by the co-operative credit institutions) (based on Central Bank of Cyprus information). The Bank regards its deposit base as stable and has never experienced a run on its deposits. The Bank believes that the reach of its branch network across Cyprus and the strength of its image and financial position are attractive to depositors wishing to deposit funds in Cyprus.

In the Cyprus market the Bank offers demand, savings and time deposits (both notice and fixed period accounts) and structured deposits. Similar products are offered to retail depositors in Greece, the United Kingdom, the Channel Islands, Australia, Russia, Romania and Ukraine. The following table shows a breakdown of the Group's customer deposits and other accounts between these categories as at the dates indicated.

	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(in thousands of euro)</i>		
Demand	3,916,475	4,512,915	5,893,902
Savings	1,614,524	2,149,604	2,415,718
Time or notice.....	22,404,748	21,922,042	24,642,947
	<u>27,935,747</u>	<u>28,584,561</u>	<u>32,952,567</u>

Obligations to central banks and amounts due to Banks

As at 31 December 2010, 10.09 per cent. of the Group's funding was represented by borrowing from central banks and interbank borrowings (15.38 per cent. as at 31 December 2009). The Cypriot interbank market is very small and the majority of interbank deposits are from overseas banks.

Debt Securities in Issue

As at 31 December 2010, the Group had €83.96 million of debt securities in issue (€519.11 million as at 31 December 2009). The balance as at 31 December 2010 comprised:

	Contractual interest rate	2010	2009
		<i>(in thousands of euro)</i>	
Medium-term senior debt			
€500 million 2007/2010	Three-month Euribor plus 0.20 per cent.	–	450,992
SEK 50 million 2009/2012	OMX Stockholm 30 index	5,315	4,852
SEK 100 million 2010/2014	Return of specific shares	11,371	–
RUB 1,500 million 2010	16 per cent.	–	2,303
€2 million 2010/2016	DJ EUROSTOXX50 index	2,000	–
USD 2 million 2010/2016	S&P 500 index	1,545	–
		<u>20,231</u>	<u>458,147</u>
Short-term commercial paper			
– Euro	–	4,997	29,495
– USD	–	7,470	13,527
		<u>12,467</u>	<u>43,022</u>
Other debt securities in issue			
RUB Certificates of Deposit and Promissory Notes	11 per cent.	50,767	17,450
Interest-free loan from the European Development Bank	–	492	492
		<u>51,259</u>	<u>17,942</u>
		<u>83,957</u>	<u>519,111</u>

In May 2009, the Group completed the securitisation of mortgage loans, as a result of which €1 billion of residential mortgage backed notes were issued. In September 2009, the Group completed the securitisation of finance lease receivables, as a result of which €689 million of notes were issued. The liability arising from

the issue of these notes is not included in the consolidated balance sheet as all notes issued are held by the Group. The residential mortgage backed notes issued in May 2009 were repaid at par in March 2011.

The Company maintains an EMTN Programme with an aggregate nominal amount of up to €4 billion (2009: €4 billion). Under the Programme, the Company issued SEK 50 million 2009/2012 bonds in May 2009, the redemption amount of which is linked to the OMX Stockholm 30 Index. Also under the Programme, the Company issued SEK 100 million 2010/2014 bonds in March 2010, the redemption amount of which is linked to the return of specific shares listed on the Stockholm Stock Exchange. The RUB 1,500 million 2010 bonds were issued at par by CB Uniastrum Bank LLC in April 2007 and were redeemed at par in April 2010. In May 2010, the Company issued the €2 million 2010/2016 and USD 2 million 2010/2016 bonds, the redemption amount of which is linked to the DJ EUROSTOXX 50 and S&P 500 indices, respectively.

The €500 million 2007/2010 bonds which were issued in June 2007, matured in June 2010 and were redeemed at par. The €500 million 2007/2010 bonds are listed on the Luxembourg Stock Exchange. The RUB 1,500 million 2010 bonds were listed on the Moscow Interbank Currency Exchange.

The Company maintains a Euro Commercial Paper Programme (ECP Programme) with an aggregate nominal amount of up to €1 billion (2009: €1 billion). According to the terms of the ECP Programme, the Commercial Paper is issued in various currencies at a discount and pays no interest. Each issue has a maturity period of up to 364 days and is unlisted.

RUB certificates of deposits and promissory notes were issued by CB Uniastrum Bank LLC at par, are unlisted and have maturities of up to one year.

Other Sources of Funds

The Group had in issue the following series of subordinated loan maturities as at 31 December 2008, 2009 and 2010.

	<i>As at 31 December</i>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(in thousands of euro)</i>		
Capital Securities Series B (€51 million)	50,713	–	–
Floating Rate Subordinated Bonds, 2011/2016 (€200 million).....	187,748	142,618	127,315
Capital Securities 12/2007 (€126 million).....	124,034	123,773	122,023
Convertible Bonds 2013/2018 (€573 million).....	563,726	41,090	40,986
Convertible Capital Securities (€645 million).....	–	633,304	634,034
Subordinated Bonds in Ukrainian hryvnia 12/2016	1,806	–	–
Subordinated Bonds in US dollars 2013/2014/2015	6,058	6,058	6,584
Total	<u>934,085</u>	<u>946,843</u>	<u>930,942</u>
Repayable according to their expected maturity date:			
less than 1 year	53,879	303	335
after 1 year.....	<u>880,206</u>	<u>946,540</u>	<u>930,607</u>
Total	<u>934,085</u>	<u>946,843</u>	<u>930,942</u>

All of the above subordinated loan stock ranks after the claims of depositors and other creditors of the Bank but has priority over the shareholders of the Bank and qualifies as Tier II capital in determining the capital base of the Group, with the exception of the Capital Securities which qualify as Tier I capital.

In May 2006, the Issuer issued €200 million 2011/2016 bonds under the Programme maturing in May 2016. The Company has the option to call these bonds in whole from May 2011. The interest rate of the bonds was set at three-month Euribor plus 0.60 per cent until May 2011, increasing to plus 1.60 per cent thereafter. The bonds are listed on the Luxembourg Stock Exchange.

Subordinated Bonds were issued in USD by CB Uniastrum Bank LLC and mature as follows: USD 2 million on 31 December 2013, USD 2.5 million on 31 December 2014 and USD 2 million on 31 December 2015. The interest rate can be changed unilaterally by the issuer at any time until maturity.

In July 2008, the Company issued Convertible Bonds 2013/2018 in Euro, with a nominal value of €573 million, maturing in June 2018. These Convertible Bonds carried a fixed interest rate of 7.50 per cent. per annum until 30 June 2009 and a floating interest rate thereafter, set at six-month Euribor plus 1.00 per cent. until June 2013 and plus 3.00 per cent. thereafter.

As a result of the rights issue to the Company's shareholders and the special distribution of an interim dividend in the form of shares during 2010, the conversion price of the Convertible Bonds was adjusted in accordance with the relevant terms of issue from €10.50 to €8.11 per share. The conversion periods are between 15-30 September for the years 2010-2012 and 15-31 March for the years 2011-2013. The Convertible 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. These Convertible Bonds are listed on the CSE. On 6 June 2009, Convertible Bonds 2013/2018 of nominal value €527 million were exchanged for Convertible Capital Securities of an equal nominal value. During the first conversion period between 15-30 September 2010, 45,866 Convertible Bonds were converted into 4,971 shares.

On 6 June 2009, the Company issued €645 million Convertible Capital Securities. The Convertible Capital Securities were offered to eligible shareholders of the Company (in the ratio of Convertible Capital Securities with a nominal value of €11 for every 10 shares held). The issue proceeds were received through the exchange of Convertible Bonds 2013/2018 with a nominal value of €527 million and the remaining €118 million was received in cash. The Convertible Capital Securities bear a fixed interest rate of 5.50 per cent per annum for the first five years and a floating interest rate of 6-month Euribor plus 3.00 per cent per annum thereafter. The Convertible Capital Securities may be converted into ordinary shares of the Company at the option of the holders. As a result of the rights issue to the Company's shareholders and the special distribution of an interim dividend in the form of shares during 2010, the conversion price of the Convertible Capital Securities was adjusted in accordance with the relevant terms of issue from €5.50 to €4.24 per share. The conversion periods are between 15-30 September for the years 2010-2013 and 15-31 March for the years 2011-2014. The Convertible Capital Securities are perpetual, but may be redeemed at the option of the Company, at par together with any accrued interest, on 30 June 2014 or on any other interest payment date thereafter, subject to the prior consent of the Central Bank. During the first conversion period between 15-30 September 2010, 90,001 Convertible Capital Securities were converted into 18,661 shares. The Convertible Capital Securities are listed on the CSE and the Athens Exchange.

The €126 million Capital Securities 12/2007 were issued in Cyprus Pounds in December 2007. The Capital Securities are perpetual, but may be redeemed in whole, at the option of the Company, at par together with any accrued interest, five years after their issue date or on any interest payment date thereafter, subject to the prior consent of the Central Bank. The interest rate of the Capital Securities 12/2007 was fixed at 6.00 per cent per annum for the first six months and floating thereafter, set at three-month Euribor plus 1.25 per cent per annum. The Capital Securities are listed on the CSE.

The €51 million Capital Securities Series B and the €126 million Capital Securities 12/2007 were issued in Cyprus Pounds in March 2004 and in December 2007 respectively. The Capital Securities are perpetual, but may be redeemed in whole, at the option of the Issuer, at par together with any accrued interest, five years after their issue date or on any interest payment date thereafter, subject to the prior consent of the Central Bank. In May 2009, the Bank exercised its option to redeem the Capital Securities Series B at par. Capital

Securities Series B bore a floating interest rate which was equal to the base rate at the beginning of each three-month period plus 1.00 per cent. The interest rate of Capital Securities 12/2007 was fixed at 6.00 per cent. per annum for the first six months and floating thereafter, equal to the three-month Euribor plus 1.25 per cent. per annum.

Loans and Other Advances to Customers

As at 31 December 2010, total loans and advances to customers of the Group stood at €27.7 billion (€25.6 billion as at 31 December 2009), which represented 65.0 per cent. of the Group's total assets (65.0 per cent. as at 31 December 2009).

The Group's lending consists of extensions of credit by the Issuer and its subsidiaries (including hire purchase and leasing facilities) (see "Other Activities – Hire-Purchase/Leasing"). The following table shows the breakdown of the Group's loans and advances to customers including provisions for impairment of loans and advances as at the dates indicated.

	<i>As at 31 December</i>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(in thousands of euro)</i>		
Loans and advances to customers.....	23,186,972	24,671,713	27,104,251
Hire purchase and finance lease debtors.....	<u>1,925,636</u>	<u>1,836,335</u>	<u>1,781,599</u>
Gross loans and advances to customers.....	25,112,608	26,508,048	28,885,850
Provisions for impairment of loans and advances to customers	<u>(687,914)</u>	<u>(872,268)</u>	<u>(1,160,399)</u>
Total.....	<u>24,424,694</u>	<u>25,635,780</u>	<u>27,725,451</u>

(See "Provisioning and Loan Loss Experience" for a discussion of the Group's policies for classifying and provisioning for bad and doubtful debts.)

Lending Policy

The Group's lending worldwide is divided between retail, medium-sized businesses and corporate customers. The Group in Cyprus currently regards any company with available credit lines with the Group in excess of an aggregate principal amount of €1,300,000 as falling within the corporate category (see "Corporate Lending" below) and in the range of €260,000 and €1,300,000 as falling within the medium-sized business category. All other customers fall within the retail sector which comprises personal customers and small businesses with facilities from the Group of up to €260,000.

As at 31 December 2010, retail advances accounted for approximately 32 per cent. of the Group's total gross consolidated extensions of credit, while advances to medium-sized businesses accounted for approximately 27 per cent. Corporate advances accounted for approximately 41 per cent.

The Group's primary lending criterion is the borrower's repayment ability. Additionally, the Group places emphasis on the provision of satisfactory security, mainly in the form of tangible collateral and personal/corporate guarantees depending on the riskiness. Often customers borrow in their personal capacity or as medium-sized businesses taking advantage of a number of different facilities. In these cases, the security taken by the Group in respect of a customer's borrowings is in effect "pooled" by a system of cross collateralisation and cross guarantees, so that default under the terms of one facility may trigger enforcement of security originally taken in respect of another. This pooling of security maintains flexibility in that it allows the Group to have access to the maximum amount of assets in respect of a borrower. The Group

places paramount importance on the assessment of a prospective borrower's ability to meet repayment schedules (see "Policies for Approving Credit Exposures").

Security is held as a last resort for the recovery of the debt. Generally, the Group only requires a review of security if the borrower makes a request for a new loan or advance or during the annual review (see "Review of Credit Exposures").

As at 31 December 2010, 93 per cent. of the Group 's credit portfolio was funded and 7 per cent. was unfunded (93 per cent. and 7 per cent. respectively, in 2009). The Group 's unfunded credit consists of acceptances and endorsements, guarantees and performance bonds and documentary credits (see "Trade Finance" below).

In the area of corporate and business lending, the Planning Division, in co-operation with the Group Credit Risk Policy Management Division, prepares periodical sectoral studies to identify on the one hand those sectors which may present problems and on the other the target areas for credit expansion. These studies are used by the Board of Directors in the formulation or review of lending policy. At present, the Issuer believes that the main areas in Cyprus which require caution in relation to its loan portfolio are the share brokerage, property developers, clothing, footwear, leather-goods manufacturing, second-hand car and motorbike dealing, supermarkets, football clubs, political parties, airlines, betting agencies/houses/casinos, hotel industries, cigar trading, pleasure boats, arms trading, mass media, importers of foodstuff, beverages and other supermarket commodities, fish farming, poultry farming, winery, local ice cream manufacturing/importing, furniture manufacturing/importing, insurance sectors and restaurants and clubs. The risky sectors are reviewed periodically by the Group Credit Risk Policy Management Division. As a result, the Issuer has strict restrictions on new extensions of credit to borrowers in these sectors. In particular, all loan applications (or applications for loan renewals) from business firms in these sectors are referred to Head Office (see "Policies for Approving Credit Exposures").

Retail Lending

The Group offers a wide range of retail credit products to its customers both in Cyprus and abroad. These include current accounts, home loans, student loans, agricultural loans, loans for businesses, hire purchase finance and credit cards.

Most of the Group 's retail facilities take the form of overdraft accounts with predetermined credit limits or fixed-term loans with a typical maturity of between five and seven years, although home and student loans may have a maturity of up to 40 years. For small business lending, security is always taken in the form of personal guarantees from the owner of the borrowing company and/or other persons backed by mortgages over real property and/or pledges of shares and/or fixed and floating charges over corporate assets.

Medium-sized Businesses and Corporate Lending

The Group 's lending facilities for these customers comprise overdraft accounts, loans of fixed maturity, invoice discounting, domestic factoring, import and export factoring, hire-purchase financing and leasing, bills discounting and stock financing. The Group also provides letters of credit and letters of guarantee.

The Group 's corporate and business lending in Cyprus is channelled through 15 Corporate Banking Centres ("CBCs") and 23 Business Centres ("BCs"). The Issuer has separate CBCs in London, Greece, Australia, Romania, Russia and Ukraine.

Interest rates for corporate advances vary according to each customer's risk premium. Maturities of corporate loans in the Group 's portfolio range from a period of less than one year to ten years depending on the nature and purpose of the facility. In general, security is required in the form of fixed or floating charges

on the assets of the borrower, mortgages over real property, pledges of shares, cash collateral and personal and/or corporate guarantees.

Trade Finance

Imports and exports are a significant feature of the Cyprus economy. In addition, Cyprus has developed into an international business centre for finance, trade and shipping. The Group specialises in the provision of trade services such as import and export financing and money transmission services. Official banking statistics are not available to be able to provide accurate market share data, but the Group believes that the nature of its customer base, which includes the majority of Cyprus' major import and export businesses, and the Group's relationship with its correspondent banks overseas, places it in a strong position in relation to its domestic rivals in this area of business.

In Cyprus, trade finance services are provided by all of the Group's branches, including the International Banking Units which specialise in servicing International Business Companies ("IBCs"). IBCs are legal entities whose beneficial ownership and business activities lie outside Cyprus. Outside Cyprus, the Group offers trade finance products via its branch network in Greece, the United Kingdom, Australia, Romania, Russia and Ukraine.

Import and export financing is offered through the opening of letters of credit, the handling of bills of exchange, the issuing of letters of guarantee and standby letters of credit, the discounting of bills, the handling of documentary and other trade collections and the execution of money transfers. In addition, the Group offers credit facilities in the form of pre-export finance and direct and indirect facilities to customers and correspondents. In Cyprus these services are offered to local customers of the Group as well as to IBCs. These services are also offered in all countries where the Group has a banking presence.

The Group operates the same credit approval and control policies in relation to its trade finance activities as for its other credit businesses (see "Policies for Approving Credit Exposures" and "Review of Credit Exposures"). Amounts outstanding in relation to import and export financing for each customer are aggregated with any other outstandings in relation to such customer in determining credit limits.

The Group's Asset and Liability Committee ("Group ALCO"), on the advice of Group Market Risk Management (see "Asset and Liability Management"), approves country and bank limits in order to manage direct and indirect counterparty risk arising from commercial transactions. Banks in the U.S. and the European Union are placed into categories according to their credit rating and the overall assessment of their financial condition. Transactions can then take place up to specified amounts for each category. For non-rated banks, or for banks located in countries which are considered riskier, there is closer monitoring. In this case, Group Market Risk Management recommends a limit, taking into account the financial statements, ownership structure, other qualitative data and credit ratings (if available) of such banks and the ratings and reports of the countries in which they are located. These limits are under continuous review by Group Market Risk Management by reference to the reports of rating agencies and/or other public information such as financial statements. The aggregate counterparty exposure for each of these banks and countries is reviewed at the Group ALCO meetings each month.

The following table sets out the amounts of the Group's trade and other guarantee financing outstanding as at the dates indicated.

	<i>As at 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>(in thousands of euro)</i>		
Acceptances and endorsements	42,387	55,339	29,040
Guarantees	1,919,963	1,923,973	2,023,359

Documentary credits.....	42,718	46,192	48,109
Total.....	2,005,068	2,025,504	2,100,508

Sectoral Analysis

The following table sets out the breakdown of the Group's total credit portfolio by economic sector as at 31 December in each year from 2008 to 2010.

	<i>As at 31 December</i>		
	2008 (restated)	2009	2010
	<i>(in thousands of euro)</i>		
Trade.....	3,483,250	3,333,762	3,617,946
Manufacturing.....	1,583,127	1,545,488	1,755,320
Hotels and catering.....	1,977,281	2,121,902	2,297,776
Construction.....	2,678,265	2,462,311	2,747,557
Real estate.....	3,029,948	3,331,556	3,866,022
Private individuals.....	7,541,962	8,787,667	8,591,309
Professional and other services.....	3,411,377	3,076,706	4,065,604
Other sectors.....	1,407,398	1,848,656	1,944,316
Total.....	25,112,608	26,508,048	28,885,850

The consolidated loan portfolio of the Group is concentrated in the areas of trade, which represented 12.5 per cent. as at 31 December 2010 (12.6 per cent. as at 31 December 2009), manufacturing with 6.1 per cent. (5.8 per cent. as at 31 December 2009), real estate with 13.4 per cent. (12.6 per cent. as at 31 December 2009), professional and other services with 14.1 per cent. (11.6 per cent. as at 31 December 2009), private individuals with 29.7 per cent. (33.2 per cent. as at 31 December 2009), hotels and catering with 8.0 per cent. (8.0 per cent. as at 31 December 2009), construction with 9.5 per cent. (9.3 per cent. as at 31 December 2009) and other with 6.7 per cent. (7.0 per cent. as at 31 December 2009).

Geographical Analysis

During 2008-2010, the Group extended credit to customers in the following principal geographic areas: Cyprus, Greece, Russia, the United Kingdom, Australia, Romania and Ukraine. The following table shows a breakdown of the Group's total credit portfolio by geographical area as at the dates indicated. The analysis is based on the location of the entity recording the transaction.

	<i>As at 31 December</i>		
	2008 (restated)	2009	2010
	<i>(in thousands of euro)</i>		
Cyprus.....	11,969,118	12,753,230	13,882,964
Greece.....	9,660,974	9,780,263	10,154,385
Russia.....	1,174,298	1,409,405	1,887,215
United Kingdom.....	1,110,568	1,063,252	1,076,814
Australia.....	411,213	618,420	1,011,560
Romania.....	578,449	677,591	624,673
Ukraine.....	207,988	205,887	248,239

Total	<u>25,112,608</u>	<u>26,508,048</u>	<u>28,885,850</u>
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While credits extended in Cyprus remain central to the Group's business, representing 48.1 per cent. of the Group's total credits as at 31 December 2010, credit extended in Greece grew by 3.8 per cent. during 2010 while growth in Cyprus was 8.9 per cent. over the same period. In the United Kingdom, loans increased by 1.3 per cent. during 2010. Loans extended by the Group in Russia and in the Ukraine grew by 33.9 per cent. and 20.6 per cent. respectively. For a discussion of the Group's operations in each country see "Operations by Geography" below.

Credit Portfolio Concentration

The Group's exposure to customer groups who have credit facilities amounting to more than 10 per cent. of the Group's capital base as at 31 December 2010 was €1.4 billion (€1.3 billion as at 31 December 2009).

Total exposure to the Group's largest customer groups as at 31 December 2010 was 4.8 per cent. of the Group's total consolidated advances.

As at 31 December 2010, the Group had loans and other advances granted to Directors of the Group, key management personnel and their connected persons of €244.3 million and contingent liabilities in the form of documentary credits, guarantees and commitments to lend of €113.1 million.

There are restrictions on loan concentrations which are imposed under the Banking Law (as defined below) and by the Directive issued under the Banking Law by the Central Bank of Cyprus (the "Central Bank"). According to these restrictions, banks should not lend more than 25 per cent. of their capital to any individual borrower and their connected persons. In addition, total lending to individual borrowers and their connected persons whose borrowings exceed 10 per cent. of a bank's capital base should not in aggregate exceed eight times its capital base. The Group is in compliance with both of these regulations (see "The Banking Sector in Cyprus – Regulatory Framework"). In addition to the above, the Group's overseas operations have to comply with large exposure guidelines set by the authorities of the countries in which they are based.

The Group's foreign currency lending consists of two types: lending to retail and corporate customers operating in the United Kingdom, Greece, Australia, Romania, Russia and Ukraine out of the branches located there, and foreign currency lending to customers of Cyprus.

Credit Risk Management

The management of credit quality for the whole Group is the primary responsibility of the Group Credit Risk Policy Management Division in co-operation with the Credit Risk (Sanctioning) Division at Head Office.

The primary objective of these divisions is the development and operation of effective and efficient systems for managing and monitoring/controlling the risk profile of the Group's loan portfolio, within the framework of the general strategic objectives of the Group.

The primary functions of the Group Credit Risk Policy Management Division are portfolio management and credit policy development. On the other hand, the primary functions of the Credit Risk (Sanctioning) Divisions in Cyprus, Greece, the United Kingdom, Australia, Romania, Russia and Ukraine are responsible for the implementation of credit risk policy and the monitoring and control of the Group's advances in those countries.

Portfolio Management and Credit Policy Development

The Credit Risk Policy Management Division is responsible for: (i) managing the structure of the loan portfolio by setting objectives, priorities and limits on the basis of credit risk, (ii) managing the Group's internal target system in relation to loan portfolio quality (specific quality targets are set by sector, customer group, product, region and banking unit), (iii) developing suitable systems for assessing and measuring credit risk (i.e. a credit rating system for corporate customers and medium-sized businesses and a credit scoring system for the retail sector), (iv) developing the relevant pricing policy for loans (at customer level for the corporate and medium-sized businesses and sectors and at product/customer group level for personal customers and small businesses), and (v) developing human resources, information systems and other resources in order to respond effectively to the changing needs of managing credit risk.

Policies for Approving Credit Exposures

The Group's credit approval process takes into account five principal criteria in relation to a prospective borrower: (i) the client's financial position and repayment ability, (ii) the economic sector in which the client operates, (iii) the quality of the client's management, (iv) the proposed security for the facility, and (v) the profitability of the client's bank accounts.

In general, the Group's credit risk management aims at ensuring an adequately diversified portfolio, in order to avoid over concentration in a small number of sectors or customer groups. Credit sanctioning is based on prudent lending rules. Generally, the Group lends on the security of a first charge provided the loan to value ratio ("LVR") does not exceed 70 per cent. with the exception of housing loan to first-time home-owners where the LVR can increase to 80 per cent. The Group takes a second charge only in exceptional circumstances (for example where the Group's primary security is taken in some other way and the second charge provides additional comfort).

There are no special terms on loans to shareholders. As regards limits on credit facilities granted to individual borrowers or Group Directors and their connected persons, the Group complies with the relevant provisions of the Banking Law of 1997 and the relevant exposures are set out in the Group's Consolidated Financial Statements (see "The Banking Sector in Cyprus – Regulatory Framework").

Lending Delegations, Approving Responsibilities and Handling of Policy Exceptions

The Credit Risk (Sanctioning) Division is responsible for credit sanctioning for all the Group's customers. In order to facilitate and expedite the credit sanctioning process, certain lending authorities and approving responsibilities have been delegated to managers and officers of Branch Banking and Business/Corporate Banking for the approval of low risk facilities.

Loan applications for new or existing customers who are designated "high risk" (on the basis of certain specific criteria described below) are submitted to the Credit Risk (Sanctioning) Division at Head Office, depending on the size of the exposure or security gap. Loans which are assessed to be of higher risk (due to the total exposure to the client) are reviewed and approved by the two head office Loans Executive Committees.

"High risk" credit facilities are considered to include the following: (i) large exposures or security gaps (beyond discretionary limits), (ii) substantial excesses on approved limits (beyond discretionary limits for excesses), (iii) exposures with a high proportion of arrears, (iv) complex accounts (according to specified criteria), (v) facilities to new customers and (vi) companies with operations in high risk sectors of the economy.

The above criteria together with the relevant specific quantitative parameters are embodied in the Group's guidelines for the "Credit Approval Limits" given to the various approving officers.

The exact limits above which credit decisions must be referred vary according to the size of the branch or CBC, the relative seniority and experience of the relevant manager or officer and the particular industry sector of the prospective borrower. Discretionary lending limits are reduced for large gap exposures and new customers. These restrictions do not apply for the top four levels of approving authorities (i.e. Assistant Credit Risk Managers at Head Office, Head Office Credit Risk Managers, the Junior Loans Committee and the Senior Loans Committee).

All applications are submitted directly from the relevant business line unit to the relevant approving authority. No level of authority may overrule a negative recommendation submitted by a level directly below it, without referring the application to a higher level.

In addition to the limits set out by the supervisory authorities mentioned above, the Group will also occasionally impose its own limits in relation to certain customers or Groups of customers or economic sectors and will also sometimes seek to impose restrictions on a customer's borrowing from other financial institutions.

Corporate Governance and Board Involvement on Credit Issues

The Issuer's Board is extensively involved in all major aspects of credit quality, both at strategic level (policy issues) and practical level (sanctioning for very large customers) as well as applications made by Board members. More specifically, the Risk Committee of the Board reviews and makes recommendations to the Board relating to, inter alia, the Group's risk management policy and practices and the effectiveness thereof.

Retail Lending to Personal Customers

The Group's has introduced a system of credit scoring to assess applications for loans by personal customers. Application scoring is used for new customers and the score/decision is based on the customer's characteristics (demographics such as age, length of employment, salary, years at the same address and, to a lesser extent, the terms of credit of the requested facilities) at the time of the application.

In relation to lending to existing customers, the Group uses behavioural scoring which takes into account such factors as the conduct of existing accounts and whether the customer has been in arrears. The Group's credit assessment takes into account the availability of tangible security from a borrower (see "Lending Policy").

Credit Rating Systems for Medium-Sized Business and Corporate Lending

The Credit Rating Systems are well embedded in the operational credit management process of the Group.

The Credit Rating System (Moody's Risk Advisor-MRA) is used by the Business and Corporate Banking Centres and is in compliance with the Basel II IRB Foundation Approach.

During 2010, a new upgraded version was formally applied based on the new web based version of MRA - Risk Analyst. The new system calculates the following ratings for such customers:

- (i) Their **financial index** (based on Moody's MRA). This index will rate the financial position of the customers based on recent audited financial statements (assessing the performance with respect to operational efficiency, liquidity, debt service and capital structure). This is the index that had been used for assessing financial position/credit worthiness of business/corporate customers.
- (ii) Their **borrower rating** (an assessment of the credit-worthiness of the customer taking into account financial index, account behaviour with the Group, the directors'/guarantors' account behaviour with

the Group, the Management of the enterprise and sectoral risks as well as the operations liquidity and capital structure).

- (iii) Their **transaction rating** (an overall assessment of the customer taking into account their financial index, their borrower rating as well as the collaterals/ security gap of the Group *vis-à-vis* the customer). This module will support the creation of Loss Given Default (LGD), Exposure at Default (EAD) and Expected Loss (EL) in compliance with the Basel II IRB Foundation Approach. It has to be noted that the transaction rating module has not become operational yet.

The MRA also has a new archive capability that supports Basel II by providing a way to capture data and create a complete ratings history for all borrowers.

Management of Problematic Accounts

Problematic accounts with arrears between one and three months are handled by the following centralised specialised departments:

Collections Department for Personal Lending

This department handles debit accounts from the retail sector with arrears over 15 days for high risk customers (as rated by the Behavioral Scoring System) and over 30 days for low risk customers. If these accounts continue to present arrears for over four to five months, then they are sent to the Recoveries Division for a more specialised treatment (including legal).

Business Support Unit (BSU)

The BSU department handles accounts from the medium-sized business sector and the corporate sector which present arrears over two months and three months respectively.

Where the accounts are not normalised within a specified period of time (maximum three months from the date of their transfer to BSU/CSU), then BSU/CSU is responsible for sending them to the Recoveries Division for further treatment (e.g. selling the available security to settle the debt, taking legal action etc.).

Review of Credit Exposures

The Group's credit review procedures operate as follows:

- *Branch/BC/CBC* – at the branch/BC/CBC level, the relationship officer responsible for the particular customer and the manager conduct an annual review of each facility on the basis of the financial position of the customer. It is then decided whether to renew the facility or refer it to the next level in the credit approval hierarchy. The same officers also conduct regular monitoring of all accounts within their responsibility during the course of the year.
- *Credit Control Department ("CCD")* – the CCD operates out of the Group's headquarters and reports directly to the Senior Credit Risk Manager. The department monitors on a continuous basis the quality of the Group's portfolio for irregularities and other weaknesses such as excesses, arrears, dormant accounts and large security gaps and examines credit sanctioning to ensure compliance with the Group's credit policy, rules and regulations. This is done through the evaluation of all decisions concerning the granting of credit, the analysis of trends regarding various aspects of the quality of lending, (especially those concerning high risk and problematic accounts) and the review of compliance with all terms and conditions of decisions taken involving the approving/granting of credit.

- *Credit Review Department ("CRD")* – the CRD also operates out of the Group's headquarters but reports directly to the Group's internal Audit Department. The CRD is an independent department which conducts a separate credit review of each branch/BC/CBC every two years on average. The frequency of the review depends on the findings of the previous review. CRD also conducts an operational audit of the branches'/BC's/CBC's credit approval, monitoring and review systems and procedures. The review involves the in-depth investigation of (a) the quality of the branches'/BC's/CBC's portfolio of advances and (b) the organisation and overall administration and management of their advances, divisions and function. As a result of the review, CRD assigns its own credit rating to each loan (ranging from A to E). A rating is also assigned with respect to the branches'/BC's/CBC's overall credit portfolio management and administration. In carrying out the investigation, the CRD reviews the customers' files and examines the overall organisation and staff of the advances division of each unit.

Provisioning and Loan Loss Experience

Provisioning Policy

A full review of the Group's portfolio is carried out twice a year under the supervision of the Group Credit Risk Policy Department in order to review all loans which meet certain criteria. These criteria are revised regularly to keep up with market developments and are specific to each country. The criteria currently include all non-performing loans, accounts with significant arrears, debit current/ overdraft accounts with no recent credit turnover, customers included in the Special Attention Lists for provisions purposes, customers with a low Credit Review Division credit rating and all Recoveries Division customers.

In addition, loans are reviewed for provisioning at any time if so recommended by branch management, credit officers and customer relationship officers. Guidance is given to the Group's management and officers in relation to factors affecting loans which should prompt a recommendation that provisioning should be considered. These factors include excesses above certain parameters, delays and overdue liabilities, limited account movement, frequent rescheduling, a negative attitude on the part of the borrower and specific industry problems.

The Group Credit Risk Policy Department reviews each loan satisfying the review criteria to determine the level of provision for impairment required. A key parameter reviewed is the "security gap" (i.e. the difference between the amount owed to the Group and the realisable value of the security held). Outstanding amounts (including guarantees) are reviewed against the value of the security held by the Group in respect of the relevant borrower to identify the present value of the amount which may be recovered in relation to the loan and therefore any unrecoverable and hence provisionable amount.

For significant customers a discounted cash flow exercise is carried out for determining the final provision amount. A number of assumptions are used for the valuation of securities. The future cash flows are discounted back to present values and the specific provision is derived from the difference of the Group exposure and the present value of the collateral.

In determining the level of provision for impairment required, other information in addition to the amount of security gap is also considered, for example details of the financial position of personal guarantors, up-to date valuations of the security, values assigned to fixed and floating charges, an assessment of the borrower's general financial position, the audited accounts of the borrower, relationships with and amounts owing to other banks, the results of any legal actions against the relevant borrower, the probability of a liability crystallising and the level of non-collectible interest (if any).

On completion of the provision review, the following reports are produced for each of the entities: (i) a summary of the charge for provisions for impairment of loans and advances and accumulated balance sheet provisions, (ii) a Special Attention List, which includes all accounts requiring attention, with a significant

unprovided security gap, (iii) the top 20 Groups with the highest capital provision, and (iv) large provision charge increases/decreases during the period under review. Every six months, the provisions reports are discussed and approved by different internal committees (which comprise senior officers of the Group) and by the Board of Directors.

In addition to provisions for impairment on an individual basis, the Group also makes collective impairment provisions for loans and advances that are not individually significant and for losses that have been incurred but are not yet identified relating to loans and advances that have been assessed individually and for which no provision has been made.

The Group adopts a formulaic approach for calculating its collective provisions. Loss rates are based on historical experience. Loans are grouped based on similar credit risk characteristics taking into account the type of the loan, past-due days and other relevant factors.

Future cash flows for a group of loans and advances that are collectively evaluated for impairment are estimated on the basis of historical loss experience. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to remove the impact of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Provisions and Loan Loss Experience

The sectors of the economy which have had the most significant problems are described under "Loans and Other Advances to Customers".

The Group places considerable importance on its "diagnostic" review of major loan accounts, which is carried out with a view to giving borrowers the best possible opportunity to rectify problem loans. These reviews have enabled the Group to correct problems without the need for enforcement of security in a number of cases. The Group's policy is not to take any equity stake in a work-out as it believes that it could, as a result, incur legal obligations *vis-à-vis* the shareholders and creditors of the borrower.

As described under "–Lending Policy", most of the Group's lending in Cyprus is made on a secured basis, as is usual in Cyprus. In accordance with Central Bank rules, property acquired on enforcement of security or in exchange for the reduction or extinguishment of a debt should be disposed of by the Group within a maximum of two years unless otherwise approved by the Central Bank. Generally the Group lends on the security of a first mortgage charge. The Group takes a second mortgage charge only in exceptional circumstances (for example where the primary security is taken in some other way and the second charge provides additional comfort).

Operations by Geography

Cyprus

The Group is the largest financial services organisation in Cyprus, offering a wide range of financial products and services, which include banking, leasing, factoring, brokerage, fund management, general and life insurance and investment banking services.

The Group's market share in total banking system deposits and loans in Cyprus, including credit cooperatives, amounted to 31.4 per cent. and 27.5 per cent., respectively (31 December 2010). The Group operates 143 branches in Cyprus and as at 31 December 2010, the Group employed 3,556 staff in Cyprus.

Cyprus is an international business centre, providing services to international business companies (IBCs). The Group is a leader in this sector of the market, providing services to IBCs via specialised units called International Business Units (IBUs). The Group operates four IBUs, which are located in Nicosia, Limassol, Larnaca and Paphos. They are staffed with well-qualified and experienced personnel, including Russian speakers. The IBUs are supported by advanced technological systems, which provide high quality and efficient service on a personal basis. The Group's revenue from transactions with such companies is mainly in the form of a margin on deposits and fees from foreign exchange transactions, trade finance and money transmission.

The Group is aware of the need to monitor its activities closely for possible money laundering transactions. There is an AML Compliance Office in the Group. The head of the AML Compliance Office is the contact person between the Group and the competent authorities. The AML Compliance Office is responsible among other things for suggesting and ensuring the implementation of the Group AML policy, closely monitoring transactions for possible money laundering activities, reporting any suspicious transactions to the relevant authorities and training the Group staff in relation to AML issues and procedures.

Being the largest bank in Cyprus as at 31 December 2010 in terms of market share in advances and deposits, the Group is the preferred correspondent for many major international banks for the transmission of funds into Cyprus. The Group's strength in this area is attractive to customers both in Cyprus and abroad and it means that the Group generally has an excess of international bank lines available to it.

Greece

The Group has been operating in Greece since 1991. The dynamic expansion of the Issuer's Greek operations started in 1999. The Issuer operated 185 branches at 31 December 2010.

Through its wholly-owned Greek subsidiaries, the Group carries out leasing, brokerage and mutual fund management. In 2001 Kyprou Zois and Kyprou Asfalistiki, the Greek branches of EuroLife Ltd and General Insurance of Cyprus Ltd respectively, were established in Greece. The Group also offers factoring services in Greece through its specialised unit, Kyprou Factors, which began operations in 2002. The full range of products and services of both the Issuer and its subsidiaries are offered through the Group's branch network.

The market share of the Group in deposits and loans in Greece at 31 December 2010 amounted to 4.2 per cent. and 4.2 per cent., respectively (based on Bank of Greece information). Kyprou Leasing, a subsidiary of the Group, which operates in Greece held the second largest market share in the Greek leasing sector.

When the Group began its operations in Greece in 1991, it focused predominantly on corporate lending. The Group is now focusing on providing credit to retail, SME and corporate customers through its expanded branch network which covers the whole of Greece.

The table below sets out the Group's Greek operations as at the dates indicated:

	<i>As at 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
	<i>(in thousands of euro)</i>		
Loans and other advances to customers	9,660,974	9,780,263	10,154,385
Customer deposits	10,507,701	10,910,747	9,790,616
Total assets	14,415,926	16,383,209	14,690,567
Profit after tax	73,853	3,062	11,255

As at 31 December 2010, approximately 32 per cent. of lending was to corporates, 37 per cent. to medium - sized businesses and 31 per cent. to retail customers.

Russia

Uniastrum Bank ("**Uniastrum**") marked its second full year of operation as a member of the Bank of Cyprus Group. As at the end of 2010, Uniastrum's regional network had more than 200 branches, including 43 regional offices in 48 Russian regions.

Year 2010 brought a revival of the Russian economy in general and the banking sector in particular, as the country's business community began to emerge from the recession of 2008-2009. In 2010, Uniastrum has significantly improved its performance indicators in all core business lines, mostly due to higher retail-side demand, the launch of products that were new to the Russian banking market and prudent risk assessment practices.

The Group's Russian loan portfolio has expanded by 34 per cent. reaching €1.9 billion as on 31 December 2010. Sustained loan growth boosted net interest income and profit after tax which recorded annual increases of 66 per cent. and 116 per cent. respectively.

During 2010, Uniastrum streamlined its retail activities by merging separate business lines (auto finance, personal loans and payment cards), thereby laying the groundwork for optimising procedures governing the design, launch, and marketing of retail products and services, including follow-up and monitoring procedures.

In 2010, Uniastrum's retail lending portfolio expanded by 26 per cent. to €405 million as at the year end, driven primarily by credit cards and personal loans. The total number of retail borrowers rose to more than 74,000. As at the end of 2010, Uniastrum operated an ATM network of 678 cash machines, while its payment kiosk network comprised of 104 terminals.

In 2010, Uniastrum focused on rolling out its product range through joint partnership programs and the introduction of schemes geared towards raising credit limits for loyal customers. Uniastrum optimised its auto finance product range during 2010, targeting selected customer segments with specialised products. The Group also redesigned its range of retail products for corporate customers and launched a product package which includes payroll cards, auto loans, personal loans and credit cards.

Moreover, during 2010 Uniastrum has further calibrated its loan sanctioning processes, including the adoption of an electronic credit scoring system for assessing the creditworthiness of potential borrowers.

Uniastrum's deposit product mix also underwent significant changes. During autumn, the Group launched a marketing drive to attract more retail depositors, resulting in a significant increase in household deposits in December 2010.

During the year, Uniastrum introduced its U-Bank Internet Bank, through which customers can pay for housing and utilities, mobile phone services and internet purchases as well as make intra-bank and interbank money transfers which could previously only be executed via the Bank's payment kiosks and ATM network.

Uniastrum also offers a broad array of products and services to its corporate clients and is a reliable partner for Russian and foreign companies operating in different sectors of the Russian economy. The Bank's corporate unit provides a diversified range of products and services, designed in collaboration with the Bank of Cyprus Group.

In 2010, Uniastrum's corporate lending portfolio grew by 30 per cent. to €1.3 billion, which is more than double the incremental growth recorded in the same period for the Russian banking sector as whole.

Uniastrum's corporate lending programme is geared towards developing and expanding the clients' existing businesses. The Bank provides credit for working capital, acquisition of property and equipment, upgrading

of production facilities, major repairs and maintenance of property and equipment, debt refinancing and trade finance. The Bank also offers more specialised products for corporate borrowers, including trade credit, credit guaranteed by the Moscow Small Enterprise Assistance Fund and financing for government projects.

Support for small and medium-sized businesses ("SMEs") is also a key component of Uniastrum's business strategy. Thanks to their willingness to relocate and a proven ability to adjust quickly to the changes in the economic landscape, SMEs are today one of the Bank's most consistent customer segments. The Bank's SME lending strategy is designed to bolster the Bank's credit portfolio, albeit never at the expense of quality, developing new innovative products and encouraging customisation.

Total loans to SMEs in 2010 amounted to €213 million, covering a wide range of economic sectors including trade, food and processing industries, transport and services. The total number of SME clients increased by 64 per cent. to over 2,000.

United Kingdom

The Group has operated in the United Kingdom since 1955. The Group operates in the United Kingdom through four business centres and banking outlets in London specialising in the provision of banking services to smaller businesses and entrepreneurs). As at 31 December 2010, the Group's total loans in the United Kingdom were €1,077 million (€1,063 million as at 31 December 2009). Bank of Cyprus UK achieved satisfactory profitability in 2010 despite the difficult financial and economic environment. The liquidity squeeze, which persisted throughout 2009, kept funding costs high as UK banks continued to price retail deposits aggressively to secure funding. In response, Bank of Cyprus UK's efforts focused on improving interest margins and liquidity, ensuring that lending remained economically viable and enabling Bank of Cyprus UK to compete for customer deposits.

Bank of Cyprus UK's credit risk management required a careful balancing act of reducing exposure to least creditworthy borrowers and adapting pricing where appropriate to reflect the prevailing market conditions.

Costs remained flat in 2010 compared to 2009, benefiting from efficiencies achieved through improved use of the online banking offering, the introduction of mobile account payment services and other automations.

Going forward, Bank of Cyprus UK will continue to concentrate on relationship-based business banking, providing its customers with an outstanding service and flexible, transparent and competitive products.

Channel Islands

In 1996, the Group established a wholly-owned subsidiary in the Channel Islands, Bank of Cyprus (Channel Islands) Ltd, which is licensed under the Banking Supervision (Bailiwick of Guernsey) Law of 1994, as amended, and the Protection of Investors (Bailiwick of Guernsey) Law of 1987, as amended). As at 31 December 2010, Bank of Cyprus (Channel Islands) Ltd had total assets of €186 million (€196 million as at 31 December 2009). Its main activities are deposit-taking and lending, as well as the provision of private banking and international investment and brokerage services.

Australia

In 2000, the Group established its banking subsidiary in Australia, BOC Australia, to serve the local Greek and Cypriot community. It was the first bank established in Australia by a Cypriot or Greek banking institution. BOC Australia has 12 branches.

As at 31 December 2010, BOC Australia had advances of €1,012 million (€618 million as at 31 December 2009) and deposits of €897 million (€511 million as at 31 December 2009). 2010 was Bank of Cyprus

Australia's most successful year since beginning full retail banking operations in Australia in 2001. The Bank excelled on a number of key performance indicators and finished the year with its increased net profit.

The Bank continued its focus of providing a very high standard of customer service with a strong emphasis in the Hellenic Community. One of the main priorities for the year was to increase the Bank's deposit and customer base through targeted campaigns, which yielded positive results especially in light of the global financial environment and the highly competitive Australian market place. Specifically, the Group's deposit portfolio increased by 76 per cent. in 2010 and the number of customer accounts increased by 37 per cent. The significant growth in deposits and customer numbers was a result of specifically targeted campaigns and a growing focus on expanding the Group's market share.

In 2010, the Group has opened two new branches in Melbourne, taking the total number of Australian branches to 12. In addition, the Group's Head Office and Corporate Centre were transferred to the iconic Rialto Towers in the heart of Melbourne's financial district.

The comprehensive and award winning product range currently offered by the Bank will be further enhanced in 2011. This will be achieved through the creation of product packages tailored for consumer and business customers combined with a personalised and targeted marketing effort. In addition to this, the Bank will continue to offer and strengthen its relationship and service culture to existing and prospective customers, a strategy which will cement and reinforce the Group's reputation as a genuine and positive alternative to the major Australian Banks.

Romania

The Group started operations in Romania in mid-2007 through its subsidiary Bank of Cyprus Romania. Currently the Group operates through 12 branches and two outlets, in Bucharest and other major cities.

During 2010, Bank of Cyprus Romania continued offering a wide range of financial products and high quality services. In all branches, dedicated personnel is focused 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. The launch of Internet Banking and the Debit and Credit Card programme in late 2008 has helped enhance the Group's penetration in the consumer sector.

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 Romania aims to fully exploit its existing branch network in order to enhance its profitability and liquidity, by focussing on sectors which were less affected by the crisis.

In 2010, despite the difficult economic environment, Bank of Cyprus Romania continued to grow in a cautious manner. It achieved a very satisfactory growth in its deposit base, whereas in lending, prudent growth focused on small corporates and large SMEs, resulting in a satisfactory growth of advances. As at 31 December 2010, the Group's loans in Romania amounted to €625 million (€678 million as at 31 December 2009) and deposits to €153 million (€167 million as at 31 December 2009).

Ukraine

In May 2008, the Group acquired 97.2 per cent. of the share capital of the Ukrainian bank, PJSB Bank of Cyprus. In 2010, Bank of Cyprus Ukraine improved and strengthened its corporate structure while continuing to pursue its prudent lending strategy. It has expanded its product line for SME and corporate clients and it continued its policy to assist customers in overcoming their financial difficulties.

By the end of the year 2010, the network of Bank of Cyprus Ukraine comprised of 27 branches operating under the BOC Ukraine brand in seven of the most popular regions of Ukraine. In 2010, the Bank has been very active in applying the policies and directions of the Bank of Cyprus Group, both with regards to the Bank's strategy and expansion plans as well as for the management of its existing loan portfolio, with results which outperformed other local and foreign banks in Ukraine. It is worth noting that in 2010 nationally recognised credit rating agencies confirmed Bank of Cyprus Ukraine's rating of 'uaA-' with 'stable' outlook.

In 2010, the Group's operations in Ukraine managed to generate a positive result, despite the severe financial problems of the Ukrainian economy. The lending policy of the Bank focused mainly on prudent and balanced lending, to both the retail and SME customer segments. Great emphasis was placed on attracting new customers and increasing the deposit and loan portfolios, especially in the retail sector.

As at 31 December 2010, the Group's loans in Ukraine amounted to €248 million (€206 million as at 31 December 2009), and its deposits were €41 million (€36 million as at 31 December 2009).

The main strategic plans of the Group for 2011 are as follows:

- Dynamic growth in the corporate and SME business segments;
- Introduction of new products with increased focus on lending to retail businesses;
- Achievement of the planned profit and self-financing targets of the existing branch network;
- Network expansion in seven new major regions (Dnipropetrovsk, Kherson, Poltava, Luhansk, Mykolayiv, Donetsk and Ivano-Frankivsk);
- Improvement of the quality of existing loan-portfolio; and
- Completion of implementation of Group IT systems and introduction of internet banking.

In the next three years, Bank of Cyprus Ukraine aims to establish itself as a major player in the Ukrainian banking market with a presence in all major regions of Ukraine.

Asset and Liability Management

The Group's asset and liability position is managed on a day-to-day basis by the Group's Treasury Division. The main objective of the Group's Treasury Division is to match assets and liabilities with regards to both interest rate repricing and currency. This is achieved through balance sheet restructuring and through the use of derivative instruments. The overall asset/liability position is closely monitored by the Group Market Risk Management ("GMRM").

The GMRM is independent of the Group Treasury Division and comprises qualified risk management professionals located in all banking units of the Group. GMRM reports to the General Manager Risk Management. The GMRM and the Group ALCO have a Group-wide brief and monitor asset and liability management for the Group and other Group companies including the operations in Greece, the United Kingdom, the Channel Islands, Australia, Russia, Ukraine and Romania. There are also local ALCOs in the other banking units (Greece, the United Kingdom, Australia, Russia, Ukraine and Romania), that monitor the implementation of asset and liability management for their local operations.

Liquidity Risk

Deposits are the main funding source of the Group. 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. Moreover its net loans/deposits ratio as at 31 December 2010 was 84.1 per cent. 89.7 per cent. as at 31 December 2009) which indicates that there is low reliance on wholesale funding. There is compliance with all regulatory ratios set by the authorities in the countries where the Group operates.

The liquidity position is assessed under various scenarios, including simulation of Group-specific crisis and 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 12 months is monitored at Group level with the minimum acceptable ratio set at 25 per cent. Liquid assets are defined as cash, interbank deposits maturing within 30 days and debt and equity securities at discounts prescribed by the regulatory authorities.

As at the year ended 31 December 2010 the liquidity ratio amounted to 28.1 per cent. (26.3 per cent. as at the year ended 31 December 2009).

Foreign Exchange Risk

The table below sets out the Group's foreign exchange risk resulting from its open foreign exchange positions. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the euro, based mainly on past price fluctuations.

<u>Currency</u>	<u>Change in exchange rate</u>	<u>Impact on Profit before tax</u>	<u>Impact on equity</u>
	%	€000	€000
2010			
US dollar.....	+8	3,502	–
Russian rouble	+8	905	25,014
Romanian leu.....	+8	(340)	908
Ukrainian hryvnia.....	+5	43	5,083
Swiss franc.....	+8	3,050	–
British pound	+8	190	–
Australian dollar, Japanese yen	+10	1,742	–
Other currencies.....	+8	1,773	–
US dollar.....	-8	(3,502)	–
Russian rouble	-8	(905)	(25,014)
Romanian leu.....	-8	340	(908)
Ukrainian hryvnia.....	-20	–	(20,331)
Swiss franc.....	-8	(3,050)	–
British pound	-8	(190)	–
Australian dollar, Japanese yen	-10	(1,742)	–
Other currencies.....	-8	(1,773)	–

Foreign exchange positions are closely controlled through the use of both position and maximum loss limits. Foreign exchange derivatives, comprising swaps, forwards and options, are employed for hedging the Group's foreign exchange exposure. As at 31 December 2010, the Group had outstanding forward exchange rate contracts in a nominal amount of €379 million (€179 million as at 31 December 2009), currency swaps

amounting to €3,583 million (€2,027 million as at 31 December 2009) and currency options amounting to €55 million (€42 million as at 31 December 2009).

Interest Rate Risk

The Group operates modest interest rate maximum loss limits for each main currency (euro, GBP, USD, AUD, CHF and JPY) and an overall maximum loss limit for all currencies for years 1, 2 and 3. There are also small position limits for the more than three-year mis-matches. The banking units of the Group evaluate their position by the use of a "gap" report which indicates a "maximum possible loss in net interest income" for each currency. The total "maximum possible loss in net interest income" for all currencies is calculated on the basis of all interest rates moving simultaneously and materially assuming perfect positive correlation) as well as moving independently (assuming zero correlation). The total "maximum possible loss in net interest income" for all currencies is also calculated using actual correlations between interest rate movements of different currencies. The exposure using the average of positive and zero correlations, as well as the exposure using actual correlations, are compared to limits. Under both methods, the limits are such that the Group's maximum possible loss would not be significant. Limits are set so as not to exceed 5 per cent. of Group net interest income and 1.5 per cent. of Group capital. Moreover, the position is evaluated on the basis that interest rates will move as suggested by the current yield curve of each currency. The Group also calculates the potential impact that a 200-basis points movement in interest rates of all currencies would have on its economic value. As at 31 December 2010 the change in the economic value of the Group, as a result of a 200-basis points change in interest rates amounted to 4.26 per cent. of Group capital.

Counterparty Risk

The Group's counterparty risk is limited by Group ALCO limits which allow money market placements mainly with counterparties rated at least "A1" by Moody's. This restriction does not apply to placements with banks in Cyprus, Greece, Russia, Ukraine and Romania.

As a result of the financial crisis and the problems that many banks face, during 2010 the Group significantly restricted both the number of banks with which it has limits, as well as the duration of the transactions. The Group no longer follows the internal model that relied mostly on the bank's credit rating. Limits are allocated to banks that have a significant share of their local market, strong financial position and high probability of obtaining support from their government in case of a problem.

The financial developments, changes in ratings and other news are monitored daily, and limits are adjusted, whenever considered necessary.

Capital Expenditure

The Group had capital commitments for the acquisition of property and equipment as at 31 December 2010 of €30.9 million (€11.5 million as at 31 December 2009).

The capital expenditure for the year 2010 amounted to €50.8 million.

Group Branch Network

The following chart sets out the geographical distribution of the Group's network of banking outlets and representative offices as at 31 December 2010.

	<i>Number Branches</i>
Cyprus	143
Greece.....	185
United Kingdom.....	4
Channel Islands	1
Australia	12
Romania.....	12
Russia	211
Ukraine	27
Total	595
Representative Offices	
Canada	1
Romania.....	1
South Africa	1
Russia	4
Ukraine	1
Serbia.....	1
	9

Other Activities

Insurance

Life Assurance

The Group's life assurance business is conducted in Cyprus by EuroLife Ltd ("EuroLife"), a wholly-owned subsidiary of the Group. For the year ended 31 December 2010, EuroLife's operations generated a profit before tax of €22.4 million (€22.4 million for the year ended 31 December 2009) on an embedded value basis.

The significant tax allowances permitted on life assurance premiums in Cyprus have encouraged the development of the Cypriot life assurance market as an investment market. This development has also traditionally been encouraged by the lack of direct access for Cypriot residents to mutual fund investment products. As a result, EuroLife offers a range of unit-linked savings products, augmented by a number of supplementary benefits which include, amongst others, disability and dread disease cover. EuroLife distributes its products through a network of 225 tied agents and the Group's branch network. In the year ended 31 December 2010, the Group estimates that approximately 65 per cent. of EuroLife's new business was exclusively attributable to its agency network and that referrals from the Group accounted for approximately 35 per cent. of new business. According to official returns to the Cypriot Superintendent of Insurance, EuroLife had a 28 per cent. share of premium income of the Cypriot life assurance market for the year ended 31 December 2010.

Lapse rates on EuroLife's policies have historically been low. This is largely explained by the tax driven nature of the unit-linked investment policies. In the event of a lapse in premiums within the first six years of the life of the policy, investors are required to refund part of the accumulated tax credits accrued since the date of inception of the policy.

EuroLife's risk on individual life insurance policies in excess of €51,258 per life is reinsured with major European reinsurance companies, the main one of which is Munich Re.

As at 31 December 2010, EuroLife had total funds of €561 million, of which €454 million represented funds attributable to unit linked policies where the investment risk is passed on to policyholders. A further €73 million represented the sterling reserve of EuroLife which is invested in short-term money market instruments and government bonds. In addition, €20 million represented funds attributable to group pension contracts under EuroLife's management. The remaining €14 million represented non-unit-linked funds which are invested primarily in government bonds and bank deposits, with relatively small percentages invested abroad or in the Cypriot equity market. EuroLife regards its investment policies as conservative.

EuroLife operates a branch in Greece under the name Kyprou Zois, which offers credit insurance and savings products to the Group's customers. Distribution is exclusively through the Group's branch network (bancassurance).

For the year ended 31 December 2010, the branch generated profits before tax of €3.9 million (€3.9 million for the year ended 31 December 2009). The branch's premium income remained at the same level as in 2009 (€6.8 million).

General Insurance

The Group's general insurance business is conducted in Cyprus by General Insurance of Cyprus Ltd ("General Insurance"), a wholly-owned subsidiary of the Group. For the year ended 31 December 2010, General Insurance generated a consolidated profit before tax of €9.6 million (€15.1 million for the year ended 31 December 2009). For 2009, General Insurance ranked second in terms of premiums generated in the general insurance market in Cyprus, with a market share of 11.9 per cent. (12.3 per cent. at 31 December 2008), according to the official statistical information of the Insurance Association of Cyprus. Excluding the Motor class, General Insurance ranked first in the Cyprus insurance market.

General Insurance offers its products through the Group's branch network (49 per cent.), by direct channels (29 per cent.) and to a lesser extent by tied agents (22 per cent.). General Insurance has 149 tied agents who are paid on a commission basis and also employs a salaried sales force of 22 people who are based in General Insurance's branches throughout Cyprus.

General Insurance possesses a licence and offers insurance cover under the following 15 insurance technical classes:

- | | |
|----------------------------|--------------------------------|
| – Accident | – Liability for ships |
| – Sickness | – General liability |
| – Land vehicles | – Credit |
| – Ships | – Suretyship |
| – Goods in transit | – Miscellaneous financial loss |
| – Fire and natural forces | – Legal expenses |
| – Other damage to property | – Miscellaneous |
| – Motor vehicle liability | |

The accounting class of fire and other damage to property is General Insurance's main business and accounts for approximately 50 per cent. of gross premium income. General Insurance has an approximately 23 per cent. share of the fire insurance market in Cyprus.

General Insurance's claims ratio for the fire business is historically very low, with risk being spread across Cyprus. Risks are spread among a large number of smaller policies and General Insurance has a traditionally

low maximum retention level. However, because of the low value of much of the property insured, approximately two-thirds of General Insurance's fire policies fall within its retention level. The remaining business is principally reinsured on a treaty and facultative basis with Munich Re and other international reinsurers.

General Insurance sells motor and home insurance to customers directly through its call centre established in 2000 and also through its salaried salesforce and via its agents. Applications for these products are evaluated automatically through the use of a front end system which also determines the premium at the same time. Motor reinsurance is principally carried out through Scor Re and other international reinsurers.

General Insurance's investments amounted to €46.1 million as at 31 December 2010, of which approximately €0.2 million was invested in equities and mutual funds, €6.0 million in non-equities, €11.2 million in properties and the remainder in bank deposits. General Insurance's investment portfolio is managed by CISCO in accordance with conservative investment guidelines.

General Insurance's expansion in Greece via its branch Kyprou Asfalistiki continues very successfully both in terms of premiums and in terms of profitability. In 2010 the branch registered premiums of €11.5 million (2009: €10.0 million) and profits before tax of €3.0 million (2009: €4.1 million).

Hire-Purchase/Leasing

The Group's hire-purchase and leasing operations in Cyprus are conducted by the Bank through its branch network. The hire-purchase and leasing operations in Cyprus focus primarily on financing vehicles and equipment. These products are sold through the Group's branch network.

Kyprou Leasing SA ("Kyprou Leasing"), a wholly-owned subsidiary of the Group, was established in Greece in 1997 to offer leasing services in the Greek market, where it has grown to the second largest leasing provider in Greece. Kyprou Leasing's objectives are to develop operations through the Issuer's network of customers, establish strategic alliances with equipment suppliers (vendor leasing), and penetrate the property leasing sector. Special attention is paid to the medium-sized business sector and to sole traders, as well as to the development of new leasing products in response to customers' requirements.

Lease contracts written by Kyprou Leasing during the year ended 31 December 2010 amounted to €170 million (compared to €281 million for the year ended 31 December 2009), while profit before tax for the year ended 31 December 2010 amounted to €5.3 million (loss of €5.8 million for the year ended 31 December 2009).

Factoring

The Group's factoring operations in Cyprus are conducted by the Factoring Division of the Bank. The Group offers factoring, invoice and cheque discounting services for domestic and international transactions. In addition to providing working capital finance, the Group also provides specialised sales ledger administration and debt collection services, non-recourse factoring and advisory services covering credit policy and working capital management.

The Group also operates a factoring unit in Greece.

Investment Banking, Brokerage and Fund Management

The Cyprus Investment and Securities Corporation Ltd ("CISCO") was established in 1982 as the first investment and securities house in Cyprus. Since 1988, CISCO has been a wholly-owned subsidiary of the Group. CISCO provides a range of specialised financial services encompassing securities brokerage, fund management and corporate finance services. CISCO has a financial service provider licence from the

Cyprus Securities and Exchange Commission and is a member of the Cyprus Stock Exchange, and a remote member of the Athens Exchange. Its market share for brokerage activities on the Cyprus Stock Exchange reached 22.0 per cent. in 2010 (2009: 17.9 per cent.). CISCO's investment banking department was very active in local fixed income offerings and M&A advisory services during 2010, whilst contributing extensively in the successful rights issue of the Bank of Cyprus. The fund management department continued to expand its clientele and assets under management especially using institutional investors such as pension funds. The recent enactment of legislation for the management of pension funds and the taxation framework for mutual funds present opportunities for further growth in the current year.

Kyprou Securities SA provides brokerage services in Greece and is a member of the Athens Exchange and the Athens Derivatives Exchange. The company offers all primary and ancillary services provided by brokerage companies, including but not limited to share dealing, custody, margin accounts, portfolio management, market research and analysis.

Private Banking

In 1995, Bank of Cyprus was the first bank in Cyprus to introduce private banking services for its high net worth customers. The Group's Private Banking Division has offices in Cyprus, Greece, Russia and the Channel Islands. Private Banking offers an integrated range of international investment and financial services to Group clients on an advisory and/or execution basis. The products and services are provided to high net worth individuals and institutional investors through co-operation with international investment firms abroad.

The products and services offered include a wide range of deposits in all major currencies in Cyprus, Greece, Russia, the United Kingdom and the Channel Islands, structured and capital guaranteed products with innovative investment mechanisms, mutual funds with geographical, currency and other forms of investment diversification and global brokerage services in shares and bonds.

Mutual Fund Management

Kyprou Asset Management Mutual Fund Management Company S.A. (previously Kyprou AEDAK) began operations in Greece in June 1998 with the scope to manage, promote and sell mutual funds, thus meeting the increasing demand of Greek investors for investment solutions and proposals. The Company currently offers a complete range of eight mutual funds, investing in the Money Market, Bond and Equity sectors in the local capital markets and abroad. Funds under management as at 31 December 2010 amounted to €59 million. In addition, the Company also provides investment advice and discretionary portfolio management.

Property

Kermia Ltd ("Kermia") and Kermia Properties & Investments Ltd ("KPI") are the Group's two property development companies in Cyprus. Both are wholly-owned, direct subsidiaries of the Group. Kermia and KPI had total assets as at 31 December 2010 of €33.2 million and €26.2 million, respectively (€32.4 million and €27.5 million as at 31 December 2009). Kermia specialises in the development, trading and management of property and owns Kermia Hotels Ltd, which manages the Kermia Beach Bungalow Hotel, a tourist complex in Ayia Napa, Cyprus. KPI is mainly engaged in the development and management of property. Kermia also provides property advice and project management services to the other Group companies.

Charitable and Cultural Foundations

The Group has established the Bank of Cyprus Cultural Foundation, a non-profit making organisation. Its objective is to preserve and promote the cultural and natural heritage of Cyprus, and to promote the arts,

archaeology, history and literature. The Foundation also manages the Museum of the History of Cypriot Coinage and the Archaeological Museum of the George and Nefeli Giabra Pieridis Collection. The Cultural Foundation is an active publisher, with over 170 publications which have enriched Cypriot bibliography and research in the fields of coinage, map-making, history, archaeology, Cypriot art and literature and literature for children and young people. It also organises periodic exhibitions, lectures, workshops, educational programmes, publications, and research programmes.

The Group also established the Bank of Cyprus Medical Foundation, a charitable institution, which constructed and equipped the Bank of Cyprus Oncology Centre (the Centre) in Nicosia. The Centre is an independent medical unit, furnished with technologically advanced medical equipment donated by the Group and it aims to become a regional medical centre for cancer patients. The operating costs of the Centre are met by the Cyprus government, while capital expenditure is met by the Bank of Cyprus Medical Foundation. The centre provides services to on average 300-400 patients each day.

Management

In February 2011, the Cyprus Stock Exchange ("CSE") issued the third revised edition of the Corporate Governance Code (the "Code"). As a company listed on the CSE, Bank of Cyprus Public Company Ltd (the "Issuer", the "Company") has adopted the Code and applies its principles.

The Group complies with the provisions of the Code except for provision A.2.3. This provision requires that at least 50 per cent. of the Board of Directors, excluding the Chairman, be independent non-executive Directors. If the 50 per cent. rule is not met, then at least one-third of the Directors must be independent and a relevant application must be submitted to the Council of the CSE to grant a reasonable time period for compliance. As at 31 December 2010, seven Directors were considered independent, representing 44 per cent. of the Board of Directors excluding the Chairman. It should be noted that the Group satisfies the minimum proportion for independent Directors of one-third and the Council of the CSE has granted a reasonable time period for compliance, specifically by 31 December 2011. The new edition of the Code includes new provisions which are effective from 2011 and will be reflected in the Annual Corporate Governance Report of the Group for the year 2011.

As a company listed on the Athens Exchange, the Issuer follows the provisions for the corporate governance of listed companies, as set out in law L3016/2002 of the Hellenic Republic.

The Board of Directors currently comprises 15 non-executive Directors and three executive Directors.

The Board of Directors meets at least once every month and has a formal schedule of matters for consideration. During 2010, 21 Board meetings were held, including a meeting at which the Group's strategic plans were discussed. All Directors have access to the advice and services of the Company Secretary. Independent professional advice is also available to the Directors in accordance with the internal policy that was formulated and approved by the Board of Directors.

At each Annual General Meeting, one third of the Directors retire and are able to stand for re-election. In practice, this means that every Director stands for re-election at least once every three years.

Each subsidiary company has its own Board of Directors which is the highest authority of the company, except for matters that relate to Group policy, which are referred to the main Board of Directors of the Issuer.

The Group Executive Committee comprises the Group Chief Executive Officer, the First Deputy and Deputy Chief Executive Officers, the Issuer Chief General Manager and the Senior Group General Managers.

Important issues relating to different areas of responsibility are managed through Board committees, as follows:

- *Group Audit Committee* – The Group Audit Committee comprises five non-executive Directors, the majority being independent. The Group Audit Committee reviews and assesses, inter alia, the Group's financial statements, and the adequacy and effectiveness of the system of internal controls based on the reports prepared by Group Internal Audit. The Committee is also responsible for recommending the appointment or retirement of the Group's external auditors and oversees their relationship with the Group, including the monitoring of the balance between audit and auxiliary non-audit services.
- *Remuneration Committee* – The Remuneration Committee comprises five non-executive Directors, the majority being independent. The Remuneration Committee considers and makes recommendations to the Board of Directors on matters relating to the remuneration of executive Directors and the Executive Management Team as well as the overall Group remuneration policy. The Remuneration Committee also reviews matters relating to the remuneration of non-executive Directors and makes recommendations to the Board, which in turn makes recommendations to the shareholders at the Annual General Meeting.
- *Nominations Committee* – The Nominations Committee comprises five non-executive Directors. The Nominations Committee makes recommendations to the Board for the appointment of new Directors in order to fill vacant positions on the Board. The Board in turn makes recommendations to the shareholders at the Annual General Meeting. In addition, the Nominations Committee reviews the Group's corporate governance policy and practices.
- *Risk Committee* – The Risk Committee comprises six Directors (the majority being non-executive). The Risk Committee reviews and makes recommendations to the Board for matters relating to, inter alia, the Group's risk appetite policy and systems and assesses annually the adequacy and effectiveness of the risk management policy.

The Bank of Cyprus Group applies the provisions regarding the remuneration of Directors and Senior Executive Management that are included in the Code, as well as the High-Level Guidelines for Remuneration Policies issued by the Central Bank of Cyprus. The new Capital Requirements Directive ("CRD3") and the Guidelines on Remuneration Policies and Practices issued by the Committee of European Banking Supervisors (now the European Banking Authority) have imposed new, demanding requirements which came into effect from 1 January 2011. Within this context, the Group aims to review its remuneration policies and practices and amend them where necessary, with the aim of ensuring that they are consistent with and promote sound and effective risk management. As a first step in this process, the Group has applied the policies described below to the variable remuneration of executive Directors for the year 2010.

The Board of Directors sets the remuneration of executive Directors, following the recommendations of the Remuneration Committee. The remuneration comprises a salary, adjusted annually, taking into account the prevailing economic and labour market conditions, and a variable element, the level of which depends on the Group's performance. The maximum variable remuneration that can be granted to executive Directors, based on their contracts of employment, is set at 50 per cent. of an executive Director's salary. As a result, the maximum variable remuneration that can be granted to an executive Director represents only one-third of the executive Director's total remuneration. The variable remuneration is calculated based on the achievement of the Group's targets for profitability and key performance indicators as well as its performance relative to its peers. Other qualitative criteria as well as the executive Director's evaluation are also taken into account. The Group does not grant guaranteed variable remuneration.

The Board of Directors has approved variable remuneration for Messrs Andreas Eliades and Yiannis Kypri of 50 per cent. of their salary for the year 2010. All of the variable remuneration is in the form of shares of the Issuer, purchased immediately and bestowed to a trust that will transfer the shares to the beneficiaries provided all specified conditions are satisfied. One-third of the variable remuneration was granted upfront while the remaining two thirds was deferred. The deferred element of the variable remuneration will vest on

a pro rata basis at the end of 2011 and 2012, provided the Group achieves the targets set with respect to profitability and key performance indicators, taking into account the performance of other peer banks. On vesting, the shares will be subject to a retention period of one year. This retention period also applied to the variable remuneration granted upfront. In addition, 25 per cent. of the shares granted to executive directors must be kept until their retirement or the expiry of their employment contracts.

In April 2010, the Board of Directors of the Company approved the recommendation of the Remuneration Committee to adopt the proposal of the Group Chief Executive Officer to extend the retention period for the shares awarded to executive directors and key management personnel as a bonus for 2010 until 31 December 2015 (from a one year retention period previously).

In addition, the Board of Directors also accepted the proposal of the Group Chief Executive Officer, Mr. Andreas Eliades, and the Deputy Group Chief Executive Officer, Mr. Yiannis Kypri, given the current economic conditions, to waive the bonus for 2010 immediately payable to them.

Messrs Andreas Eliades and Yiannis Kypri participate in the main retirement benefit plan for the Group's employees in Cyprus, which is a defined benefit plan. Mr Yiannis Pehlivanides participates in the retirement benefit plans for the Group's employees in Greece, which are a defined contribution plan and a defined benefit plan for retirement benefits which are required by the law.

During 2010, no share options were granted to executive Directors. On 28 May 2008, share options were granted to executive Directors within the context of the Group's Share Options 2008/2010 scheme granted to employees of the Group. In total, 2,000,000 Share Options 2008/2010 were granted to executive Directors. In addition, 12,000 Share Options 2008/2010 were granted to a non-executive Director in his capacity as an employee of the Group. The Options were issued under the scope of the special resolution approved at the Annual General Meeting of the shareholders of the Company on 14 May 2008. On 23 June 2009, the Extraordinary General Meeting of the shareholders of the Company approved the amendment of the terms of the Share Options 2008/2010, modifying their exercise price and exercise period. Each Share Option 2008/2010 gave its holder the right to purchase one share of the Company at the price of €5.50 per share. As a result of the rights issue to the Company's shareholders and the special distribution of interim dividend in the form of shares during 2010, the exercise price of the Share Options 2008/2010 has been adjusted in accordance with the relevant terms of issue from €5.50 to €4.24 per share. On 23 March 2011, the Extraordinary General Meeting of the shareholders of the Company approved the amendment of the terms of the Share Options 2008/2010, modifying their exercise price to €3.30 per share.

On 31 December 2009, two-thirds of the Share Options 2008/2010 granted had vested to the beneficiaries; the remaining one-third of the share options vested on 31 December 2010. The Share Options 2008/2010 can be exercised by their holders from 1 January to 31 March of 2011, 2012 and 2013 and from 1 November to 31 December of 2012 and 2013. The Share Options 2008/2010 are not transferable and are unlisted. As at 31 December 2010, the executive Directors did not hold any other share options nor did they exercise any share options during 2010.

The employment contracts of the Group Chief Executive Officer and the Deputy Group Chief Executive Officer have a five-year duration. The compensation payable in the event of a non-justified early termination is two annual salaries. During 2009, the Board of Directors decided to amend these employment contracts until 31 December 2013 with effect from 1 January 2009. The contracts were amended so as to be in line with the relevant Principles of the Committee of European Banking Supervisors as reflected in the High-Level Guidelines for Remuneration Policies of the Central Bank of Cyprus issued during 2009. On 15 April 2010, Mr Yiannis Pehlivanides was appointed as an executive member of the Board of Directors and from 1 May 2010 as First Deputy Group Chief Executive Officer. Mr Pehlivanides' contract of employment has a three-year duration and provides for compensation payable in the event of a non-justified early termination of one annual salary.

Board of Directors of the Issuer

The Board of Directors of the Issuer, which is also the Group 's main Board of Directors, currently has 18 members. The business address of each of the Directors in their capacity as directors of the Issuer is 51 Stassinou Street, Ay. Paraskevi, Strovolos, 2002 Nicosia, Cyprus and their respective roles and principal outside activities are as follows:

Name	Role and principal outside activities
Theodoros Aristodemou (Chairman)	Director since 1991 and Chairman since May 2008. He is a property developer and the founder and Chairman of the Aristo Developers Group of companies with activities in Cyprus and overseas.
Andreas Artemis (Vice-Chairman)	Director since 2000 and Vice-Chairman since May 2005. He is Chairman of Kermia Bank of Cyprus Australia, and the Divisional Board of Russia. He is also a member of the Regional Boards for Romania, Ukraine and the United Kingdom. He is Chairman of the Board of Directors of the Commercial General Insurance Group and he is also a member of the Board of Directors of the Cyprus Employers and Industrialists Federation.
Christakis Christofides	Director since 1994. He is a Director of General Insurance of Cyprus, EuroLife, and Kermia and a member of the Divisional Board for the United Kingdom. He is a businessman, supplying raw materials to industries in Cyprus and Greece.
Stavros Constantinides	He was appointed to the Board of Directors on 10 June 2010. He is a member of the Regional Board of Russia. He is a businessman.
Anna Diogenous (Senior Independent Director)	Director since 2002. She is Vice Chairperson of the Divisional Board for Romania. She is also a Director of the Cyprus Investment and Securities Corporation (CISCO) and Bank of Cyprus Australia and a member of the Divisional Board for Ukraine. She is Executive Chairperson of P.M. Tseriotis Ltd (the holding company of the Tseriotis Group of Companies).
George Georgiades	Director since 2002. He is Chairman of General Insurance of Cyprus and Vice Chairman of the Divisional Board for Russia. He is also a member of the Divisional Boards for Romania and Ukraine. He is a businessman and a business consultant for the hotels and tourism sector. He is Vice-Chairman of the Cyprus Association of Directors and he is also a member of the Board of the Limassol Chamber of Commerce and Industry. He is Honorary Chairman of the Cyprus Hotel Managers Association.
Costas Hadjipappas	Director since 2007. He is also an employee of the Group.
Irene Karamanou	Director since 8 April 2011. She is an Assistant Professor in the Department of Public and Business Administration of the University of Cyprus since 2005. In the past, she has worked at an audit firm as a Senior Auditor and also for a banking organisation. She holds a PhD in Business Administration, a MBA in Marketing and Management, a BBA in Accounting and she is a Certified Public Accountant.
Andreas Jacovides	Director since 2003. He is a Director of Bank of Cyprus Australia and

Name	Role and principal outside activities
	member of the Divisional Boards for Russia and for the United Kingdom. He is an international lawyer and consultant and an arbitrator with the World Bank and other international bodies.
Manthos Mavrommatis	Director since December 2005. He is Vice-Chairman of the Divisional Board for Ukraine. He is also a Director of Mortgage Bank of Cyprus and a member of the Divisional Boards for Russia and Romania. He is the Chairman of the Cyprus Chamber of Commerce and Industry and he is also a member of the Executive Committee of Eurochambers and of the Balkan Chambers. He is a businessman.
Christos Mouskis	Director since 2003. He is Chairman of the Divisional Boards for Romania and Ukraine. He is also a Director of EuroLife, General Insurance of Cyprus and a member of the Regional Board for Russia. He is Executive Chairman of Muskita Holdings Ltd holding company of the Muskita Group, which is a diversified group of companies whose activities include aluminium manufacturing, the hotel industry and the real estate sector in Cyprus and Europe.
Vassilis Rologis	Director since 1988. He was Chairman of the Group from May 2005 until September 2006 and Vice-Chairman from May 2004 until May 2005. He is Chairman of Bank of Cyprus Channel Islands and the Divisional Board for the United Kingdom. He is also a member of the Divisional Board for Russia. He is a member of the Board of Directors of 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. He is Chairman of the International Chamber of Commerce Cyprus and Honorary Chairman of the Cyprus Chamber of Commerce and Industry.
Costas Severis	Director since 1991. He is Chairman of EuroLife and Vice-Chairman of the Divisional Board for the United Kingdom. He is also a Director of the Cyprus Investment and Securities Corporation (CISCO). He is also a member of the Board of Directors of the Cyprus Employers and Industrialists Federation. He is a businessman.
Nikolas Tsakos	Director since 2008. He is a member of the Divisional Board for Russia. He is the founder President and CEO of Tsakos Energy Navigation (TEN) Limited, which operates in the Greek shipping sector. He is an active member of the Hellenic Marine Environment Protection Association, 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, the UK P&I Club and he is a member of the Executive Committee of the Independent Tanker Owners Organisation.
Evdokimos Xenophontos	Director since 1998. He was the Group Chief General Manager from 1993 until 2004. He is a member of the Divisional Boards for Romania and Ukraine. He is Chairman of the Board of Directors of the Cyprus branch of the UK Institute of Directors and JCC Payment Systems. He is a chartered accountant.

Name	Role and principal outside activities
Andreas Eliades (Executive Director)	Group Chief Executive Officer. He is a member of the Board of Directors since 2006. He is an economist.
Yiannis Pechlivanides (Executive Director)	First Deputy Chief Executive Officer. He was appointed to the Board of Directors on 15 April 2010. He is an economist.
Yiannis Kypri (Executive Director)	Deputy Group Chief Executive Officer. He is a member of the Board of Directors since 2006. Company Secretary of the Bank. He is a chartered accountant.

Group General Managers

Vassos Shiarly	Group Chief General Manager – Domestic Banking. He is a chartered accountant.
Christis Hadjimitsis	Senior Group General Manager. He is a chartered accountant.
Nicolas Karydas	Senior Group General Manager. He is a chartered accountant.

General Managers

Yiannis Seiradakis	General Manager Bank of Cyprus Greece
Aristos Stylianou	General Manager Operations
Leonidas Isodiou	General Manager Information and Organisation & Methods
Christakis Patsalides	General Manager Group Markets
Charis Pouangare	General Manager Retail Banking Cyprus
George Christodoulides	General Manager Human Resource Management
Phivos Stasopoulos	General Manager Corporate Banking Cyprus
Athanasios Andreadakis	General Manager Risk Management
Constantinos Tsolakkis	Group Internal Auditor

Related Party Transactions

	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	<i>Number of Directors</i>		<i>(in thousands of euro)</i>	
Loans and other advances to members of the Board of Directors and connected persons:				
– more than 1 per cent. of the Group's net assets per Director.....	1	3	184,753	187,737
– less than 1 per cent. of the Group's net assets per Director	<u>16</u>	<u>12</u>	<u>57,821</u>	<u>23,454</u>
	<u><u>17</u></u>	<u><u>15</u></u>	<u><u>242,574</u></u>	<u><u>211,191</u></u>
Loans and advances to key management personnel and connected persons			<u>1,769</u>	<u>2,581</u>
Total loans and advances			<u><u>244,343</u></u>	<u><u>213,772</u></u>
Loans and advances:				
– members of the Board of Directors and key management personnel.....			7,330	8,576
– connected persons.....			<u>237,013</u>	<u>205,196</u>
			<u><u>244,343</u></u>	<u><u>213,772</u></u>
Interest income			<u><u>10,641</u></u>	<u><u>9,551</u></u>
Deposits:				
– members of the Board of Directors and key management personnel.....			71,069	82,906
– connected persons.....			<u>25,568</u>	<u>42,787</u>
			<u><u>96,637</u></u>	<u><u>125,693</u></u>
Interest expense on deposits			<u><u>4,607</u></u>	<u><u>6,274</u></u>
Debt securities in issue and subordinated loan stock:				
– members of the Board of Directors and key management personnel.....			17,133	17,508
– connected persons.....			<u>2,401</u>	<u>3,615</u>
			<u><u>19,534</u></u>	<u><u>21,123</u></u>
Interest expense on debt securities in issue and subordinated loan stock			<u><u>1,086</u></u>	<u><u>1,094</u></u>

In addition to the 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 €113,102 thousand (2009: €58,094 thousand). Of these €86,928 thousand (2009: €55,473 thousand) relate to Directors and their connected persons, whose total credit facilities exceed 1 per cent. of the net assets of the Group per Director. There were also contingent liabilities and commitments to Group key management personnel and their connected persons amounting to €327 thousand (2009: €512 thousand). Using forced-sales values, the total unsecured amount of the loans and advances and contingent liabilities and commitments in respect of related parties at 31 December 2010 amounted to €8,065 thousand (2009: €27,086 thousand).

During 2010 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €283 thousand (2009: €303 thousand) to companies of the Commercial General Insurance Group in which Mr Andreas Artemis holds an indirect interest; purchases of equipment and services amounting to €541 thousand (2009: €400 thousand) from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €855 thousand (2009: €324 thousand) from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; and insurance commissions amounting to €149 thousand (2009: €144 thousand) to D. Severis and Sons Ltd which is owned by Mr Costas Z. Severis.

Connected persons include spouses, minor children and companies in which Directors or key management personnel hold, directly or indirectly, at least 20 per cent. of the voting shares in a general meeting or act as directors or exercise control of 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.

There are no potential conflicts of interest between the duties to the Group of the members of the Board of Directors and their private interests and duties.

Fees and Emoluments of Members of the Board of Directors and Key Management Personnel

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of euro)</i>	
Directors' emoluments		
<i>Executives</i>		
Salaries and other short term benefits.....	1,749	1,543
Employer's contributions.....	58	57
Retirement benefit plan costs.....	381	182
	<u>2,188</u>	<u>1,782</u>
Share options.....	486	1,944
<i>Non executives</i>		
Fees.....	813	822
Emoluments of a non-executive director who is also an employee of the Company.....	154	142
Total director emoluments.....	<u>3,641</u>	<u>4,690</u>
Key management personnel emoluments		
Salaries and other short term benefits.....	901	1,218
Employer's contributions.....	51	59
Retirement benefit plan costs.....	123	153
Share options.....	182	972
	<u>1,257</u>	<u>2,402</u>
Total.....	<u><u>4,898</u></u>	<u><u>7,092</u></u>

Fees and emoluments of non-executive directors

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of euro)</i>	
Theodoros Aristodemou.....	171	171
Andreas Artemis.....	85	85
Vassilis G. Rologis.....	58	58
Costas Z. Severis.....	57	58
Christakis G. Christofides.....	49	48
Evdokimos Xenophontos.....	39	42
Anna Diogenous.....	51	56
George M. Georgiades.....	63	68
Andreas J. Jacovides.....	49	44
Christos Mouskis.....	55	61
Manthos Mavrommatis.....	51	59
Costas Hadjipapas.....	35	39
Nikolas P. Tsakos.....	32	33
Stavros Constantinides.....	18	-
	<u>813</u>	<u>822</u>

Mr Costas Hadjipapas, a non-executive director, had emoluments during 2010 amounting to €154 thousand (2009: €142 thousand), which includes €3 thousand (2009: €12 thousand) relating to 12 thousand Share Options 2008/2010 which were granted to him in 2008 in his capacity as employee of the Company.

The fees of the non executive directors include fees as members of the Board of Directors of the Company, the committees of the Board and the Boards of subsidiary companies.

Fees and emoluments of executive directors

During 2010 there were three executive directors (2009: two).

The salaries and other short term benefits of executive directors amounting to €1,749 thousand (2009: €1,543 thousand) relate to Mr Andreas Eliades €898 thousand (2009: €980 thousand), Mr Yiannis Kypri €517 thousand (2009: €563 thousand) and Mr Yiannis Pehlivanides €334 thousand (2009 Nil).

The salaries and other short term benefits of executive directors include a bonus which is determined by the Board of Directors based on the recommendation of the Remuneration Committee. The maximum bonus for each executive director is specified in his contract of employment with the Group. For 2010, the Board of Directors, having considered the performance of the Group regarding the achievement of its goals and profitability, has approved a total bonus of €341 thousand (2009: €327 thousand) for Mr Andreas Eliades and €195 thousand (2009: €187 thousand) for Mr Yiannis Kypri. The bonus will be paid in the form of shares of the Company, which will be purchased immediately and will be bestowed to a trust that will transfer the shares to the beneficiaries provided all specified conditions are satisfied.

One third of the bonus has vested and will be paid immediately, while the remaining two thirds will vest equally at the end of 2011 and 2012, provided the Group achieves the goals set with respect to profitability and key performance indicators, taking into account the performance of other peer banks. After vesting, the shares awarded will be subject to a retention period of one year. Additionally, 25 per cent. of the shares granted to executive directors must be kept until their retirement or the expiry of their contracts of employment.

Based on the above terms, the cost recognised in the financial statements in relation to the 2010 bonus is €209 thousand for Mr Andreas Eliades and €119 thousand for Mr Yiannis Kypri.

In April 2010, the Board of Directors of the Company approved the recommendation of the Remuneration Committee to adopt the proposal of the Group Chief Executive Officer to extend the retention period for the shares awarded to executive directors and key management personnel as a bonus for 2010 until 31 December 2015 (from a one year extension period previously).

In addition, the Board of Directors also accepted the proposal of the Group Chief Executive Officer, Mr. Andreas Eliades, and the Deputy Group Chief Executive Officer, Mr. Yiannis Kypri, to waive the bonus for 2010 immediately payable to them, given the current economic conditions.

The retirement benefit plan costs amounting to €381 thousand (2009: €182 thousand) relate to Mr Andreas Eliades €133 thousand (2009: €118 thousand), Mr Yiannis Kypri €73 thousand (2009: €64 thousand) and Mr Yiannis Pehlivanides €175 thousand (2009: zero).

In the context of the Share Options 2008/2010 granted by the Company on 28 May 2008 to the Group's employees, 1,500 thousand share options were granted to Mr Andreas Eliades and 500 thousand options were granted to Mr Yiannis Kypri. The cost of share options granted to Messrs Andreas Eliades and Yiannis Kypri amounted to €364 thousand (2009: €1,458 thousand) and €122 thousand (2009: €486 thousand)

respectively. Each Share Option 2008/2010 gives its holders the right to purchase one share of the Company at €4.24 per share. The theoretical fair value of the Share Options 2008/2010 granted on 28 May 2008 was measured at the grant date and amounted to €1.17 per option. As a result of the amendment of the terms of the Share Options 2008/2010 on 23 June 2009, the Share Options were revalued and the additional cost amounted to €0.42 per option. On 23 March 2011, the Extraordinary General Meeting of the shareholders of the Company approved the amendment of the terms of the Share Options, modifying their exercise price to €3.30 per share.

Mr Andreas Eliades and Mr Yiannis Kypri participate in the main retirement benefit plan for the Group's employees in Cyprus, which is a defined benefit plan. Mr Yiannis Pehlivanides participates in the retirement benefit plans of the Group's employees in Greece, specifically the defined contribution plan and the benefit plan for retirement benefits, required by law. The total retirement benefits of the executive directors increased during 2010 by €800 thousand (2009: €771 thousand).

Fees and emoluments of key management personnel

The fees and emoluments of the three key management personnel (2009: four) comprise the amounts of the Group Chief General Manager and the two Senior Group General Managers and include the bonus that has been approved by the Board of Directors. The bonus will be paid in the form of shares of the Company, which will be purchased immediately and will be bestowed to a trust that will transfer the shares to the beneficiaries provided all specified conditions are satisfied. One third of the bonus has vested and will be paid immediately, while the remaining two thirds will vest in equal parts at the end of 2011 and 2012, provided the Group achieves the goals set with respect to profitability and key performance indicators, taking into account the performance of other peer banks. After vesting, the shares awarded will be subject to a retention period of one year.

In the context of the Share Options 2008/2010 granted by the Company to Group employees on 28 May 2008, 750 thousand (2009: 1,000 thousand) options were granted to Group key management personnel the total cost of which amounted to €182 thousand (2009: €972 thousand).

Employees

As at 31 December 2010, the Group had 12,009 employees, the majority of whom are employed by the Bank in Cyprus, Greece and Russia.

The following table sets out the Group's employees as at the dates indicated:

	<i>As at 31 December</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
Banking companies	11,805	11,798	11,681
Non-banking companies	322	329	328
Total	12,127	12,127	12,009

The following table sets out the Group's employees by geographical region as at the dates indicated:

	<i>As at 31 December</i>		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Cyprus	3,608	3,568	3,556
Greece.....	3,183	3,148	3,148
Russia	4,354	4,497	4,343
Other countries	<u>982</u>	<u>914</u>	<u>962</u>
Total	<u><u>12,127</u></u>	<u><u>12,127</u></u>	<u><u>12,009</u></u>

The Group's personnel in Cyprus and the United Kingdom is unionised, with the exception of the senior executives. Some of the Group 's personnel in Greece is unionised and personnel in other countries is not unionised.

The Bank's Employees Union in Cyprus entered a collective agreement with the Cyprus Federation of Banking Employers (of which the Issuer is a member) under the auspices of the industrial relations department of the Ministry of Labour and Social Security. The current collective agreement was signed in 2008 and applies to the period from 1 January 2008 to 31 December 2010. The Bank fulfils all its obligations under the terms of the collective agreement and has adopted the salary scales agreed for the year 2008. The Bank has good relations with its staff and has never suffered industrial action other than actions directed at the banking sector in general in Cyprus.

The Group operates several retirement benefit plans in Cyprus, Greece and the United Kingdom.

Cyprus

The main retirement plan for the Group's permanent employees in Cyprus covers 27 per cent. of total Group employees and is a defined benefit plan. The plan provides for a lump sum payment on retirement or death in service of up to 78 final average monthly salaries depending on the length of service. A small number of employees who do not participate in the main retirement plan are members of a pension scheme that is closed to new entrants and may receive part or all of their retirement benefit entitlement by way of a pension for life.

Greece

The Group's employees in Greece (26 per cent. of total Group employees) are covered by two defined benefit plans and one defined contribution plan.

All employees are entitled by law to compensation in case of dismissal or a lump sum payment upon normal retirement, under a defined benefit plan, at rates specified in the Greek legislation. All the benefits paid from statutory retirement indemnities are payable out of the Company's assets because these plans are unfunded.

In addition, a number of employees recruited up to 31 December 2002 (8 per cent. of total Group employees) participate in a defined benefit plan which provides for the payment of a lump sum on retirement of up to approximately 50 monthly salaries depending on the length of service.

The third plan applies to employees recruited after 31 December 2002 and is a defined contribution plan.

United Kingdom

The Group's employees in the United Kingdom (1 per cent. of total Group employees) are covered by a defined benefit plan and a defined contribution plan.

A number of employees recruited up to 31 March 2003 (1 per cent. of total Group employees) participated in a defined benefit plan which provided for the payment of a pension for life, based on the final employee salary prior to retirement and the years of service. With effect from 1 January 2009, the plan was closed to future accrual of benefits for active members. The salary link for these members is broken such that these active members had benefits calculated as though they are leavers from the plan on 31 December 2008.

The second plan applies to all employees and is a defined contribution plan.

Litigation

Neither the Issuer nor any of its respective subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Group, except as disclosed below.

In September 2009, an action was filed against the Company in Cyprus by the Trustees of the AremisSoft Corporation Liquidating Trust, which is similar in substance to the one filed in New York, in 2006. In the detailed statement of claim filed in October 2010 by the Trustees, on behalf of the investors of AremisSoft, claim the amount of US\$550 million (€441 million) plus interest and costs in damages, which according to their allegations, have resulted from, inter alia, an alleged conspiracy between the Company and two of the major shareholders of AremisSoft, alleged fraudulent transactions through bank accounts held with the Company in Cyprus and in the United Kingdom, alleged breach of contract and alleged negligence. The Group does not expect to have any material financial impact as a result of this action.

OVERVIEW OF THE BANKING SERVICES SECTOR IN CYPRUS AND GREECE

PART A - CYPRUS

The banking system can be viewed as being segmented into three different categories:

Domestic banks

The first category comprises domestic banks, which can be considered as universal banks, catering for domestic retail and corporate clients, and the international business segment. In addition, they offer non-bank services, such as insurance, brokerage, asset management, leasing and factoring.

The three largest domestic banks (BOC, MPB and Hellenic Bank), are listed on the Cyprus Stock Exchange and controlled 55.9 per cent. of the banking system's total deposits and 48.5 per cent. of the banking system's total loans as at 31 December 2010.

Domestic cooperative credit institutions (CCIs)

The second category comprises co-operative credit institutions, a less sophisticated segment of the market offering basic banking products, usually geared towards retail and small and medium enterprises.

Following intense consolidation efforts due to EU harmonisation directives, the number of CCIs dropped to around 113, based on the latest estimates, from around 300 previously. CCIs controlled 19.3 per cent. of the banking system's total deposits and 20.4 per cent. of the banking system's total loans as at 31 December 2010.

Subsidiaries or branches of foreign banks

The third category comprises foreign banks' subsidiaries, or branches that have up to recent years focused on corporate banking. This focus, however, has started to change in the last four to five years, following the entrance and re-focus of Greek banks in the market catering for domestic retail and corporate clients as well as for the international business segment.

The largest entities in this category are subsidiaries of Greek banks. Alpha, EFG Eurobank, National Bank of Greece and Piraeus controlled 11.7 per cent. of the banking system's total deposits and 14.6 per cent. of the banking system's total loans as at 31 December 2010.

Cyprus Banking System Structure

	<u>Assets €million</u>
Domestic commercial banks	92.396
Domestic CCIs	15.886
Subsidiaries of Foreign Banks	60.873
EU Branches	1.188
Non-EU Branches	5.996
Total Banking System	<u>176.339</u>

Source: IMF Country Report, September 2010

Banking regulation

Banking regulation is in line with the EU banking directive.

The Central Bank of Cyprus is responsible for supervising the banking system. CCIs are not, however, supervised by the Central Bank of Cyprus (refer to the next section for CCIs regulation).

Under the Banking Law, an initial capital outlay of €5,125,000 is required to establish a bank. A detailed three-year business plan describing the activities of the credit institution as well as the persons running it, must be submitted to the Central Bank of Cyprus. All major and/or controlling shareholders (defined as either persons with 10 per cent. ownership or above or the ability of any person to determine the majority of persons elected to the board) must be presented to the regulator. An initial "fit and proper test" is conducted at the time of the application and is regularly reassessed. Furthermore, as per Cyprus Stock Exchange regulations, any listed entity must disclose shareholders that own 5 per cent. or more.

The main prudential requirements are outlined below:

Capital Adequacy: Banks were required to adopt the Basel II guidelines as of 1 January 2007. Domestic banks have chosen to adhere to the standardised approach for credit risk and the basic indicator approach for operational risk. As per the Basel II recommendation, the minimum Capital Adequacy Ratio for banks is 8 per cent, while the minimum Tier 1 ratio is 4 per cent. In terms of capital quality, capital treatment is similar to that proposed under Basel III. Hybrid capital and innovative Tier 1 instruments should not exceed 35 per cent. of the banks' core Tier 1 (recently changed from 15 per cent.), while the inclusion of revaluation reserves to Tier 2 is subject to the restriction that Tier 2 should not exceed Tier 1 capital. The regulator can impose capital add-ons to cover risks that are not fully captured.

Liquidity: Different liquidity ratios are given for local-currency and foreign-currency deposits. The Central Bank requires that 70 per cent. of foreign currency deposits, including interbank deposits, are kept in a list of qualifying liquid assets — plain vanilla instruments — while the corresponding ratio for local currency deposits is 20 per cent.

Concentrations: The Central Bank's definition of a large exposure is an exposure equal to or greater than 10 per cent. of a bank's capital. As such, any large exposure cannot exceed 25 per cent. of a bank's capital, while the sum of large exposures cannot exceed 800 per cent. of a bank's capital.

Related party lending: Exposures to directors (on aggregate) cannot exceed 20 per cent. of a bank's capital. Total unsecured lending to directors cannot exceed 2 per cent. of capital.

Asset Quality: A 90 days-past-due of both interest and principal classification on a borrower base is followed. Rescheduled loans must remain classified as non-performing for six months following the restructuring and can exit the NPL list at the end of the six-month period, provided servicing is not interrupted. No minimum provisioning requirements are imposed by the central bank – either for NPLs or general provisions. The banks apply IFRS guidelines. The Central Bank reviews the banks' provisioning policies and may require additional provisions where it sees fit.

Regulation of CCIs

Different regulatory standards are applied to banks and to CCIs. CCIs fall outside the official banking regulation system. They are supervised by the Commissioner of Co-operatives and Co-operative Development under the Ministry of Commerce, Industry and Tourism.

Competition and Bank of Cyprus' position in the market

Banks in Cyprus and their operations are subject to the provision of the Protection of Competition Law 13(I) of 2008, which prohibits any actions of conduct which have as their object or effect the restriction or distortion of competition. In addition, the Control of Concentrations between Enterprises Law 22(I) of 1999 (as amended) regulates significant concentrations in the banking sector.

The table below presents the market shares of the five largest banks operating in Cyprus as at the end of December 2010:

	Market share (as a % of total commercial banks)		Market share (as a % of total banking banks)	
	Deposits	Loans	Deposits	Loans
Bank of Cyprus	39.9	35.7	28.3	24.3
Marfin Popular Bank	26.5	25.0	18.8	17.0
Hellenic Bank	12.4	10.6	8.8	7.2
Alpha Bank	7.2	11.2	5.1	7.6
EFG Eurobank	5.0	5.4	3.6	3.7

PART B – GREECE

THE BANKING SECTOR IN GREECE²

In total, 63 credit institutions operate in Greece, comprising (i) 19 domestic commercial banks; (ii) 27 foreign banks (including 22 EU-based banks) that operate branches; (iii) 16 cooperative banks; and (iv) one specialised credit institution (the Loans and Consignment Fund).

As of September 2010, total banking system assets stood at €526 billion; there were more than 4,000 operational branches and 7,500 ATMs, with 65,000 personnel. Asset concentration in the Greek banking market is moderate, with the market share of the five largest banks at an estimated 70 per cent (source: Moody's Investor Service, Banking System Profile: Greece (March 24 2011)).

The four largest domestic banks (NBG, EFG Eurobank, Alpha and Piraeus), are listed on the Athens Stock Exchange and controlled about 62 per cent. of the banking system's total deposits and about 63 per cent. of the banking system's total loans as at 31 December 2010 (source: Moody's Investor Service, Banking System Profile: Greece (March 24 2011)).

Banking regulation

The Bank of Greece is responsible for the licensing of credit institutions in Greece and also has regulatory and supervisory powers over their operations.

Under the Banking Law, an initial capital outlay of EUR18 million is required to establish a bank. A detailed three-year business plan describing the activities of the credit institution - as well as the persons running it - must be submitted to the Bank of Greece. All shareholders owning more than 5 per cent. either directly or indirectly via related physical or legal persons (as well as the top 10 shareholders of the institution) must be presented to the Bank of Greece. The Bank of Greece has the discretion to ask for relevant information pertaining to any holding above 1 per cent. An initial "fit and proper test" is conducted, which the Bank of Greece periodically reassesses.

² Source: Moody's Investor Service, Bank of Cyprus

Existing laws and regulations ensure the Bank of Greece's independence from political or industry influence and also empower the regulator to impose and enforce regulatory standards.

The main prudential requirements are outlined below:

Capital Adequacy: Maintain a minimum capital ratio of 8 per cent., of which at least 50 per cent. must be Tier 1. The Bank of Greece also has the discretion to impose capital add-ons.

Liquidity: Banks need to observe the Bank of Greece's prescribed liquidity ratios, including a 2 per cent. reserve requirement, a 20 per cent. liquidity ratio (liquid assets maturing within 30 days over the cumulative balance of a bank's borrowed funds maturing within 12 months) and a maturity mismatch ratio of -20 per cent. (the difference of a bank's total assets and total liabilities maturing in up to 30 days over the cumulative balance of borrowed funds maturing in up to 12 months).

Concentrations: The Bank of Greece's definition of a large exposure is an exposure equal to or greater than 10 per cent. of a bank's capital. As such, any large exposure cannot exceed 20 per cent. of a bank's capital (25 per cent. for intra-group exposures), while the sum of large exposures cannot exceed 800 per cent. of a bank's capital.

Related party lending: Exposures to directors (on aggregate) cannot exceed 10 per cent. of a bank's capital

Asset Quality: A 90 days-past-due classification is followed. In terms of loan-loss provisioning, the Bank of Greece has issued a schedule for supervisory provision requirements based on a loan's classification (i.e., the loan type, loan to value ratios and delinquency periods). There is a 10 per cent. provisioning requirement for "restructured loans".

Competition and Bank of Cyprus' position in the market

The table below presents the market shares of the ten largest banks operating in Greece as at end of December 2010:

	<i>Market share</i>	
	<i>Loans</i>	<i>Deposits</i>
National Bank of Greece	19.3%	23.4%
EFG Eurobank	15.8%	14.0%
Alpha Bank	15.7%	14.0%
Piraeus Bank	12.0%	10.8%
Emporiki Bank	9.4%	6.3%
Agricultural Bank of Greece	8.8%	8.7%
Marfin Popular Bank	5.2%	4.4%
Bank of Cyprus	3.8%	4.4%
Postbank	2.9%	5.0%
Millenium	1.9%	1.4%

THE MORTGAGE AND HOUSING MARKET IN CYPRUS AND GREECE

PART A – CYPRUS

The housing market

The housing market in Cyprus has an important role in the Cyprus economy and the ownership of primary residence is an important value for the Cypriot family.

A number of key factors positively influenced the demand for housing over the years. One of the most important that played a significant part in the evolution of housing demand over the years was the Turkish invasion of 1974 and the resulting Turkish occupation of part of the island. Demand for housing increased significantly as a direct result of the Turkish invasion and occupation of approximately 38% of the island. As a consequence of these events approximately 165,000 refugees (and in later years their dependants) were required to seek housing in other areas of the island.

A further important change that had a considerable impact to the demand for housing was the movement of younger people from rural areas to urban areas.

Further support for household formation is being provided from the change in the traditional family structure with younger members studying at tertiary level and preferring to live on their own. As a result of this change, the average household size has decreased to 2.84 persons in 2009, compared to 3.23 in 1992 (still above the euro area average of 2.4 persons).

Moreover, significant infrastructure projects, in conjunction with increasingly sophisticated housing needs emerged also as additional determinants of strong housing demand sustaining real estate prices in recent years.

Also, the entry of Cyprus in the EU and the euro zone lead to an increase in demand for retirement homes and second residences due to the attractive weather conditions, low tax regime, high standard of living, and the low cost of living.

During more recent years, the liberalization of interest rates in 2001 by the Central Bank of Cyprus, the downward convergence of the interest rates of the CY£ to the EUR, and more importantly the entry of Cyprus in the European Union and its accession to the euro zone in 2008 were the main driving factors in the acceleration for housing demand. These developments contributed to an environment of lower interest rates, and combined with the availability of longer term mortgage products, assisted the increased demand for housing.

The current economic downturn has had its impact on the demand for housing, and this has been reflected on the reduced number of new building permits being issued by the Land Registry and also in the reduction of transactions in 2008 and 2009. Nevertheless, a modest increase in property transactions was recorded over 2010 relative to 2009.

Mortgage Market

Co-operative Credit Institutions were historically the major providers of residential mortgage loans and the availability of mortgage products was limited. Gradually, Banking Institutions were also allowed to enter the mortgage market which contributed positively to the demand for housing.

At the end of 2010, the five largest lenders in the Cypriot residential mortgage market were the Bank of Cyprus (the Issuer and market leader), Co-operative Credit Institutions, Marfin Laiki Bank, Hellenic Bank, and Alpha Bank.

As at the end of 2009 residential mortgage loans amounted to EUR10.4bn, which represented 61.3% of the country's GDP. This represented an increase in mortgage lending from recent years (up from EUR8.5bn in 2008).

Security

In Cyprus, security for housing loans is created by establishing a mortgage. The mortgage is pledged at the Land Registry Department. The customer incurs expenses in relation to this process equal to approximately 1% of the mortgage amount.

Until recently for the transfer of a mortgage loan from one credit institution to the other, the 1% mortgage fee had to be paid again, which has now been changed to a nominal fee covering expenses if the mortgage amount remains equal or less plus 1% for any additional amount.

Prior to the disbursement of any loan, Bank of Cyprus lawyers check with the Land Registry Department to confirm the uncontested ownership of the borrower and the priority nature of the mortgage.

Enforcing security

Once a loan is in default and terminated, a notice is served on the borrower and on the guarantors, if any, informing them of this fact and requesting the persons indebted to make a payment of all amounts due within a limited period of time (usually 30 days).

Following notification and in the case of continued non-payment, the Issuer can either: (a) proceed by filing a lawsuit to the competent court and in which the order for the sale of the mortgaged property is requested; or (b) following a judicial decision, the Issuer reserves the right to register a Memorandum (MEMO) to any non-mortgaged property the borrower (or guarantor(s)) may own; or (c) by directly filing a forced sale request to the Land Registry Department.

- (a) Filing a lawsuit to the competent court requesting an order for the sale of the mortgaged property:

The request to obtain a sale order on the mortgaged property forms part of the filed lawsuit. Subject to the court decision, which includes, inter alia, the sale order for the mortgaged property for the settlement of the defaulted loan, the Recoveries Department dispatches written instructions to the Issuer's external lawyers in order to register an application for sale of the mortgaged property to the relevant District Land Registry Department. Once all the relevant documents have been submitted to the Land Registry Department, the Sale of Mortgaged Property (SMP) number is obtained and the Land Registry Officer (LRO) notifies the Issuer of the auction date once this is set.

- (b) Registering a MEMO on the borrowers' non-mortgaged property:

A lawsuit is submitted to the competent courts in order to register a MEMO on the borrowers' and guarantors' non-mortgaged property. Once a judicial decision is obtained the Issuer maintains the right to register a MEMO on any property of the borrower or any other defendants to the lawsuit (guarantors). A search is then carried out by the Recoveries Department in the Land Registry's database in order to determine the existence, if any, of property owned by the defendants. Subject to property being identified, a further assessment of the borrower's circumstances is carried out by the Recoveries department and if deemed necessary, written instructions are provided to the Issuer's external lawyers to register a MEMO to the identified property.

Once a MEMO is registered, it is enforceable for 6 years. At the expiration of the 6-year period, the MEMO has to be renewed every 2 years.

Following the registration of the MEMO, an application is made to the Land Registry Department in which the forced sale of the property is requested. The application to the Land Registry can be submitted 1 year after the court decision registering the MEMO to the property. Following the application and submission of all relevant documents to the Land Registry, the SMP number is obtained.

(c) Directly filing the forced sale request of a mortgaged property to the Land Registry Department:

Prior to the filing of the lawsuit against the borrower and guarantors of a delinquent loan, the Recoveries Department (subject to the approval of the Recoveries General Manager) may opt to directly file a forced sale request of the mortgaged property with the Land Registry Department. This procedure is followed in the rare cases that the procedures described above cannot be employed due to the particulars of the borrower or loan.

This process is initiated by the delivery of a written notification (document N275) from the Issuer to the borrower in which the borrower is requested to clear all debts within the space of 1 month. The notification states that if the borrower's debt is not settled during this period, the Issuer will request the forced sale of the mortgaged property from the Land Registry Department.

In the case the debt is not settled within the 1-month period, the Issuer submits the application for the forced sale to the Land Registry Department (document N276), the contents of which must be verified by an affidavit. The application must be submitted to the Land Registry within 7 days of the affidavit. Upon submission of the N276, the SMP number is provided by the Land Registry.

Procedure following the receipt of the SMP number

The Issuer's Recoveries Department is responsible for monitoring the case and following up if necessary with the Land Registry Department. The forced sales of mortgaged property or of a property charged with a MEMO are given priority by the District Land Registry Department.

Due to delays in the procedures for the forced sale of immovable property through the Land Registry, determining the auction date in Cyprus would normally take between 2 to 10 years.

Auction process

Once an auction date has been set, a publication of the sale is made through media sources determined by the LRO. Publication of the sale should take place at least 7 days prior to the auction.

The auction process can be interrupted by the customer as well as any creditor with a legal interest if they raise an objection with respect to:

- The validity of the property title.
- The validity of the procedure
- The bank's claim against the customer.

After an application to the Court by the entity interrupting the procedure, and provided that the evidence presented is acceptable in Court, the auction process is arrested until a Court Decision is issued.

Auction sale Proceeds

According to Cypriot law, the order in which the auction proceeds are distributed is as follows:

- Auction expenses (the full amount)
- Any other working expenses (the full amount).

The residual proceeds are then used to repay:

- Capital gains tax and any other debts owed to the state
- Preferential creditors
- Other creditors, including memo holders (paid out on a pro rata basis).

PART B – GREECE

The Greek Housing Market

Real estate has long been one of the pillars of economic growth in Greece. Indeed, the residential property market traditionally played a relatively more important role in the Greek economy compared with most other euro area countries. The most common type of property available is the apartment, with maisonettes and detached houses being restricted to the more affluent city areas.

Strong disposable income growth and low real interest rates, in addition to positive demographic trends between the early 1990s and 2006 related mainly to the significant increase in the immigrant population (to an estimated 10% of the total population) have prompted an acceleration of the pace of new household formation. Further support for household formation has arisen from the change in the traditional family structure during the same period with younger members preferring living on their own and by the growth in holiday homes. The average household size has decreased to 2.6 persons in 2006 from 2.8 in 1999 and 3.1 in 1994. This level is still above the corresponding euro area average of 2.4 persons. Overall, the number of households continues to grow at a higher rate than the natural growth of the resident population (increasing by 6.7% cumulatively from 2000 to 2009 compared with a growth rate of just 1.2% for the population as a whole). Moreover, significant infrastructure projects, in conjunction with increasingly sophisticated housing needs, emerged also as additional determinants of strong housing demand sustaining residential real estate prices in recent years. Nevertheless the significant drop of economic activity in 2009 and 2010 (which is expected to continue in 2011) is expected to take a considerable toll on household budgets and the concomitant decisions for household formation while public investment activity will remain rather subdued compared with the previous decade.

Mortgage Market

In 1985 the state monopoly of mortgage lending was ended, allowing commercial banks to enter the market, provided that their mortgage financing did not exceed 2.0% of their deposits. From the early 1990s onwards the mortgage loans market was rapidly deregulated and as a result many commercial banks operating in Greece (both foreign and national) now have a presence in this market as well as in the broader region of the SEE.

The main competitors of the Issuer in the Greek residential mortgage market are NBG, Alpha Bank AE, EFG Eurobank Ergasias, Piraeus Bank, and Hellenic Postbank.

Mortgage lending growth, which had registered solid expansion until H1:2008, followed a steep downward trend after the intensification of international financial crisis and the high pressures on peripheral economic crisis valuations in Q1:2009. Financial market conditions have deteriorated further since Q4:2009 and especially in 2010 when worries about Greece creditworthiness and the sizeable fiscal credibility deficit in conjunction with turbulent market conditions drove sovereign financing costs at pre-EMU levels. Against this backdrop credit mortgage expansion slowed considerably.

Security for Housing Loans

In Greece, security for housing loans is created by establishing a mortgage. A mortgage can be established by a notarial deed (or by a judicial decision, or by the law in special cases). The establishment of a mortgage by notarial deed is quite costly and it is therefore not preferred among banks and borrowers.

Instead, in most cases, banks obtain a pre-notation of a mortgage, which is an injunction over the property entitling its beneficiary to obtain a mortgage as soon as a final judgement for the secured claim has been obtained, but which is valid as of the date of the pre-notation. From the point of view of enforceability, ranking of the security and preferred right to the proceeds of the auction, there is no difference between a holder of a mortgage and a holder of a pre-notation of a mortgage, since the latter is treated as a secured creditor of the property. Both the holder of a pre-notation of a mortgage and a mortgagee need an enforcement right before commencing enforcement procedures. The difference between them is that the prenotation is a conditional security interest whose preferential treatment is subject to the unappealable adjudication of the claim it purports to secure, whereas a mortgagee's claim is enforceable pursuant to the mortgage deed itself.

Establishing a pre-notation is the most common way of establishing security for a housing loan in Greece.

The pre-notation, as a form of injunction, can be established with or without the consent of the owner(s) of the property on which the mortgage will be secured, but is only granted pursuant to a court decision.

The procedures adopted by lenders of housing loans in practice has led to an arrangement whereby prenotations are granted "by consent": where both the lending bank and the borrower appear before the competent court and consent to the establishment of the pre-notation on the specific real estate property. The court issues the decision immediately (in fact, the decision is drafted beforehand by the lending bank and is certified and signed by the judge who hears the claim).

Having certified the court decision and a summary thereof, the lawyer of the lending bank takes them to the Land Registry and/or Cadastre, where applicable, along with a written request for the issuance (by the Land Registry and/or Cadastre) of certificates confirming:

- (a) the ownership by the borrower of the mortgaged property;
- (b) the registration and class of the mortgage;
- (c) the absence of (judicially raised) claims of third parties against the current and all previous owner(s) of the mortgaged property; and
- (d) any other mortgages, pre-notations or seizures preceding the pre-notation registered by the bank.

At the same time the bank's lawyer effects a search in the Cadastre and/or the Land Registry, where applicable, in order to confirm the uncontested ownership of the borrower and the first priority nature of the mortgage or pre-notation, before the loan can be disbursed.

Once the certificates are issued, they are reviewed by the bank's legal department and are included in the borrower's file. The legal review of both the ownership titles and the pre-notation registration is based on public documents, i.e. on notarial deeds and certificates issued by the competent land registries and/or cadastres. The history of the ownership titles for the previous 20 years is examined (which is the period for adverse possession). Such a review together with a titles search in the Land Registry and/or Cadastre, where applicable, precedes the disbursement of the loan. Upon registration of the pre-notation, a second titles search is made to confirm the status quo.

Enforcing Security

Once a loan agreement is in default and terminated, a letter is served on the borrower and on the guarantors, if any, informing them of this fact and requesting the persons indebted to pay all amounts due. Following notification and in the case of continued non-payment, a judge of the competent First Instance Court is presented with the case upon which the judge issues an order for payment to be served on the borrower together with a demand for immediate payment. Service of the order and demand for payment is the first action of enforcement proceedings. Three working days after serving the payment order and demand, the property can be seized and the auction process starts (see below for a description of the auction process).

The borrower, after being served the order for payment, is granted 15 working days to contest the validity of the order for payment, either on the merits of the case or on the grounds of procedural irregularities. This can be done by filing an Article 632-633 Annulment Petition before the Court of First Instance. At the same time, the borrower can file an Article 632 Suspension Petition for the suspension of the enforcement proceedings as a provisional measure. At the time of filing the Article 632 Suspension Petition, in most cases, immediate suspension is granted up until the hearing of the suspension petition. If the court decides that the arguments in the Article 632-633 Annulment Petition are correct and reasonable, the suspension of enforcement will be granted to the petitioner until the issue of the decision on the Article 632-633 Annulment Petition. If the judge decides that the Article 632-633 Annulment Petition has no grounds and rejects this, the suspended enforcement procedures can continue. If the borrower has not filed an Article 632-633 Annulment Petition and subsequent suspension in the first 15 working days, then the bank may again serve the order for payment whereby a second period of 10 working days is granted to the borrower to contest the procedure. Failure to contest the order for payment will result in the bank acquiring a final deed of enforcement and then the pre-notation is converted to a mortgage.

The Article 632-633 Annulment Petition will need to be heard within twelve to fourteen months after its filing and another six to eight months are required for a decision to be issued by the court, upon which either the enforcement procedures are continued due to the decision rejecting the Article 632-633 Annulment Petition, or the legal process before the Court of Appeal is continued by the bank until a final decision is reached regarding the contested order of payment. The defeated borrower may also continue the legal process but, in the experience of the Issuer, it is highly unusual that a suspension of enforcement proceedings will be granted by the Court of Appeal if the initial suspension was granted up until the decision of the First Instance Court.

The Borrower may also file with the relevant Court of First Instance an Article 933 Petition for Annulment of certain actions of the foreclosure proceedings based on reasons pertaining to both the validity of the order for payment and to procedural irregularities. Both Article 632-633 and Article 933 Annulment Petitions may be filed either concurrently or consecutively, but it should be noted that the Article 933 Annulment Petition may not be based on reasons pertaining to the validity of the order for payment, once the order of payment has become final as mentioned above. The time for the filing of an Article 933 Annulment Petition varies depending on the foreclosure action that is being contested.

The filing of an Article 933 Annulment Petition entitles the Borrower to file an Article 938 Suspension Petition in relation to the enforcement until the decision of the Court of First Instance on the annulment motion is issued. Again, foreclosure proceedings may be suspended until the hearing of the Article 938

Suspension Petition, which, in a normal case where the Borrower seeks the suspension of the auction, takes place five days prior to the auction and the relevant decision is issued two days prior to the auction. It should nevertheless be noted that such suspension is more difficult to obtain if the Court has already rejected a suspension requested for similar reasons under Article 632.

The actual auction process begins with seizure of the property, which takes place three working days after the order for payment is served on the borrower. The seizure statement that is issued by the bailiff who performs it, contains the auction date (a Wednesday) and place of auction being the District Court of the location where the seizure of property occurred and the notary public who will act as the auction clerk. At this point all mortgagees (including those holding a pre-notation of mortgage) are informed of the upcoming auction.

The minimum auction price cannot be lower than the property's Objective Value or such value as determined in accordance with the provisions of the Greek tax legislation in circumstances where the property is not located in an area where an Objective Value determination system exists. On the date of the auction, each bidder must deposit with the notary public (in the form of cash, a bank cheque or a letter of guarantee) an amount equal to the first asking price as a guarantee.

In circumstances where the valuation of the property is higher than the Objective Value, or such value as determined in accordance with the provisions of the Greek tax legislation, then the minimum auction price is at least two thirds of such property's higher value.

The value of the property is determined within the statement of the bailiff and can be contested by the borrower or any other lender if supported by evidence that the property value is significantly higher or lower than the proposed auction value. In such case, the auction is postponed until a date not exceeding six months from the initial auction date and for a new reserve price, both as determined by the judge.

In the auction, the property is sold to the highest bidder who then has 15 days to pay. Once the price of the property is paid, the notary public prepares a special deed listing all the creditors and allocating the proceeds of the auction. Each creditor must announce its claim to the notary public within 15 days of the auction.

Once the allocation of proceeds amongst the creditors of the Borrower has been determined pursuant to a deed issued by a notary public, the creditors of the Borrower may dispute the allocation and file a petition contesting the deed. The Court of First Instance adjudicates the matter but the relevant creditor is entitled to appeal against the decision to the Court of Appeal. This procedure may delay the collection of proceeds for up to two and a half years. This can further delay the time at which the Issuer finally receives the proceeds of the enforcement of the relevant property. However, the law provides that a bank is entitled to the payment of its claim even if its allocation priority is subject to a challenge, provided that the bank provides a letter of guarantee securing repayment of the money in the event that such challenge is upheld.

Any claims arising from employment relationships and contracts for legal and educational services arising in the previous two years and employee's indemnities due to the termination of the employment contract as well on social securities claims that arose up to the time of the auction, are ranked before any other creditor (but after deduction of the enforcement expenses). After deducting such claims, one-third of the remaining proceeds is allocated to claims of the public sector and other preferential claims listed in Article 975 of the Greek Civil Procedure Code and the remaining two-thirds to the secured creditors, i.e. mortgagees, with any excess being available to satisfy the claims of unsecured creditors. Once the list of creditors is confirmed and adjudicated, the proceeds are distributed according to the ranking order.

RESIDENTIAL MORTGAGE BUSINESS OF BANK OF CYPRUS

Bank of Cyprus Mortgage Business in Cyprus

Origination

Loan applications are received by the Issuer exclusively through its network of 143 branches located all over Cyprus. These branches are organized in 4 different groups according to their geographical location, with each group reporting to a different District Manager.

Mortgage products

Bank of Cyprus offers a wide range of mortgage products. The basic products fall into two groups: a range of pure floating rate mortgages, and a range of fixed rate mortgages converting into floating rate mortgages. Floating rate mortgages may be set according to either the Bank of Cyprus Housing Base Rate, EURIBOR, or the European Central Bank main refinancing operations rate (the ECB Rate), while fixed rate mortgages are offered for periods of 3, 5 or 10 years before converting to the Bank of Cyprus Housing Base Rate, EURIBOR, ECB Rate or to any of the available fixed rate options.

Floating rate mortgages set according to 1, 3 or 6 month EURIBOR or 6 month LIBOR have a monthly rate resetting frequency, whereas ECB rate mortgages have a rate resetting frequency that mirrors that of the ECB Rate. The rate resetting frequency of Bank of Cyprus Housing Base Rate mortgages is determined by the Bank of Cyprus Assets and Liabilities Committee.

The majority of mortgage loans granted by the Issuer follow a monthly instalment frequency but in rare cases, such as for borrowers in seasonal industries such as tourism, the payment frequency can vary depending on the borrower's profile and needs.

Customers who are in good standing and satisfy certain underwriting criteria are also offered an option to make flexible payments according to their individual circumstances. Customers may defer up to 2 monthly instalments in a calendar year, with a maximum of 24 deferrals over the life of the loan.

Additionally, the Originator may also offer a Borrower a grace period permitting the suspension of payments of principal by a Borrower or of both principal and interest for a period of up to two calendar years.

In both cases mentioned above regarding flexible payments, the Originator has no contractual obligation to grant the flexible payment option to the Borrower and such flexibility is fully discretionary.

Bank of Cyprus Mortgage Business in Greece

Origination

Loan applications are received by the Issuer exclusively through its network of 185 branches located all over Greece. These branches are organised in 6 different groups according to their geographical location, with each group reporting to a different Area Manager.

Mortgage Products

In common with other participants in the Greek market Bank of Cyprus offers a wide range of mortgage products. The basic products fall into two groups: a range of pure floating rate mortgages, and a range of fixed rate mortgages converting into floating rate mortgages. Floating rate mortgages may be set according to either the Bank of Cyprus Mortgage Base Rate, the Bank of Cyprus Preferential Mortgage Base Rate, EURIBOR, LIBOR or the European Central Bank main refinancing operations rate (the **ECB Rate**), while

fixed rate mortgages are offered for periods of 1, 2, 3, 5, 10 or 15 years before refixing to the Bank of Cyprus Mortgage Base Rate, EURIBOR, LIBOR, ECB Rate or to any of the available fixed rate options.

Floating rate mortgages set according to 1 or 3 month EURIBOR or 1 or 3 month LIBOR have a monthly rate resetting frequency, whereas ECB rate mortgages have a rate resetting frequency that mirrors that of the ECB Rate. The rate resetting frequency of Bank of Cyprus Mortgage Base Rate mortgages is determined by the Bank of Cyprus Assets and Liabilities Committee. All mortgages have a monthly instalment frequency.

LENDING CRITERIA

A LENDING CRITERIA OF BANK OF CYPRUS IN CYPRUS WITH RESPECT TO MORTGAGE LOANS

The issuer tests mortgage loan applications against certain basic lending indices (the **Cypriot Lending Criteria**). The principal Cyprus Lending Criteria are set out below:

(a) Security

A loan must be secured by a first ranking mortgage over a property in Cyprus. A lower ranking mortgage may also be allowed, provided that the Originator additionally benefits from all higher ranking mortgages over the same property. Each borrower must take out and maintain fire and earthquake insurance in an amount sufficient to cover the reinstatement value of the property. The Originator is the primary beneficiary of such insurance policies. Life insurance may be required as part of the credit decision process.

(b) Loan-to-Value Ratio (LTV)

The LTV of each loan, calculated by dividing (x) the total loan amount (including all other loans secured by the same properties) by (y) the sum of the market values of all properties securing such loan(s), does not exceed:

- 80 per cent. for primary housing purposes
- 70 per cent for second housing / holiday home purposes
- 60 per cent for investment purposes.

Limits on the LTV ratio might be imposed on the basis of factors such as the profile of the applicant and his country of residence, the loan purpose and the location of the property. Loans with LTVs in excess of the above limits are permitted, provided they are approved by the Consumer Credit Department. In this case, the maximum allowable LTV is 100 per cent.

(c) Debt service-to-Income Ratio (DTI Ratio)

The DTI Ratio, calculated by dividing (x) the total monthly obligations owed by the borrower by (y) the borrower's gross monthly income after deduction of social security contributions, but before tax, must not exceed 40 per cent.

Note that:

- total monthly obligations include obligations regarding loan payments that will arise should the current application be approved as well as any other obligations arising from existing loans with the Originator and obligations arising from existing loans with other banks
- the income of next-of-kin relatives involved in the loan application as co-borrowers or guarantors may, under specific conditions, be included in the determination of gross monthly income.
- for certain professional categories, the Issuer also considers the potential for additional income on the basis of:

- the existing banking relationship with the borrower (payroll, deposits, repayment of other loans);
 - the borrower's profession;
 - the number of years the borrower has been employed in the same job; and
 - any other existing assets like bank deposits or real estate property.
- In the case of loans that are subject to a discounted fixed rate for a set period, the DTI Ratio is calculated on the basis of the interest rate (including margin) applicable after the end of the discounted fixed rate period.
 - Income is certified against third party independent evidence. No self certified or limited income verification loans are accepted.

(d) Minimum and maximum loan amount

Currently the minimum amount of a mortgage loan is EUR20,000 (the minimum for loans for renovation purposes or other personal needs is set at EUR 5000). No maximum limit applies; however, the majority of loans granted are of value less than EUR 300,000.

(e) Term

In the cases that the owner will reside in the property, the term of a loan cannot exceed 40 years, and if the loan is granted for investment purposes, the term cannot exceed 15 years.

(f) Borrower's Age

Both the borrower and guarantor must not exceed 70 years of age at loan maturity. If the borrower and guarantor are married, then at least one of the two must not exceed 70 years of age at loan maturity. If there is a next-of-kin relationship between the borrower and guarantor, the younger of the two must not exceed 70 years of age at loan maturity.

(g) Loan purpose

Mortgage loans are primarily granted for the following purposes:

- house purchase in Cyprus;
- house construction/completion in Cyprus;
- house improvement in Cyprus;
- land purchase in Cyprus;
- equity release; or
- transfer of a loan granted by another recognised credit institution for one of the purposes above.

(h) Property Characteristics

Acceptable property types include the following:

- residential property;
- plots of land with a construction permit; and
- commercial property.

B LENDING CRITERIA OF BANK OF CYPRUS (GREEK BRANCH) WITH RESPECT TO MORTGAGE LOANS

The Issuer tests mortgage loan applications against certain basic lending indices (the **Greek Lending Criteria** and together with the Cypriot Lending Criteria, the **Lending Criteria**). The principal Greek Lending Criteria are set out below.

(a) Security

- (i) A loan must be secured by a first ranking Pre-Notation over a property in Greece. A second ranking Pre-Notation may also be allowed, provided that the Originator additionally benefits from a first ranking Pre-Notation over the same property. Moreover, a second ranking Pre-Notation may also be allowed where the Originator does not also benefit from a first ranking Pre-Notation over the same property in the cases where the loan is a transfer from another bank which has the first ranking Pre-Notation in its name. Once the transaction is completed, the other bank's first ranking Pre-Notation is annulled and, as a result, Bank of Cyprus' Pre-Notation gains first ranking status.
- (ii) Each borrower must take out and maintain fire and earthquake insurance in an amount sufficient to cover the reinstatement value of the property. The Originator is the primary beneficiary of such insurance policies. Life insurance is generally optional, but, in certain cases, it may be required as part of the credit decision process.

(b) Loan-to-Value Ratio

The loan-to-value ratio of each loan, calculated by dividing (x) the total loan amount (including all other loans secured by the same properties) by (y) the sum of the market values of all properties securing such loan(s), does not typically exceed 70 per cent. (i.e. the loan amount does not typically exceed the forced sale value of the property).

Limits on the loan-to-value ratio might be imposed on the basis of factors such as the profile of the applicant and his country of residence, the loan purpose and the location of the property. Loans with loan-to-value ratios in excess of the above limits are permitted, provided they are approved by the Consumer Credit Department. In this case, the maximum allowable loan-to-value ratio is 100 per cent.

(c) Debt service-to-Income Ratio (**DTI Ratio**)

The DTI Ratio, calculated by dividing (x) the total monthly obligations owed by the borrower by (y) the borrower's gross monthly income after deduction of social security contributions, but before tax, must (according to the Bank of Greece's guidelines) not exceed 45 per cent for Loans originated before January 2006 and 40 per cent. for loans originated henceforth. Note that:

- total monthly obligations include obligations regarding loan payments that will arise should the current application be approved as well as any other obligations arising from existing loans with the Originator and obligations arising from existing loans with other banks as sourced from the TRCS database.
- the income of next-of-kin relatives involved in the loan application as co-borrowers or guarantors may, under specific conditions, be included in the determination of gross monthly income.
- for certain professional categories, the Issuer also considers the potential for additional income on the basis of:
 - the existing banking relationship with the borrower (payroll, deposits, repayment of other loans);
 - the borrower's profession;
 - the number of years the borrower has been employed in the same job; and
 - any other existing assets like bank deposits or real estate property.
- in the case of loans that are subject to a discounted fixed rate for a set period, the DTI Ratio is calculated on the basis of the interest rate (including margin) applicable after the end of the discounted fixed rate period.
- Income is certified against third party independent evidence. No self certified or limited income verification loans are accepted.

(d) Minimum and maximum loan amount

Currently, the minimum amount of a mortgage loan is €30,000. No maximum limit applies; however, the majority of loans granted are of a value of less than €300,000.

(e) Term

The term of a loan (except for the OEK Subsidised Loans and the State/OEK Subsidised Loans) cannot exceed 35 years. The term of an OEK Subsidised Loan or a State/OEK Subsidised Loan cannot exceed 15 years.

(f) Borrower's Age

In general, both the borrower and guarantor must not exceed 70 years of age at loan maturity. If the borrower and guarantor are married, then at least one of the two must not exceed 75 years of age at loan maturity. If there is a next-of-kin relationship between the borrower and guarantor, the younger of the two must not exceed 80 years of age at loan maturity. An applicant cannot exceed 65 years of age at loan disbursement.

(g) Subsidised Loans

For a borrower applying for a subsidy from the Greek State and/or the OEK, verification is carried out to ensure that the appropriate procedures are followed and that the requirements set by the Greek State and/or the OEK are met.

The Subsidised Loans lending criteria are approximately the same as those for the Standard Loans and are subject to the eligibility criteria of the subsidy provider. BoC will grant a loan to the beneficiary of the subsidy only if the following criteria are met:

- only Euro-denominated loans;
- granted only for the purchase, construction or completion of a primary residence;
- available to both Greek citizens and EU nationals subject to fulfilment of specific residency and working conditions (i.e. permanent residents for, at least, the last 5 years who have been filing their tax returns in Greece for at least this duration);
- first order Pre-Notation on the property is required in favour of BoC;
- the general credit criteria of BoC must be satisfied (DTI, Age, LTV, etc); and
- BoC criteria will comply with Greek State and OEK criteria.

(h) Loan Purpose

Mortgage loans (except for Subsidised Loans) are primarily granted for the following purposes:

- house purchase in Greece;
- house construction/completion in Greece;
- house improvement in Greece;
- land purchase in Greece;
- equity release; or
- transfer of a loan granted by another recognised credit institution for one of the purposes above.

A Subsidised Loan may only be granted for the following purposes:

- purchase of primary residence in Greece;
- construction of primary residence in Greece; or
- completion of primary residence in Greece.

(i) Property Characteristics

Acceptable property types include the following:

- residential property;

- plots of land with a construction permit; and
- commercial property.

DESCRIPTION OF PRINCIPAL DOCUMENTS

Covered Bond Monitor Agreement

The Covered Bond Monitor has agreed, *inter alia*, subject to due receipt of the information to be provided by the Issuer to the Covered Bond Monitor, to undertake certain monitoring activities as required by the terms of the Covered Bond Legislation including (i) verification of the accuracy and completeness of information included in the Register; (ii) examination of the valuation process in relation to cover assets; (iii) compliance by the Issuer on an on-going basis with respect to the Cover Pool Adequacy Criteria; and (iv) examination of the entries into and removals from the Register.

Pursuant to the terms of the Covered Bond Monitor Agreement, the Covered Bond Monitor has represented and warranted that (i) it possesses the necessary knowledge, experience and ability for the effective performance of the duties which are stated to be performed by it in the Covered Bond Monitor Agreement and the Covered Bond Legislation (including, for the avoidance of doubt, those set out in Article 44 of the Cypriot Covered Bond Directive); and (ii) it has obtained all necessary consents, licences, approvals and authorisations in order to enter into the Covered Bond Monitor Agreement and to perform its duties thereunder; and (iii) it is impartial and does not have any conflicts of interest that could affect its ability to discharge its duties under the Covered Bond Legislation.

The Issuer will pay to the Covered Bond Monitor a fee for the role to be performed by the Covered Bond Monitor.

The Issuer may, (A) at any time without the prior consent of the Competent Authority, terminate the appointment of the Covered Bond Monitor where it has no covered bond obligations outstanding (and therefore is not under an obligation to appoint a Covered Bond Monitor under section 49 of the Cypriot Covered Bond Law) or (B) at any time without the prior consent of the Competent Authority, terminate the appointment of the Covered Bond Monitor where no agreement can be reached with respect to the fees payable by the Issuer to the Covered Bond Monitor or (C) at any time on the basis of reasons determined by the Competent Authority, terminate the appointment of the Covered Bond Monitor hereunder where (i) an insolvency event occurs with respect to the Covered Bond Monitor; or (ii) the Covered Bond Monitor does not remove from their appointment any director or manager thereof who has been convicted of an offence involving dishonesty, fraud or breach of duty; or (iii) the Covered Bond Monitor infringes or discharges its duties under the provisions of this Agreement or the Covered Bond Legislation negligently.

In addition, the Competent Authority may, at any time, demand that the Issuer immediately terminates the appointment of the Covered Bond Monitor by notice to the Issuer. Following the receipt of such notice the Issuer shall terminate the appointment of the Covered Bond Monitor.

The Covered Bond Monitor may, at any time, resign by giving at least 30 days' prior written notice to the Issuer and the Competent Authority (with such notice stating the reasons for its resignation). The Covered Bond Monitor may, with the prior consent of the Competent Authority, resign by giving immediate notice in the event of a professional conflict of interest caused by the action of any recipient of its reports.

Upon the Covered Bond Monitor giving 30 days' prior written notice of resignation, the Issuer shall immediately use all reasonable endeavours to appoint a replacement (such replacement to be approved by the Competent Authority which agrees to perform the duties of the Covered Bond Monitor set out in the Covered Bond Monitor Agreement).

The Trustee will not be obliged to act as Covered Bond Monitor in any circumstances.

Law and Jurisdiction

The Covered Bond Monitor Agreement will be governed by English law.

Trust Deed

The Trust Deed, made between the Issuer and the Trustee on the Programme Closing Date appoints the Trustee to act as the bondholders representative and contains certain covenants given by the Issuer in favour of the Trustee (on behalf of the Covered Bondholders).

Covenants

Pursuant to the terms of the Trust Deed the Issuer will covenant that it shall at all times comply with the provisions of the Cypriot Covered Bond Law and the Covered Bond Directive and with the directions of the Competent Authority, the Covered Bond Monitor and, if appointed, the Covered Bond Business Administrator.

The Trust Deed contains provisions relating to, *inter alia*:

- (a) the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (as more fully set out under Terms and Conditions of the Covered Bonds above);
- (b) the covenants of the Issuer;
- (c) the enforcement procedures relating to the Covered Bonds; and
- (d) the appointment powers and responsibilities of the Trustee and the circumstances in which the Trustee may resign or be removed.

Servicing

Pursuant to the Trust Deed, the Issuer has agreed to service the Loan Assets and their Related Security comprised in the Cover Pools and provide cash management services related thereto. The Issuer will be required to administer the Loan Assets and their Related Security in accordance with the Issuer's administration, arrears and enforcement policies and procedures forming part of the Issuer's policy from time to time as they apply to those Loan Assets.

Pursuant to the Terms of the Trust Deed the Issuer has agreed to carry out the following activities with respect to the servicing of the Cover Pools:

- (a) collection and recovery in respect of each Cover Pool Asset;
- (b) administration and management of the Cover Pool;
- (c) management of any judicial or extra judicial proceeding connected to the Cover Pool;
- (d) keeping accounting records of the amounts due and collected under the Loan Assets and the Hedging Agreements;
- (e) preparation of statutory reports (to be submitted to the Trustee, the Competent Authority, the Covered Bond Monitor and the Rating Agencies) on the amounts due by debtors, and on the collections and recoveries made in respect of the Loan Assets and Hedging Agreements; and

- (f) carrying out the reconciliation of the amounts due and the amounts effectively paid by the debtors under the Loans on the relevant Cover Pool Payment Date.]

Following the appointment of a CBBA, the CBBA may, in accordance with the Covered Bond Legislation, appoint a suitable entity to carry out the servicing activities in respect of the Cover Pools or otherwise monitor the Issuer in doing so.

The Trust Deed will provide that the definitions of the Cypriot Eligibility Criteria, the Greek Eligibility Criteria and the Cover Pool Adequacy Criteria may be amended by the Issuer from time to time as a consequence of, *inter alia*, including in the Cover Pools, New Asset Types and/or changes to the hedging policies or servicing and collection procedures of the Issuer without the consent of the Trustee provided that:

- (a) the Rating Agencies then rating the Covered Bonds, the Competent Authority, the Covered Bond Monitor and, if applicable, the CBBA are notified of such amendments; and
- (b) the Competent Authority consents to such amendments.

New Asset Type means a new type of asset, which the Issuer intends to assign to a Cover Pool as an Additional Cover Pool Asset, the terms and conditions of which are materially different (in the opinion of the Issuer acting reasonably) from any of the Cover Pool Assets in a Cover Pool, including for the avoidance of doubt non-Euro denominated assets and/or assets which have characteristics other than those of the assets comprising the Cover Pool Assets on the First Issue Date. For the avoidance of doubt, a mortgage loan will not constitute a New Asset Type if it differs from any of the Cover Pool Assets in the Cover Pool solely due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, capped rate or any other interest rate or the benefit of any discounts, cash-backs and/or rate guarantees.

Reporting

Pursuant to the terms of the Trust Deed the Issuer will agree on a monthly basis to produce and publish a duly and accurately completed Monthly Report and Monthly Investor Report in accordance with Article 31 of the Covered Bond Directive. The Monthly Investor Report shall detail items with respect to the performance and adequacy of the Cover Pool and the results of the then applicable Cover Pool Adequacy Criteria in respect of each Cover Pool (including details of any Contractual Over-collateralisation and the OC Percentage applicable to a Cover Pool).

Law and Jurisdiction

The Trust Deed will be governed by English law.

Agency Agreement

Under the terms of an Agency Agreement to be entered into on the Programme Closing Date between the Issuer, the Trustee, the Principal Paying Agent (together with any paying agent appointed from time to time under the Agency Agreement, the **Paying Agents**) (the **Agency Agreement**), the Paying Agents have agreed to provide the Issuer with certain agency services and have agreed, *inter alia*, to make available for inspection such documents as may be required from time to time by the rules of the Luxembourg Stock Exchange and to arrange for the publication of any notice to be given to the Covered Bondholders.

For the purposes of Condition 4, the Agency Agreement provides that if the Relevant Screen Page is not available or if, no offered quotation appears or if fewer than three offered quotations appear, in each case as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR (the **Specified Time**)), the Principal Paying Agent shall request each of the reference banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the reference rate at

approximately the Specified Time on the Interest Determination Date in question. If two or more of the reference banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

For the purposes of Condition 4 the Agency Agreement also provides that if on any Interest Determination Date one only or none of the reference banks provides the Principal Paying Agent with an offered quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the reference banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the reference rate by leading banks in the London interbank market (if the reference rate is LIBOR) or the Euro-zone interbank market (if the reference rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the reference banks provide the Principal Paying Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the reference rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the reference rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Principal Paying Agent it is quoting to leading banks in the London interbank market (if the reference rate is LIBOR) or the Euro-zone interbank market (if the reference rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Clause, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

Law and Jurisdiction

The Agency Agreement will be governed by English law.

For the purposes of this section "Agency Agreement" any capitalised terms have the meanings given to them in the Conditions above.

Interest Rate Swap Agreement

Some of the Loan Assets in the Cover Pools will pay from time to time a variable rate of interest for a period of time that may either be linked to the standard variable rate of the Issuer (the **Issuer Standard Variable Rate**) or linked to an interest rate other than the Issuer Standard Variable Rate, such as EURIBOR or a rate that tracks the ECB base rate. Other Loan Assets will pay a fixed rate of interest for a period of time. However, the Euro payments to be made by the Issuer under each of the Covered Bond Swaps may vary. To provide a hedge against the possible variance between:

- (a) the rates of interest payable on the Loan Assets in the relevant Cover Pool; and
- (b) the payments to be made by the Issuer under the Covered Bond Swaps,

the Issuer, the provider of the Interest Rate Swaps (each such provider, an **Interest Rate Swap Provider**) and the Trustee may enter into one or more an interest rate swap transactions in respect of each Series of Covered Bonds under the **Interest Rate Swap Agreement** (each such transaction an **Interest Rate Swap**).

Under the terms of each Interest Rate Swap, in the event that the relevant rating of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's obligations is downgraded by a Rating Agency below the rating specified in the Interest Rate Swap Agreement (in accordance with the requirements of that Rating Agency), the Interest Rate Swap Provider will, in accordance with the Interest Rate Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Interest Rate Swaps, arranging for its obligations under the Interest Rate Swaps to be transferred to an entity with ratings required by the Rating Agencies, procuring another entity with the ratings required by the Rating Agencies to become co-obligor or guarantor in respect of its obligations under the Interest Rate Swaps (such guarantee to be provided in accordance with the then-current guarantee criteria of the Rating Agencies), or taking such other action as it may agree with that Rating Agency. A failure to take such steps within the periods set out in the Interest Rate Swap Agreement will, subject to certain conditions, allow the Issuer to terminate the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement may also be terminated in certain other circumstances, together with any other events of default and termination events set out in the Interest Rate Swap Agreement (each referred to as an **Interest Rate Swap Early Termination Event**), which may include:

- at the option of any party to the Interest Rate Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under the Interest Rate Swap Agreement; and
- upon the occurrence of the insolvency of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's obligations, or the merger of the Interest Rate Swap Provider without an assumption of its obligations under the Interest Rate Swap Agreement.

Upon the termination of an Interest Rate Swap pursuant to an Interest Rate Swap Early Termination Event, the Issuer or the Interest Rate Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the Interest Rate Swap Agreement. The amount of this termination payment will be calculated and made in Euro. Any termination payment made by the Interest Rate Swap Provider to the Issuer in respect of an Interest Rate Swap will first be used (prior to the occurrence of an Issuer Event) to pay a replacement Interest Rate Swap Provider to enter into a replacement Interest Rate Swap with the Issuer, unless a replacement Interest Rate Swap has already been entered into on behalf of the Issuer. Any premium received by the Issuer from a replacement Interest Rate Swap Provider in respect of a replacement Interest Rate Swap will first be used to make any termination payment due and payable by the Issuer with respect to the previous Interest Rate Swap, unless such termination payment has already been made on behalf of the Issuer. Any tax credits received by the Issuer in respect of an Interest Rate Swap will first be used to reimburse the relevant Interest Rate Swap Provider for any gross-up in respect of any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (and wherever imposed) made under the relevant Interest Rate Swap.

If a withholding or deduction for or on account of taxes is imposed on payments made by the Interest Rate Swap Provider to the Issuer under the Interest Rate Swaps, the Interest Rate Swap Provider shall always be obliged to gross up those payments so that the amount received by the Issuer is equal to the amount which would have been received in the absence of such withholding or deduction. If a withholding or deduction for or on account of taxes is imposed on payments made by the Issuer to the Interest Rate Swap Provider under the Interest Rate Swaps, the Issuer shall not be obliged to gross up those payments.

The Interest Rate Swap Provider may transfer all its interest and obligations in and under the relevant Interest Rate Swap Agreement to a transferee with minimum ratings in line with the criteria of the Rating Agencies, without any prior written consent of the Trustee, subject to certain conditions.

Any tax credits or Swap Collateral Excluded Amounts will be paid to the Interest Rate Swap Provider directly and not via the Priorities of Payments.

The Interest Rate Swap Provider may transfer all its interest and obligations in and under the relevant Interest Rate Swap Agreement to a transferee with minimum ratings in line with the criteria of by the Rating Agencies, without any prior written consent of the Trustee, subject to certain conditions. If the Issuer is required to sell Selected Loans in the Cover Pools following the occurrence of an Issuer Event then, to the extent that such Selected Loans include Fixed Rate Loans, the Issuer may either:

- (a) require that the Interest Rate Swaps in connection with such Selected Loans partially terminate to the extent that such Selected Loans include Fixed Rate Loans and any breakage costs payable by or to the Issuer in connection with such termination will, following the occurrence of an Issuer Event, be taken into account in calculating the Adjusted Required Redemption Amount for the sale of the Selected Loans; or
- (b) request that the Interest Rate Swaps in connection with such Selected Loans be partially novated to the purchaser of such Fixed Rate Loans to the extent that such Selected Loans include Fixed Rate Loans, such that each purchaser of Selected Loans will thereby become party to a separate interest rate swap transaction with the Interest Rate Swap Provider.

Law and Jurisdiction

The Interest Rate Swap Agreement (and each Interest Rate Swap thereunder) will be governed by English law.

Covered Bond Swap Agreements

The Issuer may enter into one or more covered bond swap transactions with one or more Covered Bond Swap Providers and the Trustee in respect of each Series of Covered Bonds (each such transaction a **Covered Bond Swap**). Each Covered Bond Swap may be either a Forward Starting Covered Bond Swap or a Non-Forward Starting Covered Bond Swap and each will constitute the sole Transaction under a single **Covered Bond Swap Agreement** (such Covered Bond Swap Agreements, together, the **Covered Bond Swap Agreements**).

Each Forward Starting Covered Bond Swap will provide a hedge (after the occurrence of certain predetermined events, including, for example, the removal of the Issuer from the Register of Approved Institutions or an Event of Default) against certain interest rate, currency and/or other risks in respect of amounts received by the Issuer under the Loans and the Interest Rate Swaps (if any) and amounts payable by the Issuer under the Covered Bonds (**Forward Starting Covered Bond Swap**).

Each Non-Forward Starting Covered Bond Swap will provide a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the Issuer under the Loans and the Interest Rate Swaps (if any) and amounts payable by the Issuer under the Covered Bonds (**Non-Forward Starting Covered Bond Swap**).

Where required to hedge such risks, there will be one (or more) Covered Bond Swap Agreement(s) and Covered Bond Swap(s) in relation to each Series, as applicable, of Covered Bonds.

Under the Forward Starting Covered Bond Swaps, the Covered Bond Swap Provider will pay to the Issuer on each Interest Payment Date, after the occurrence of an Issuer Event, an amount equal to the relevant portion of the amounts that are payable by the Issuer in respect of interest and principal payable under the relevant Series of Covered Bonds. In return, the Issuer will periodically pay to the Covered Bond Swap Provider an amount in Euro calculated by reference to Euro EURIBOR plus a spread and, where relevant, the Euro Equivalent of the relevant portion of any principal due to be repaid in respect of the relevant Series of Covered Bonds.

Under the Non-Forward Starting Covered Bond Swaps on the relevant Issue Date, the Issuer will, if the relevant Series of Covered Bonds are denominated in a currency other than Euro, pay to the Covered Bond Swap Provider an amount equal to the relevant portion of the amount received by the Issuer in respect of the aggregate nominal amount of such Series, as applicable, of Covered Bonds and in return the Covered Bond Swap Provider will pay to the Issuer the Euro Equivalent of the first-mentioned amount. Thereafter, and where the relevant Series of Covered Bonds are denominated in Euro, the Covered Bond Swap Provider will pay to the Issuer on each Interest Payment Date an amount equal to the relevant portion of the amounts that are payable by the Issuer in respect of interest and principal payable under the relevant Series of Covered Bonds. In return, the Issuer will periodically pay to the Covered Bond Swap Provider an amount in Euros calculated by reference to EURIBOR plus a spread and, where relevant, the Euro Equivalent of the relevant portion of any principal due to be repaid in respect of the relevant Series of Covered Bonds.

Under the terms of each Forward Starting Covered Bond Swap and each Non-Forward Starting Covered Bond Swap, in the event that the relevant rating of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations is downgraded by a Rating Agency below the rating specified in the relevant Covered Bond Swap Agreement (in accordance with the requirements of that Rating Agency), the Covered Bond Swap Provider will, in accordance with the relevant Covered Bond Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Covered Bond Swap, arranging for its obligations under the Covered Bond Swap to be transferred to an entity with the ratings required by the Rating Agencies, procuring another entity with the ratings required by the Rating Agencies to become co-obligor or guarantor in respect of its obligations under the Covered Bond Swap Agreement (such guarantee to be provided in accordance with the then-current guarantee criteria of the Rating Agencies), or taking such other action as it may agree with that Rating Agency. In addition, if the net exposure of the Issuer against the Covered Bond Swap Provider under the relevant Covered Bond Swap exceeds the threshold specified in the relevant Covered Bond Swap Agreement, the Covered Bond Swap Provider may be required to provide collateral for its obligations. A failure to take such steps within the time periods set out in the Covered Bond Swap Agreement will, subject to certain conditions, allow the Issuer to terminate the Covered Bond Swap.

A Covered Bond Swap Agreement may also be terminated in certain other circumstances, together with any other events of default and termination events set out in the relevant Covered Bond Swap Agreement (each referred to as a **Covered Bond Swap Early Termination Event**), which may include:

- (a) at the option of any party to the Covered Bond Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under such Covered Bond Swap Agreement; and
- (b) upon the occurrence of an insolvency of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations, or the merger of the Covered Bond Swap Provider without an assumption of its obligations under the relevant Covered Bond Swap Agreement.

Upon the termination of a Covered Bond Swap, the Issuer or the Covered Bond Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant Covered Bond Swap Agreement. The amount of this termination payment will be calculated and made in Euro. Any termination payment made by the Covered Bond Swap Provider to the Issuer in respect of a Covered Bond Swap will first be used (prior to the occurrence of an Issuer Event) to pay a replacement Covered Bond Swap Provider to enter into a replacement Covered Bond Swap with the Issuer, unless a replacement Covered Bond Swap has already been entered into on behalf of the Issuer. Any premium received by the Issuer from a replacement Covered Bond Swap Provider in respect of a replacement Covered Bond Swap will first be used to make any termination payment due and payable by the Issuer with respect to the previous Covered Bond Swap, unless such termination payment has already been made on behalf of the Issuer. Any tax credits received by the Issuer in respect of a Covered Bond Swap will first be used to reimburse the relevant Covered Bond Swap Provider for any gross-up in respect of any withholding or deduction for or on account

of any present or future taxes. Duties, assessments or governmental charges of whatever nature (and wherever imposed) made under the relevant Covered Bond Swap.

Any tax credits or Swap Collateral Excluded Amounts will be paid to the Covered Bond Swap Provider directly and not via the Priorities of Payments.

If withholding or deduction for or on account of taxes is imposed on payments made by the Covered Bond Swap Provider to the Issuer under a Covered Bond Swap, the Covered Bond Swap Provider shall always be obliged to gross up those payments so that the amount received by the Issuer is equal to the amount which would have been received in the absence of such withholding or deduction. If withholding or deduction for or on account of taxes is imposed on payments made by the Issuer to the Covered Bond Swap Provider under a Covered Bond Swap, the Issuer shall not be obliged to gross up those payments.

The Covered Bond Swap Provider may transfer all its interest and obligations in and under the relevant Covered Bond Swap Agreement to a transferee with minimum ratings in line with the criteria of the Rating Agencies, without any prior written consent of the Trustee, subject to certain conditions.

In the event that the Covered Bonds are redeemed and/or cancelled in accordance with the Terms and Conditions, the Covered Bond Swap(s) in connection with such Covered Bonds will terminate or partially terminate, as the case may be. Any breakage costs payable by or to the Issuer in connection with such termination will be taken into account in calculating:

- (a) the Cover Pool Payment Date for the sale of Selected Loans; and
- (b) the purchase price to be paid for any Covered Bonds purchased by the Issuer in accordance with Condition 6.7 (*Purchases*).

Law and Jurisdiction

The Covered Bond Swap Agreement (and each Covered Bond Swap thereunder) will be governed by English law.

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 (or such other ratings that may be agreed between the parties to the Bank Account Agreement and the Rating Agencies 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 the Rating Agencies) 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 (or such other ratings that may be agreed between the parties to the Bank Account Agreement and the Rating Agencies from time to time) and provided that the relevant Rating Agencies have provided a Rating Agency Confirmation, 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 (or such other ratings that may be agreed between the parties to the Bank Account Agreement and the Rating Agencies 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 such other ratings that may be agreed between the parties to the Bank Account Agreement and the Rating Agencies from time to time) shall be borne by the Account Bank.

The Bank Account Agreement will be governed by English law.

Custody Agreement

The Issuer will enter into a custody agreement on the Programme Closing Date, between, *inter alios*, the Custodian and the Issuer.

Issuer-ICSDs Agreement

The Issuer has entered into an Issuer-ICSDs Agreement with Euroclear Bank S.A./N.V. and Clearstream Banking SA (the **ICSDs**) in respect of any Covered Bonds issued in NGCB form. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any such NGCBs, maintain their respective portion of the issue outstanding amount through their records.

The Issuer-ICSDs Agreement is governed by English law.

TAXATION

Cyprus Taxation

The following is a general description of certain tax aspects of the Covered Bonds under Cypriot law as at the date of this Prospectus and does not purport to be a comprehensive description of all tax aspects relating to the Covered Bonds. Prospective investors should consult their tax and other professional advisers as to the specific tax consequences of acquiring, holding and disposing of the Covered Bonds.

Income Tax

With effect from 1 January 2003, amendments were introduced to the tax system in Cyprus pursuant to which the basis of the taxation is now one of tax on worldwide income on the basis of residency. For the purposes of establishing residency under the provisions of the Income Tax Law, Law 118(I) of 2002 (as amended) (the **Income Tax Law**) a person is resident for tax purposes in Cyprus where in the case of a natural person that person is present in Cyprus for at least 183 days in the tax year and in the case of a company its management and control is exercised in Cyprus. The tax year for the purpose of the Income Tax Law coincides with the calendar year.

Under the provisions of the Income Tax Laws, an individual who is tax resident in the Republic of Cyprus and who receives or is credited with interest, is exempt from income tax, but he is subject to 10 per cent. withholding pursuant to the provisions of the Special Contribution for the Defence Fund of the Republic Laws, Law 117(I) of 2002 (as amended).

A resident company which receives or is credited with interest from the ordinary carrying on of its business or receives interest closely connected with the carrying on of its business is subject to corporation tax on the interest received and not subject to the special contribution for the defence fund. A resident company, which receives or is credited with interest and the interest is not considered to be received from the ordinary carrying on of its business or is not closely connected with the carrying on of its business, is exempt from corporation tax and subject to 10 per cent. withholding pursuant to the provisions of the Special Contribution for the Defence Fund of the Republic Laws.

Persons (natural and legal) who are not resident for tax purposes pursuant to the provisions of the Income Tax Law will not be liable to any charge to income tax or the special contribution for the defence of the Republic.

Cyprus has enacted into Cyprus law EU Directive 2003/48/EC relating to the taxation of savings by virtue of the provisions of the Assessment and Collection of Taxes (Amendment) Law 146(I) of 2004. Pursuant to this law, the Cypriot Council of Ministers issued the Assessment and Collection of Tax (Provision of Information Regarding Interest Payments) Regulations of 2005. These regulations impose Savings Directive standards on Cypriot financial institutions making EU cross-border savings interest payments to individuals resident in other Member States, such as automatic reporting to the tax authorities of the other Member State of (a) an individual's identity and permanent address, (b) the name and address of the paying agent and (c) the bank account details.

Stamp Duty

Following the enactment of the Stamp Duty (Amendment) (No.2) Law 222(I) of 2002, section 4 of the Stamp Duty Law 19 of 1963 (as amended) provides that:

“(1) every instrument specified in the First Schedule shall be chargeable with duty of the amount specified in the said Schedule as the proper duty therefor respectively if it relates to any asset situated in the Republic or

to matters or things which shall be performed or done in the Republic irrespective of the place where the document is made”.

Furthermore, pursuant to the Stamp Duty (Amendment) (No. 2) Law 152(I) of 2007, the First Schedule was amended to provide a stamp duty of 1.5 per cent. for amounts up to €170,860 and 2 per cent. plus €256 for amounts above €170,860 with a maximum flat stamp duty of €17,086.

The issue of the Covered Bonds may be liable to stamp duty. If so chargeable, stamp duty of EUR17,086.01 will be payable.

The transfers of the Covered Bonds effected outside of Cyprus between non-residents of Cyprus do not attract stamp duty in Cyprus. The transfers of Covered Bonds between residents of Cyprus may be liable to stamp duty.

Greece

The following summary of the principal Greek taxation consequences of the purchase, ownership and disposal of Covered Bonds by Greek or foreign tax resident holders, is of a general nature and is based on the provisions of tax laws currently in force in Greece. The summary below does not constitute a complete analysis and therefore, potential investors should consult their own tax advisers as to the tax consequences of such purchase, ownership and disposal. This summary is based on current Greek tax legislation and administrative practice of the Greek tax authorities.

Income Tax

Greek tax residents

Interest on the Covered Bonds earned by Greek resident holders or holders with a permanent establishment in Greece will be subject to withholding tax at 10.0% if payment is made by a paying agent in Greece. In the case of holders who are individuals, partnerships, joint ventures or non profit entities, such withholding extinguishes their income tax liability in respect of this income. In the case of holders (mainly companies limited by shares (anonimi eteria) limited liability companies (eteria periorismenis efthinis) and branches of foreign entities operating in Greece, interest on the Covered Bonds will be reported as part of their taxable base of the year in which such interest arose and will be subject to tax at the applicable corporate income tax rate (currently 20.0%) while the 10.0% tax withheld at source will be offset against the income tax liability of the year or refunded if the tax due is not sufficient to absorb tax withheld. In the case of banks and insurance companies interest is fully taxable at the applicable corporate income tax rate (20.0%) however special rules apply as to the time of taxation. Institutional investors (mutual funds, portfolio investment companies and real estate investment companies) are exempt from the 10.0% withholding tax on condition that the holder acquires the interest coupon at least 30 days prior to maturity.

Pursuant to Article 14 of Greek Law 3156/2003, capital gains from the sale of Covered Bonds are not subject to withholding tax.

The listing of the Covered Bonds on the Luxembourg Stock Exchange is not expected to alter the tax implications in respect of Greek residents, as analysed above.

The corporate income tax rate currently applying to Greek companies limited by shares (anonimi eteria (AE)) and Greek limited liability companies (eteria periorismenis efthinis (EPE)) is 20% for FY 2012 while distributable profits within 2011 are subject to 21% withholding tax whereas profits distributed within 2012 will be subject to 25% withholding tax.

Foreign tax residents

Foreign tax residents (individuals or legal entities) are exempt from any withholding on the total interest amount of coupon on the coupon maturity date, according to paragraphs 1 and 3 of Article 31 of law 2682/1999 in conjunction with paragraph 8 of Article 26 of law 2789/2000. A similar tax exemption is also specifically provided for foreign tax residents who hold covered bonds pursuant to paragraph 9 of Article 69 of law 3746/2009.

Value Added Tax

No value added tax is payable upon disposal of the Covered Bonds (pursuant to Article 22(1)(ka) of law 2859/2000).

Death Duties and Taxation on Gifts

The Covered Bonds located in Greece are subject to Greek inheritance tax if the heir and holder of Covered Bonds is a Greek or a foreign national.

However, if the Covered Bonds were located abroad and the deceased foreign national resided in Greece or the deceased Greek national resided abroad then inheritance tax should be triggered. In the event that the Greek national holder of Covered Bonds had been residing abroad for at least 10 successive years prior to his/her death, the Covered Bonds shall be exempt from inheritance tax.

The rates of inheritance tax vary from 1.0% to 40.0%, depending on the relationship between the heir and the deceased.

A gift of Covered Bonds is subject to Greek tax if the Covered Bonds are located in Greece, or abroad and held by a Greek national or a foreign national and the recipient resides in Greece (either national or foreigner).

The rates of gift tax vary from 1.0% to 40 % depending on the relationship between the donor and the beneficiary.

Stamp Duty

Pursuant to Article 14 of Greek Law 3156/2003 the issuance or transfer of Covered Bonds is exempt from Greek stamp duty.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (which has been implemented by Greek law 3312/2005), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in the Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

(a) Non-resident holders of Covered Bonds

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of the Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Covered Bonds held by non-resident holders of Covered Bonds.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it has been levied at a rate of 15.0% during the first three-year period starting 1 July 2005, and it will be levied at a rate of 20.0% for the subsequent three-year period and at a rate of 35.0% thereafter. Responsibility for the withholding of the tax will be assumed by the paying agents. Payments of interest under the Covered Bonds coming within the scope of the Laws would at present be subject to withholding tax of 20.0%.

(b) Resident holders of Covered Bonds

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 (the Law) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident holders of Covered Bonds.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10.0% Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the paying agents. Payments of interest under the Covered Bonds coming within the scope of the Law would be subject to withholding tax of 10.0%.

SUBSCRIPTION AND SALE

Covered Bonds may be issued from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be issued by the Issuer to, and subscribed by, Dealers are set out in a Programme Agreement dated on or about the date of this Base Prospectus (the **Programme Agreement**) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series of Covered Bonds. The Programme Agreement will be supplemented on or around the date of each issuance by a Subscription Agreement, which will set out, *inter alia*, the relevant underwriting commitments. The date of the relevant Subscription Agreement will be set out in item 39 of the Final Terms.

United States

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it has not offered and sold, and will not offer or sell Covered Bonds (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer(s) (or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Series of which such Covered Bonds are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree that it will send to each dealer to which it sells Covered Bonds of such Series during the distribution compliance period (other than pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of such Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering of such Covered Bonds) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the Securities Act.

Each issuance of Index Linked Interest Covered Bonds or Dual Currency Covered Bonds shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Covered Bonds, which additional selling restrictions shall be set out in the applicable Final Terms.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Covered Bonds specifies that an offer of those Covered Bonds may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Covered Bonds which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement to a base prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Covered Bonds to the public in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

The Hellenic Republic

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has complied and will comply with (i) the Public Offer Selling Restrictions under the Prospectus Directive, described above in this section; (ii) all applicable provisions of Greek Law 3401/2005, implementing into Greek law the Prospectus Directive; and (iii) all applicable provisions of Greek Law 876/1979 as currently in force, with respect to anything done in relation to any offering of any Covered Bonds in, from or otherwise involving the Hellenic Republic.

Cyprus

Each Dealer has represented and agreed that:

- (a) it has not made and will not make an offer for sale or sell any Covered Bonds to any person within the Republic of Cyprus other than to qualified investors within the meaning of the Public Offer and Prospectus Law, Law 114(I)/2005 (the **Prospectus Law**) or to other persons to whom such an offer may be lawfully made pursuant to the provisions of the Prospectus Law;
- (b) it has complied and will comply with all applicable provisions of the Prospectus Law with respect to anything done by it in relation to the Covered Bonds in, from or otherwise involving Cyprus;
- (c) it has complied and will continue to comply with the provisions of the Investment Services and Activities and Regulated Markets Law, Law 144(I)/2007 with respect to any offer or sale of the Covered Bonds in Cyprus.

The Grand Duchy of Luxembourg

In addition to the cases described in the European Economic Area selling restrictions in which the Dealers can make an offer of Covered Bonds to the public in an EEA Member State (including the Grand Duchy of Luxembourg), the Dealers can also make an offer of Covered Bonds to the public in the Grand Duchy of Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organisations;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including, credit institutions, investment firms, other authorised or regulated financial institutions, undertakings for collective investment and their management companies, pension and investment

funds and their management companies, insurance undertakings and commodity dealers) as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities; and

- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg act dated 10 July 2005 on prospectuses for securities implementing the Directive 2003/71/EC (the Prospectus Directive) into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the Commission de surveillance du secteur financier as competent authority in Luxembourg in accordance with the Prospectus Directive.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee and the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Series, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Listing and admission to trading

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for the Covered Bonds issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

However, Covered Bonds may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

Authorisations

The establishment, implementation and operation of the Programme and the issue of Covered Bonds have been duly confirmed and authorised by a resolution of the Board of Directors of the Issuer dated 23 May 2011.

Post-issuance information

The Issuer will provide Monthly Investor Reports detailing, among other things, compliance with the Statutory Tests. This information will be available at the offices of 51 Stassinos Street, Ayia Paraskevi, Strovolos, 2002 Nicosia, Cyprus and on the website www.bankofcyprus.com/en-GB/start/Investor-Relations.

Litigation

There are no legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the twelve months preceding the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

No significant or material change

There has been no material adverse change, or any development reasonably likely to involve material adverse change, in the prospects of the Issuer since 23 May 2011. Since 23 May 2011 there has been no significant change in the financial or trading position of the Issuer or the Issuer.

Documents available for inspection

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agents or the Listing Agent:

- (a) the constitutional documents (with an English translation thereof) of the Issuer;
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2010, 31 December 2009 and 31 December 2008 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith;

- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer (with an English translation thereof), together with any audit or review reports prepared in connection therewith;
- (d) the Programme Agreement, the Trust Deed, the Agency Agreement, and the forms of the Global Covered Bonds, the Covered Bonds in definitive form, the Receipts, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Covered Bond which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Covered Bond and such holder must produce evidence satisfactory to the Issuer and the Principal Paying Agent as to its holding of Covered Bonds and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Base Prospectus, any supplement to the Base Prospectus, any documents incorporated by reference and each Final Terms relating to Covered Bonds which are admitted to trading on the official list of the Luxembourg Stock Exchange will also be available for inspection free of charge from the internet site of the Luxembourg Stock Exchange, at www.bourse.lu.

Clearing Systems

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Series of Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Independent Auditors

The Consolidated Financial Statements of Bank of Cyprus Public Limited Company prepared in accordance with International Financial Reporting Standards as adopted by the EU as of and for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 incorporated by reference in this Base Prospectus have been audited by being certified public accountants and auditors. Ernst & Young Cyprus Ltd. is a member of the Institute of Certified Public Accountants of Cyprus.

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