

Offering Circular dated 16 December 2016



# 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)

€4,000,000,000

## Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Bank of Cyprus Public Company Limited (the "**Bank**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). Notes that may be issued under the Programme include (i) Notes issued on an unsubordinated basis as described in Condition 3(a) ("**Senior Notes**"); and (ii) Notes issued on a subordinated basis and which rank as described in Condition 3(b) ("**Senior Subordinated Notes**") or Condition 3(c) ("**Tier 2 Capital Notes**"), and, together with the Senior Subordinated Notes, "**Subordinated Notes**") as indicated in the applicable Pricing Supplement (as defined below). The aggregate nominal amount of Notes outstanding will not at any time exceed €4,000,000,000 (or the equivalent in other currencies).

Application has been made to the Luxembourg Stock Exchange (the "**Luxembourg Stock Exchange**") in its capacity as market operator of the Euro MTF Market of the Luxembourg Stock Exchange (the "**Euro MTF Market**") under Part IV of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*), as amended (the "**Luxembourg Act**") to have Notes issued under the Programme admitted to trading on the Euro MTF Market and listed on the official list of the Luxembourg Stock Exchange (the "**Official List**") for a period of 12 months from the date of this Offering Circular. The Euro MTF Market is not a regulated market pursuant to the provisions of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**") but is subject to the supervision of the financial sector and exchange regulator, the *Commission de Surveillance de Secteur Financier* (the "**CSSF**"). This Offering Circular constitutes a base prospectus for the purpose of the Luxembourg Act. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information, including any other terms and conditions not contained herein, which is applicable to each Tranche (as defined under "**Terms and Conditions of the Notes**") of Notes will be set forth in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be admitted to trading on the Euro MTF Market, will be delivered to the Luxembourg Stock Exchange on or before the date of issue of the Notes of such Tranche and published in accordance with the rules and regulations of the Luxembourg Stock Exchange, as amended from time to time. This Offering Circular and any supplement thereto will be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). References in this Offering Circular to Notes being "**listed**" (and all related references) shall mean that such Notes are intended to be admitted to listing on the Official List and admitted to trading on the Euro MTF Market. Notes issued pursuant to the Programme may be listed on such other or further stock exchange(s) as may be agreed between the Bank and the relevant Dealer. In addition, unlisted Notes may be issued pursuant to the Programme. The applicable Pricing Supplement in respect of the issue of any Notes will specify whether Notes will be listed on the Luxembourg Stock Exchange (and/or on any other stock exchange).

The Notes of each Series (as defined on page 43) in bearer form will be represented on issue by a temporary global note in bearer form, without interest coupons (each a "**temporary Global Note**") or a permanent global note in bearer form, without interest coupons (each a "**permanent Global Note**") and, together with the temporary Global Notes, the "**Global Notes**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes (as defined below) of one Series and may be represented by a Global Certificate (as defined below). If the Global Notes are stated in the applicable Pricing Supplement to be issued in new global note ("**NGN**") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). If a Global Certificate is held under the New Safekeeping Structure (the "**NSS**"), the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche either with (a) a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or (b) such other clearing system as agreed between the Bank and the relevant Dealer. Interests in temporary Global Notes will be exchangeable for interests in permanent Global Notes, or if so stated in the applicable Pricing Supplement, definitive Notes ("**Definitive Notes**"), after the date falling 40 days after the completion of the distribution of such Tranche (as defined in "**General Description of the Programme**") upon certification as to non-U.S. beneficial ownership. Interests in permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part as described under "**Summary of Provisions Relating to the Notes while in Global Form**". Notes of each Tranche of each Series to be issued in registered form ("**Registered Notes**") and which are sold in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Notes**") under the U.S. Securities Act of 1933 (the "**Securities Act**") will initially be represented by a permanent registered global certificate (each an "**Unrestricted Global Certificate**"), without interest coupons, which may be deposited on the issue date (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a common depositary on behalf of Euroclear and Clearstream, Luxembourg and (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg, or delivered outside a clearing system, as agreed between the Bank and the relevant Dealer.

Registered Notes which are sold in the United States to qualified institutional buyers within the meaning of Rule 144A under the Securities Act ("**Restricted Notes**") will initially be represented by a permanent registered global certificate (each a "**Restricted Global Certificate**") and, together with the "Unrestricted Global Certificate", the "**Global Certificates**", without interest, which may be deposited on the issue date either with (a) a common depositary on behalf of Euroclear and Clearstream, Luxembourg, or (b) a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee for, The Depositary Trust Company ("**DTC**").

Beneficial interests in Global Certificates held by Euroclear, Clearstream, Luxembourg and/or DTC will be shown on and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and/or DTC and their participants. See "**Clearing and Settlement**". The provisions governing the exchange of interests in the Global Notes and in each Global Certificate are described in "Summary of Provisions Relating to the Notes while in Global Form".

Tranches of Notes (as defined in "**General Description of the Programme**") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the applicable Pricing Supplement. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the "**CRA Regulation**") will be disclosed in the applicable Pricing Supplement. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The issue price and the amount of the relevant Notes will be determined, before filing of the applicable Pricing Supplement of each Tranche, based on then prevailing market conditions.

### ARRANGER

BofA Merrill Lynch

### DEALERS

BofA Merrill Lynch

Barclays

Credit Suisse

Goldman Sachs International

J.P. Morgan

UBS Investment Bank

Bank of Cyprus

Citigroup

Deutsche Bank

HSBC

Natixis

*This Offering Circular does not comprise a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. When used in this Offering Circular, “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EC), and includes any relevant implementing measure in a relevant Member State of the European Economic Area. This Offering Circular has been prepared for the purpose of giving information with regard to the Bank and its subsidiaries and affiliates taken as a whole (the “**Group**”) and the Notes which, according to the particular nature of the Bank and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Bank.*

*The Bank accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Bank (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference”).*

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Bank or any of the Dealers or the Arranger (as defined in “*General Description of the Programme*”). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Bank or the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Notes which are to be offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Directive 2003/71/EU (as amended, including by Directive 2010/73/EU (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 Notes).

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Bank, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered or sold or, in the case of bearer Notes, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)).

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and, in the case of Registered Notes, within the United States to “qualified institutional buyers” in reliance on Rule 144A under the Securities Act (“**Rule 144A**”). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular see “*Subscription and Sale*” and “*Transfer Restrictions*”.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “**SEC**”), any state securities commission in the United States or any other U.S. regulatory authority, nor has any

of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Bank or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Bank or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. None of the Dealers or the Arranger makes any representation, express or implied, or asserts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Bank, the Arranger or the Dealers that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Bank during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In connection with the issue of any Tranche (as defined in “*General Description of the Programme*”), the Dealer or Dealers (if any) named as the stabilising manager(s) (the “**Stabilising Manager(s)**”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment shall 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.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “**euro**” and “**€**” are to the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community as amended by the Treaty on the European Union and the Treaty of Amsterdam, references to “**USD**” or “**U.S.\$**” are to U.S. dollars and references to “**GBP**” or “**sterling**” are to pounds sterling.

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## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Historical Financial Information

In connection with the insertion of Bank of Cyprus Holdings Public Limited Company (“**BOCH**”) as a new parent company for the Bank by means of scheme of arrangement under sections 198 to 200 of the Cyprus Companies Law (the “**Scheme**”) and admission to the standard listing segment of the Official List of the United Kingdom Financial Conduct Authority, to trading on the London Stock Exchange’s Main Market, to listing on the Cyprus Stock Exchange and to trading on the Cyprus Stock Exchange’s Main Market, of up to 700,000,000 ordinary shares of BOCH (the “**Proposed Listing**”), BOCH has published a prospectus dated 30 November 2016 (the “**BOCH Prospectus**”).

For a description of the Scheme, see the section of the BOCH Prospectus entitled “*The Scheme of Arrangement*” which is incorporated by reference herein.

For the purposes of the BOCH Prospectus, the Bank and its consolidated subsidiaries (together, the “**Group**”) have prepared consolidated historical financial information as at and for the six months ended 30 June 2015 and 2016 and as at and for the years ended 31 December 2013, 2014 and 2015 in accordance with IFRS and the requirements of the Regulation (EU) 809/2004 of the European Parliament and of the Council dated 29 April 2004, as amended.

Ernst & Young LLP as reporting accountant to BOCH has reported, in accordance with Statements of Investment Reporting Standards issued by the Auditing Practices Board in the United Kingdom, on the consolidated historical financial information as at and for the six months ended 30 June 2016 and as at and for the years ended 31 December 2013, 2014 and 2015, as stated in its accountant’s report dated 30 November 2016 and included in “*Historical Financial Information*” of the BOCH Prospectus incorporated by reference herein (the “**Accountant’s Report**”).

Unless otherwise stated in this Offering Circular, financial information in relation to the Group referred to in, or incorporated by reference in, this Offering Circular has been extracted or derived without material adjustment from the Historical Financial Information (as defined below) or has been extracted or derived from those of the Group’s accounting records and its financial reporting and management systems that have been used to prepare that financial information. Financial information as at and for the nine months ended 30 September 2016 in this Offering Circular has been extracted or derived from the interim condensed consolidated financial statements of the Group for the nine month period ended 30 September 2016 (herein referred to as the “**Third Quarter Financial Information**”) or derived from those of the Group’s accounting records and its financial reporting and management systems that have been used to prepare that financial information.

The consolidated audited historical financial information as at and for the six months ended 30 June 2016 and as at and for the years ended 31 December 2013, 2014 and 2015 and the consolidated unaudited historical financial information as at and for the six months ended 30 June 2015, together are herein referred to as the “**Historical Financial Information**”. The Historical Financial Information is incorporated by reference into this Offering Circular and should be read together with the notes thereto.

### Other Published Financial Information

The consolidated financial statements of the Group as at and for the six-month period ended 30 June 2016 and the three years ended 31 December 2013, 2014 and 2015 were prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the EU and audited by Ernst & Young Cyprus Ltd (“**EY Cyprus**”), of Jean Nouvel Tower, 6 Stasinou Avenue, P.O. Box 21656 1511 Nicosia, Cyprus, the independent auditors of the Group within the meaning of the Cyprus Companies Law, Cap 113 and the Auditors’ and Compulsory Audit of the Annual and Consolidated Accounts Law of 2009, Law 42(I)/2009 for those periods. The Third Quarter Financial Information (which includes comparative information for the nine months ended 30 September 2015) was prepared in accordance with International Accounting Standard 34 and EY Cyprus has

conducted a review in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information performed by the Independent Auditor of the Entity”.

The Third Quarter Financial Information and the independent auditor’s review report thereon (the “**Q3 Review Report**”), are incorporated by reference in this Offering Circular. The information therein and replicated therefrom and incorporated by reference herein, is unaudited.

#### **Qualified Opinion with Respect to 2013 Financial Information in the Accountant’s Report**

The Accountant’s Report includes a qualified opinion with respect to the financial information for the year ended 31 December 2013. The qualification relates to the inability of the Bank to measure the shares issued (a) in consideration of a bail-in of uninsured deposits and debt securities pursuant to the provisions of the relevant Bail-in Decrees (as defined in “*History of the BOC Group, the Restructuring, the Recapitalisation and the Disposals*” incorporated by reference herein) issued and enforced by the Resolution Authority (as defined herein) in 2013; and (b) in consideration for the acquisition of certain assets and liabilities of Cyprus Popular Bank Public Co Ltd (“**Laiki Bank**”) in 2013, pursuant to the provisions of the relevant Bail-in Decree, issued and enforced by the Resolution Authority at their fair value as required by IFRS. For more information please refer to the Accountant’s Report or Note 54.6.1 to the Historical Financial Information.

#### **Emphasis of Matter in the Accountant’s Report**

The Accountant’s Report also includes an emphasis of matter with respect to the Bank’s ability to continue as a going concern, and the fact that the Group was in breach of the regulatory liquidity ratios in Cyprus on the date of the Accountant’s Report. The Accountant’s Report is not qualified in this respect. For more information please see the Accountant’s Report, Note 4 to the Historical Financial Information, “*Risk Factors—Funding and Liquidity Risks—The BOC Group is dependent on customer deposits and central bank funding for liquidity and any difficulties in securing these sources of liquidity may materially adversely affect the BOC Group’s business, financial condition, results of operations and prospects*” and “*Risk Factors – Business Risks – The Accountant’s Report is qualified with respect to the financial information for the year ended 31 December 2013 and includes an emphasis of matter. The Q3 Review Report includes an emphasis of matter*”.

#### **Emphasis of Matter in the Q3 Review Report**

The Q3 Review Report also includes an emphasis of matter with respect to the Bank’s ability to continue as a going concern, and the fact that the Group was in breach of the regulatory liquidity ratios in Cyprus on the date of the Q3 Review Report. The Q3 Review Report is not qualified in this respect. For more information please see the Q3 Review Report, Note 5 to the Third Quarter Financial Information, “*Risk Factors—Funding and Liquidity Risks—The BOC Group is dependent on customer deposits and central bank funding for liquidity and any difficulties in securing these sources of liquidity may materially adversely affect the BOC Group’s business, financial condition, results of operations and prospects*” and “*Risk Factors – Business Risks – The Accountant’s Report is qualified with respect to the financial information for the year ended 31 December 2013 and includes an emphasis of matter. The Q3 Review Report includes an emphasis of matter*”.

#### **Non-IFRS information and other statistics**

This Offering Circular also presents or incorporates by reference certain financial measures that are not measures defined under IFRS, including regulatory capital, risk weighted assets, funding and other risk measures. In addition, this Offering Circular presents or incorporates by reference certain other operational statistics that are not measures of financial performance under IFRS. No non-IFRS information should be considered as an alternative to any IFRS financial measure. Such measures, as defined by the Group, may not be comparable to other similarly described measures used by other companies, as non-IFRS measures are not uniformly defined and other companies may calculate them in a different manner from the Group. The Group believes that these non-IFRS measures are important aids to understanding the Group’s performance, operations and capital position. All non-IFRS disclosures are unaudited and labelled as such.

In this Offering Circular and the information incorporated by reference herein:

“**NPE(s)**” means non-performing exposures, which is not an accounting term, but a term used to comply with a reporting standard calculated on the basis of forbearance and the related definitions and policies communicated in July 2014 in the EBA Final Draft Implementing Technical Standards (ITS);

“**NPLs**” means non-performing loans which were reported in accordance with the Directive on Loan Impairment and Provisioning Procedures of 2014 as published by the Central Bank of Cyprus (the “**CBC**”) in February 2014 (the “**Loan Provisioning Directive**”) and, from 31 December 2014, NPLs and provisions were reported in accordance with the EBA reporting standards and the Loan Provisioning Directive;

“**90+DPD**” means loans past-due for more than 90 days and those that are impaired. Impaired loans are loans which are not considered fully collectable and for which a provision for impairment has been recognised on (i) an individual basis or (ii) for which incurred losses exist at their initial recognition or (iii) for customers in the debt recovery services unit of the restructuring and recoveries division (“**Debt Recovery**”); and

“**90+DPD Ratio**” means loans past-due for more than 90 days and those that are impaired (impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on (i) an individual basis or (ii) for which incurred losses exist at their initial recognition or (iii) for customers in Debt Recovery) divided by gross customer loans (gross loans are reported before the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired)).

### **Comparability of Financial Information**

The Group has re-presented and re-classified certain financial information, which is included in its publicly available audited financial statements for the years ended 31 December 2013, 2014 and 2015, in the Historical Financial Information. These re-presentations and re-classifications were made in order for the presentation to take into account the effects of disposals, and other changes in the presentation of the relevant financial statement line items to conform with the latest period presented, and to present them in such a way that the analysis of the results of continuing and discontinued operations respectively, is comparable for all periods presented in the Historical Financial Information. The Historical Financial Information is therefore different in certain respects from the Group’s audited financial statements for the years ended 31 December 2013, 2014 and 2015 previously published and available on the Group website.

### **Rounding and negative amounts**

Certain figures contained in, or incorporated by reference in, this Offering Circular, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them. In addition, certain percentages in this Offering Circular have been calculated using rounded figures.

Negative amounts in, or incorporated by reference in, this Offering Circular are shown between brackets or otherwise indicated by the surrounding text (such as describing such amount as “negative”).

### **Market and Industry Information and Other Data**

All references to market share, market data, industry statistics and industry forecasts in, or incorporated by reference in, this Offering Circular consist of estimates compiled by industry professionals, competitors, organisations or analysts of publicly available information, including governmental sources, or of the Group’s own knowledge of its sales and markets. Certain statements made in, or incorporated by reference in, this Offering Circular are based on the Group’s own proprietary information, insights, opinions or estimates, and not on any third-party or independent source; these statements contain words such as ‘the Group believes’, ‘the

Group expects', 'the Group sees', and as such do not purport to cite, refer to or summarise any third-party or independent source and should not be so read.

Industry publications and governmental statistics generally state that their information is obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions.

Although the Group believes these sources to be reliable, the Group does not have access to the information, methodology and other bases for such information and has not independently verified the information. Where third-party information has been sourced in this Offering Circular or in information incorporated by reference herein, the source of such information has been identified. The information in, or incorporated by reference in, this Offering Circular that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Group is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

The Group makes certain statements in this Offering Circular or in information incorporated by reference herein regarding its competitive and market position. The Group believes these statements to be true, based on market data and industry statistics, but the Group has not independently verified the information. The Group cannot guarantee that a third party using different methods to assemble, analyse or compute market data or public disclosure from competitors would obtain or generate the same results. In addition, the Group's competitors may define their markets and their own relative positions in such markets differently than the Group does and may also define various components of their business and operating results in a manner which makes such figures non-comparable with the Group's.

All references to a "branch" or "branches" in this Offering Circular or in information incorporated by reference herein denote a place or places where the Group has a physical presence and do not necessarily denote that the Group either maintains a retail branch or provides counter or other client services at such location.

Statistical information included in the section entitled "*The Macroeconomic Environment in Cyprus*" which is incorporated by reference herein is calculated based on publicly available information from the Statistical Service of Cyprus (known as CYSAT) unless otherwise indicated.

Statistical information included in the section entitled "*The Banking Sector in Cyprus*" which is incorporated by reference herein is calculated based on publicly available information from the CBC unless otherwise indicated.

#### **References to Laws, Rules and Regulations**

Unless otherwise specified, all references in this Offering Circular, or in any information incorporated by reference herein, to any treaty, law, regulation, directive or rules are to it or them as amended or re-enacted from time to time and in force as of the date of this Offering Circular.

## **OFFERING CIRCULAR SUPPLEMENT**

The Bank 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 Offering Circular which is capable of affecting the assessment of any Notes and whose inclusion in this Offering Circular 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 Bank and the rights attaching to the Notes, the Bank shall prepare a supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

## RISK FACTORS

*Investing in the Notes involves risk. You should carefully consider the risk factors set out below and all other information contained in this Offering Circular, including the Group's financial statements and the related notes, before making any investment decision regarding the Notes. The risks and uncertainties described below are those currently known and specific to the Group or the banking industry that the Group believes are relevant to an investment in the Notes. If any of these risks or uncertainties materialises, the Group's financial condition or results of operations could suffer. Moreover, the risks and uncertainties described below may not be the only ones faced by the Group. Additional risks not currently known to the Group or that the Group now deems immaterial may also adversely affect the Group and any investment in the Notes.*

### **Risks Relating to the Cypriot, European and Global Economies and the Financial Markets**

***Economic conditions in Cyprus have had, and may continue to have, a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

The Group's business and performance are materially dependent on the economic conditions in, and future economic prospects of, Cyprus where the Group's operations and earnings are predominantly based and generated. As at 31 December 2015, 93.1% and 92.4% of the Group's total assets and total liabilities, respectively, and 98.0% of the Group's total revenue from continuing operations in 2015, were derived from operations in Cyprus. As at 30 June 2016, 93.8% and 92.9% of the Group's total assets and total liabilities, respectively, and 92.9% of the Group's total income from continuing operations for the first half of 2016 were derived from operations in Cyprus. As one of the largest deposit-taking institutions and providers of loans in Cyprus, the Group's assets and liabilities are mostly comprised of loans to, and deposits from, Cypriot businesses and households which, in turn, are materially affected by economic conditions in Cyprus. As at 30 June 2016, the Group accounted for approximately 29.0% of total deposits and 41.4% of gross loans in the Cypriot banking system (source: CBC data 30 June 2016).

The Cypriot economy has faced, and continues to face, substantial macroeconomic pressures as a result of the recession from the second half of 2011 until the end of 2014 that followed the global financial crisis. The recession resulted in an overall reduction in private consumer spending and household purchasing power and business investment, as well as a significant rise in unemployment. These factors resulted in reduced demand for financial products and services from the Group, a deterioration in its asset quality, a reduction in deposits from 2013 to 2014 and increases in loan impairment charges from 2013 to 2015. For a discussion on the current and historical economic environment in Cyprus, see "*The Macroeconomic Environment in Cyprus*" incorporated by reference herein. While the Cypriot economy began to show signs of recovery in 2015, the economic outlook remains challenging, mainly as a result of high levels of NPEs (as defined in "*Presentation of Financial and other Information*") and relatively high unemployment rates compared to other EU countries. The Cypriot economy is also vulnerable to any volatility in the economic conditions in Europe and globally (see "*Economic and political developments in Europe and globally could have a material adverse effect on the Group's business, financial condition, results of operations and prospects*" below). In a statement issued in January 2016, the International Monetary Fund (the "**IMF**") stated that there was a need to re-energise reform implementation in Cyprus to protect confidence and longer-term growth and that the accelerated workout of NPLs was critical to reviving lending and improving growth prospects. However, with Cyprus' exit from the Cyprus Economic Adjustment Programme ("**EAP**") in March 2016, Cyprus will no longer have access to financial assistance from the European Stability Mechanism (the "**ESM**") or IMF in order to stabilise the economy if it deteriorates. Cyprus may also become less responsive to the need for further fiscal and other structural reforms required for sustained, long-term growth in public finances. Gross domestic product ("**GDP**") growth was 2.8% year-on-year seasonally adjusted in January - September 2016 and is expected to remain between 1.9% to 2.5% over the period from 2017 to 2021 according to the IMF (source: World Economic Outlook Database October 2016). This is significantly below pre-recession levels, reflecting the IMF's expectation of subdued private consumption and investment volumes.

Should the recovery of the Cypriot economy falter or decline as a result of any of the above or other factors, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In particular, the value of the Group's assets (a significant proportion of which forms part of the Bank's domestic loan portfolio) and the ability of its clients and counterparties to meet their financial obligations, could be adversely affected and could cause loan impairment charges to rise and fee and commission income to reduce or cause the Group to incur further mark-to-market losses.

***Economic and political developments in Europe and globally could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.***

Following a lengthy period of recession in many economies around the world, including Europe, in the wake of the global financial crisis, global economic growth has returned, although at a relatively modest pace and unevenly across countries. The current outlook for the global economy and financial markets has been shaped by deteriorations in emerging market economies which have been particularly affected by a combination of recent economic events including a significant drop in oil and other commodity prices in 2015, tighter external financial conditions, China's economic slowdown, and other economic distresses related to geopolitical factors, which have continued to affect the stability of global financial markets. In addition, on 23 June 2016, the United Kingdom held a referendum on its continued membership of the EU (the "**UK Referendum**") in which a majority of voters voted for the United Kingdom to leave the EU. The result of the UK Referendum has also had an effect on global and European financial markets and may have an effect on the European or global economy (see below). Many European economies also continue to face significant economic challenges stemming from weak GDP growth, high levels of private or public debt and elevated unemployment rates. Increasing downside risks on the back of a weaker external environment and heightened geopolitical risks may restrict economic recovery in Europe, which remains greatly dependent on accommodative monetary policy, with a corresponding material adverse effect on the Group's business, financial condition, results of operations and prospects.

Key external economic factors which both affect and indicate the economic condition and prospects of Europe and other regions include unemployment levels, consumer and government spending levels, government monetary and fiscal policies, inflation rates, credit spreads, currency exchange rates, the availability and cost of capital and funding, market indices, investor sentiment and confidence in the financial markets, consumer confidence, the liquidity in financial markets, the level and volatility of equity prices, commodity prices and interest rates, real estate prices, and changes in customer behaviour. In particular, any period of unpredictable movements, severe dislocations and liquidity disruptions in the financial markets in the Eurozone or elsewhere, as a result of the UK Referendum or otherwise, could lead to a reduction in the demand for some of the Group's banking services and products and may also impede the Group's ability to raise capital. This could result in, among other things, the issuance of capital and funding of different types or under different terms than otherwise would have been issued or realised, or the incurrence of additional or increased funding and capital costs compared to the costs borne in a more stable market environment. Furthermore, some of the Group's risk management strategies may not be as effective at mitigating risks as such strategies would be under more normal market conditions. This could potentially have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Furthermore, political or other factors and events outside of the Group's control, such as heightened geopolitical tensions, war, acts of terrorism, pandemic or other natural disasters or other similar events, may have an adverse effect on European and global economic conditions which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The particular examples of these factors include, but are not limited to:

- Changes in the level of interest rates imposed by the European Central Bank ("**ECB**");
- The passing and implementation of an increasing number of EU regulations and directives relating to the banking, financial services and insurance sectors;
- Political instability or military conflict that impacts Europe and/or other regions;

- Potential further deterioration in the economic, social and political conditions in Greece and the fiscal position of Greece. Although the Group has exited its operations in Greece, the Group remains exposed to Greece, mainly as a result of a legacy foreclosed property portfolio. There are also close geographical, political and social ties between Greece and Cyprus. As at 30 June 2016, the net exposure ("**Net Exposure**")<sup>1</sup> of the Group to Greece comprised (a) net on-balance sheet exposures (excluding foreclosed properties) totalling €12.8 million which was principally comprised of funding exposures to the subsidiaries of Laiki Bank in Greece, (b) 639 foreclosed properties with a book value of €164.2 million, (c) off-balance sheet exposures totalling €118.6 million (primarily due to financial and other guarantees) and (d) lending exposures to Greek entities in the normal course of business in Cyprus totalling €81.4 million and lending exposures in Cyprus with collaterals in Greece totalling €144.3 million;
- Any significant change to, or volatility in, the general economic or political conditions in central and eastern European countries, particularly Russia, Ukraine, Romania and Serbia. Central and eastern European countries share a common history of volatile capital markets and exchange rates, political, economic and financial instability and, in many cases, underdeveloped political, financial and legal systems and infrastructures. A significant proportion of Group's deposits and other business in Cyprus are dependent on expatriate businesses and persons from these countries, particularly Russia and Ukraine. In addition, a material deterioration in political and/or economic conditions in Russia, Romania, Ukraine and Serbia could adversely affect the Group's liquidity and capital because of its exposure to these countries. The Group's Net Exposure to Russia as at 30 June 2016 was €45.3 million, comprised primarily of NPEs. The Group's Net Exposure to Romania as at 30 June 2016 was €262.3 million, comprised primarily of loans and real property and a funding exposure to Laiki Bank's Romanian bank and financial services subsidiaries which were inherited by the Bank in 2013. As at 30 June 2016, the Group had a Net Exposure to Ukraine of €59.5 million in relation to deferred consideration to be paid to it under a repayment programme extended until June 2019 with respect to the sale of its Ukrainian operations. The Group's Net Exposure to Serbia as at 30 June 2016 was €41.5 million, comprised primarily of a funding exposure to Laiki Bank's Serbian bank which were inherited by the Bank in 2013;
- Taxation and other political, economic or social developments affecting Cyprus, Russia, the United Kingdom or the EU;
- Adverse public perception of low tax jurisdictions which has increased following heightened international focus on global tax scandals, including the leak of papers from a Panamanian law firm in early 2016 may result in a material adverse effect on the Group's deposits and business from international customers. The International Banking Services division ("**IBS**") was responsible for 26.5% of the Group's deposits as at 30 June 2016 and 30.6% and 33.8% of the Group's net fee and commission income for 2015 and the first half of 2016, respectively;
- Any material adverse effect on the financial and political resources of the EU as a result of the continuing Syrian war and the related refugee crisis, the resolution of which remains subject to divergent political debate between the member states of the EU ("**EU Member States**");
- A continuation or worsening of the significant volatility in global stock and currency exchange rate markets that has resulted from the announcement of the result of the UK Referendum. There is also considerable uncertainty as to the impact of the result of the UK Referendum on the general economic conditions in the UK, the EU, the financial services industry and the legal and regulatory environment. Such volatility and uncertainty may persist or worsen throughout the process of negotiation that may be required to determine the future terms of the UK's relationship with the EU; and

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<sup>1</sup> "Net Exposure" means, in relation to a country, loans to entities incorporated or resident in such country, minus liabilities to entities incorporated or resident in such country, plus any off-balance sheet exposures to entities incorporated or resident in such country and properties in such country.

- A recurrence of the EU sovereign debt and banking stress triggered by political and fiscal uncertainty associated with Greece, Spain, Italy and the result of the UK Referendum, stalling reform efforts in EU periphery economies.

***The Bank has been and could in the future be materially adversely affected by the weakness or the perceived weakness of other financial institutions.***

Financial institutions have a high level of interdependence as a result of credit, trading, clearing and other relationships between them. As a result, a default or threatened default or concerns about a default or threatened default by one institution could affect other institutions and lead to significant market-wide liquidity problems and financial losses for other financial institutions. It may even lead to defaults of other financial institutions, which is a risk sometimes referred to as "systemic risk". A systemic risk event may also have a material adverse effect on financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, to which the Group is exposed.

Systemic risk in the global financial industry is still at an elevated level. High sovereign indebtedness, low capital levels at many banks and the high interconnectivity between the largest banks and certain economies are important factors that contribute to this systemic risk. Against the backdrop of the global financial crisis, during which the lack of liquidity and high costs of funding relative to official rates in the interbank lending market reached unprecedented levels, the Group is subject to the risk of deterioration of the commercial weakness or perceived weakness of other financial institutions within and outside Cyprus, particularly those within the EU. These risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

#### **Risks Relating to Asset Quality, Provisions and Capital**

***The Group's financial condition and prospects are materially affected by its ability to reduce the high level of NPEs in its existing portfolio and the price at which it is able to dispose of these NPEs.***

The Group's loans and advances to customers (net of provisions and fair value adjustment on initial recognition and excluding held for sale loans and advances) declined from €18.2 billion as at 31 December 2014 to €17.2 billion as at 31 December 2015 and to €16.3 billion at 30 June 2016. The 90+DPD Ratio (as defined in "Presentation of Financial and Other Information") has remained relatively high compared with other European banks. 90+DPD (as defined in "Presentation of Financial and Other Information") loans were 44.0% of the Group's gross loan exposure as at 30 June 2016, compared to 50.1% as at 31 December 2015. At 30 June 2016, the Group held a 90+DPD portfolio of €9.3 billion, reflecting an 18.1% reduction from €11.3 billion at 31 December 2015. A significant proportion of the Group's NPEs are comprised of loans to borrowers in the Cypriot real estate and construction sectors, where asset prices continued to decline and have only begun to stabilise in the first half of 2016. At 31 December 2015 and 30 June 2016, loans to borrowers in the Cypriot real estate and construction sectors which were classified as 90+DPD were 40.3% and 37.1%, respectively, of the Group's portfolio of 90+DPD loans in Cyprus.

As the Group's NPEs comprise a significant proportion of its loan portfolio and require a significant portion of the Bank's capital to be held against them, the Group's ability to provide new loans and resume the growth of its loan portfolio remains constrained and there can be no assurance that the Group will be able to continue the reduction in the level of its NPEs at the current rate. In particular, the Group's ability to reduce the level of its NPEs is significantly dependant on its ability to restructure and/or rehabilitate these loans. A significant proportion of the Group's NPEs are loans to borrowers in the real estate and construction sectors in Cyprus, and, the willingness and ability of delinquent or defaulting borrowers to agree to a voluntary restructuring of their loans is materially dependent on the continuing recovery of the Cypriot economy, particularly the Cypriot real estate market (see "—As a significant proportion of the Group's loan portfolio is secured primarily by Cypriot real estate and the Group has a significant portfolio of real estate in Cyprus mainly as a result of the enforcement of loan collateral, the Group's business, financial condition, results of operations and prospects are materially affected by changes in the demand for, and prices of, Cypriot real estate." below), and the

implementation of an effective and efficient insolvency and foreclosure process in Cyprus, none of which are factors within the Group's control. While the Bank believes that the implementation of the New Foreclosure Laws and the Insolvency Framework Laws (each as defined and discussed in "*Financial Services Regulation and Supervision*" incorporated by reference herein) is likely to improve its ability to recover from borrowers who have defaulted on their loans and shorten the recovery period, these laws remain unsettled and it is unclear as to how certain provisions within these laws will work, or work together, in practice. A number of cases have been presented to the Cypriot District Courts in connection with the New Foreclosure Laws. The majority have resulted in positive outcomes for the Bank, as mortgagee, and a few concluded against the Bank. As at the date of this Offering Circular, however, there are a number of further cases pending in the courts, the outcome of which remains unknown. While the judgment of one District Court is not binding on another, any discrepancy in court findings creates uncertainty, which in turn can lead to delays in the legal process as a result of similar challenges being made and thereby, delays in recovery periods (see "*Financial Services Regulation and Supervision – Laws relating to Foreclosures*" incorporated by reference herein). Moreover, the significant guarantor and debtor protections that exist under the Insolvency Framework Laws could make it difficult for the Bank to recover from delinquent or defaulting borrowers and, as applicable, guarantors. Accordingly, there can be no assurance that the reforms implemented by the New Foreclosure Laws and the Insolvency Framework Laws will be effective in improving the Bank's ability to reduce the Bank's portfolio of NPEs.

While any sale of NPEs or portfolios of NPEs by the Group would reduce the level of its NPEs and release the provisions held against them, the sale could result in a loss being recorded, which could have a material adverse effect on the Group's income for the relevant financial period and the Group's capital position in the longer term. Further, the Sale of Credit Facilities Law relating to the sale of loans which became effective on 25 November 2015 imposed a new process to sales of NPEs which remains untested and includes certain provisions which could potentially restrict the Group's ability to sell delinquent loans (see "*Financial Services Regulation and Supervision—Additional Cypriot Regulatory Requirements Applicable to the Bank – Sale of Credit Facilities Law*" incorporated by reference herein).

***As a significant proportion of the Group's loan portfolio is secured primarily by Cypriot real estate and the Group has a significant portfolio of real estate in Cyprus, mainly as a result of the enforcement of loan collateral, the Group's business, financial condition, results of operations and prospects are materially affected by changes in the demand for, and prices of, Cypriot real estate.***

The Group has substantial exposure to the Cypriot real estate market as the majority of its NPE portfolio is secured by mortgages over real estate in Cyprus. As at 30 June 2016, mortgages accounted for 89.1% of the total collateral held by the Group in Cyprus. The total carrying value of the Group's Cypriot real estate assets resulting from the enforcement of loan collateral amounted to €887.2 million as at 30 June 2016. As at 30 June 2016, 9.4% of the Group's real estate assets were residential buildings and land, while another 90.6% were commercial buildings and land, of which 6.2% was concentrated in golf resort properties. Accordingly, the Group's business, financial condition, results of operations and prospects would be materially affected by changes in the demand for, and prices of, Cypriot real estate.

Cyprus' real estate market began to decline from late 2008 onwards as Cyprus suffered significant declines in real estate prices, particularly during the period of recession from the second half of 2011 to 2014. Although the rate of decline decreased in 2015, the trend is continuing.

Should the Cypriot real estate market fail to recover, suffer further declines in prices, or continue to perform poorly, the Group's ability to restructure NPEs secured by real estate would be adversely affected and the corresponding decline in the recovery value of real estate assets held as collateral could lead to higher impairment provisions for the Group. In relation to real estate over which the Group has obtained control, the Group could incur significant ongoing costs to maintain the value of its real estate portfolio in Cyprus. Furthermore, any decline in real estate prices could be exacerbated if a significant proportion of the real estate for sale in Cyprus comprises of foreclosed real estate. In any event, the Group's ability to realise the value of its real estate portfolio is dependent on a number of external factors over which the Bank has no control, such as

foreign investor demand (which has historically been a material source of demand for Cypriot real estate) and government policies with respect to real estate investment requirements for Cypriot citizenship and residency. Accordingly, for any one or more of the foregoing reasons, any declines in the prices or demand for Cypriot real estate could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***Increases in new provisions could materially adversely affect the Group's financial condition and results of operations.***

In connection with its lending activities, the Group provides for loan losses, which are recorded in its profit and loss account. As at 30 June 2016, the Group's provision for loan losses was €3.8 billion excluding fair value adjustment on initial recognition and provision for off-balance sheet exposures. The Group's overall level of provisions is based on its assessment of prior loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. For a discussion of the Group's provisioning policies, see "*Risk Management— Credit Risk – Provisioning*" incorporated by reference herein.

As a result of deteriorating economic conditions, changes in regulatory or accounting requirements or other causes, it is possible that the Group's lending businesses may have to increase their provisions for loan losses in the future. In particular, the Group may have to increase its provisions as a result of any increases in its NPEs, deteriorations in asset valuations and/or requests by the ECB to do so.

Any significant increase in provisions for loan losses or a significant change in the Group's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the related provisions, may have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is subject to ECB supervision which may result in requests that it increase its loan provisions, raise additional capital or result in increased costs.***

From November 2014, the Group came under the supervision of the ECB following the latter's assumption of its supervisory responsibilities under Regulation (EU) No 1024/2013 (the "**ECB Regulation**"), adopted on 15 October 2013 with the goal of establishing a single supervisory mechanism to oversee and unify credit institutions in the Eurozone. Accordingly, the Group's compliance with the prudential requirements of the European Union's Directive 2013/36/EU ("**CRD IV**") and Regulation (EU) No. 575/2013 (the "**CRR**") is significantly dependent on the ECB's interpretation and decisions in relation to these requirements following its periodic inspections of the Group within the scope of the ECB Regulation. In practice, ECB supervision of the Group is carried out in cooperation with the CBC and joint decisions with the United Kingdom Prudential Regulation Authority (the "**PRA**") are issued with respect to the Bank of Cyprus UK Ltd's ("**BOC UK**") capital requirements.

CRD IV and the CRR comprise the European regulatory package designed to transpose the capital, liquidity and leverage standards of Basel III into the EU's legal framework, and became effective on 1 January 2014. CRR established the prudential requirements for capital, liquidity and leverage that entities need to comply with. It has direct effect in all EU Member States. CRR introduced significant changes in the prudential regulatory regime applicable to banks, including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of risk weighted assets, and the introduction of new measures relating to leverage, liquidity and funding. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which will be largely fully effective by 2019, although some transitional provisions provide for phase-in until 2024. CRD IV governs access to deposit-taking activities, internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, CRD IV needs to be transposed into national laws and allows national regulators to impose additional capital buffer requirements. In August 2014, the CBC issued a directive on Governance and Management Arrangements transposing certain aspects of CRD IV into Cypriot law. For more detail on CRD IV and the

CRR, see *"Financial Services Regulation and Supervision— Main Banking/Financial Services Regulatory Requirements"* incorporated by reference herein.

On 23 November 2016, the European Commission published legislative proposals for amendments to the CRR, the CRD IV, Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 on the establishment of a framework for the recovery and resolution of credit institutions and investment firms (the “**BRRD**”) and the Single Resolution Mechanism Regulation No 806/2014 (the “**SRM Regulation**”) and proposed an amending directive to facilitate the creation of a new asset class of “non-preferred” senior debt (the “**Proposals**”). The Proposals cover multiple areas, including the Pillar II framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of “non-preferred” senior debt, the minimum requirement for own funds and eligible liabilities (“**MREL**”) framework and the integration of the total loss absorbing capacity standard into EU legislation as mentioned above. The Proposals have yet to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. The final package of new legislation may not include all elements of the Proposals and new or amended elements may be introduced through the course of the legislative process. Until the Proposals are in final form, it is uncertain how the Proposals will affect the Bank or the Group or holders of the Notes. See also *“As a result of the implementation of the BRRD and SRM Regulation in Cyprus and the United Kingdom, the relevant authorities have wide powers to impose resolution measures on the Bank which could materially adversely affect the Group and unsecured creditors of the Bank”* and *“The Group is subject to minimum requirements for own funds and eligible liabilities”*.

The ECB, as the Group's competent authority, has power, among others, to request changes in the provisioning policy or treatment of items in terms of own funds requirements, for the purposes of CRD IV, as well as requirements in relation to capital and liquidity. Accordingly, loan provisioning, additional capital and other requirements, whether based on an interpretation of current rules or the application of new rules or guidance, could be imposed on the Group as a result of these supervisory processes, including a revision of the level of Pillar II add-ons as the Pillar II add-on capital requirements are a point-in-time assessment and therefore subject to change over time. Loan provisions, additional capital, and/or liquidity requirements could lead to increased costs for the Bank, limitations on the Bank's capacity to lend and further restructuring of the Group which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

***Changes in financial reporting standards or policies could materially adversely affect the Group's reported results of operations and financial condition and may have a material adverse effect on capital ratios.***

The Group prepares its financial statements in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the EU (“**IFRS**”) and, accordingly, from time to time the Group is required to adopt new or revised accounting standards issued by recognised bodies, including the International Accounting Standards Board. In July 2014, the International Accounting Standards Board announced IFRS 9 on financial instruments which will replace IAS 39 and is expected to become effective for annual periods beginning on or after 1 January 2018, subject to endorsement by the EU. An IFRS 9 implementation project has been initiated by the Group. The project covers all aspects of IFRS 9, although the greatest amount of work is expected to be required to develop the methodologies to calculate the impairment of customer loans and advances based on the expected credit loss model, since IFRS 9 moves away from the current incurred loss model to an expected credit loss model, and requires more judgment in considering information for current and future provisioning. The expected credit losses model will result in earlier recognition of credit losses and thus a higher provision charge because it includes not only credit losses already incurred, but also losses that are expected in the future. The credit loss expense is also likely to be more volatile as expectations and judgments may change. In addition, as the balance sheet of the Group grows, more day-one provisions are recorded and this may also increase the provision charges. This volatility will be reflected in the Group's income statement and CET1 capital. It is also expected that there will be additional movements within the three stages stipulated by the standard and, thus, further volatility in the provisioning

charge as the Group progresses further with the restructuring and recovery of loans. The assessment of the impact of IFRS 9 is ongoing and may significantly change upon its full application reflecting business models and balance sheet dynamics at the time, therefore making it impractical to quantify any potential effect at present. Changes in business models or policies, including as a result of choices made by the Group, could have a material adverse effect on the Group's reported results of operations and financial condition and may have a corresponding material adverse effect on capital ratios.

***If the Group does not generate sufficient taxable profits to utilise its deferred tax assets, it could result in a material reduction in the Group's net profit and capital.***

Deferred tax assets are recognised by the Group in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. These variables have been established on the basis of significant management judgment and are subject to uncertainty. At 30 June 2016, the Group had recognised deferred tax assets of €451.1 million, mainly as a result of Laiki Bank's tax losses transferred to the Bank in accordance with the Laiki Transfer Decrees (as defined in "*History of the BOC Group, the Restructuring, the Recapitalisation and the Disposals*" incorporated by reference herein).

The deferred tax asset recognised at the time of the transfer of these tax losses from Laiki Bank amounted to €417.0 million and can be set off against the taxable future profits of the Bank for a period of 15 years, expiring in 2028, at the prevailing tax rate (currently 12.5%). If the Bank does not generate sufficient future taxable profits to utilise its deferred tax assets fully prior to their expiry, the Bank will have to write-off these deferred tax assets which would reduce the Group's net profit and, in turn, the Group's capital.

### **Funding and Liquidity Risks**

***The Group is dependent on customer deposits and central bank funding for liquidity and any difficulties in securing these sources of liquidity may materially adversely affect the Group's business, financial condition, results of operations and prospects.***

In managing its liquidity risk, the Group is dependent on external sources of funding, through deposits, interbank and wholesale markets, and central banks (the ECB and the CBC). The ability of the Group to access these funding sources on favourable economic terms, or at all in circumstances where the Cypriot economy substantially deteriorates, is subject to a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and the level of confidence in the Cypriot banking system.

As a result of the Cypriot economic recession and certain events prior to March 2013, during which Cyprus' and the Group's credit ratings were downgraded and the Cypriot banking sector experienced a significant overall reduction in deposits, the Group's access to interbank and wholesale markets became restricted and the Bank had to rely heavily on central bank funding for liquidity. See "*History of the BOC Group, the Restructuring, the Recapitalisation and the Disposals*". Despite the return and stabilisation of the amount of customer deposits in Cyprus as a percentage of the Group's total funding over the course of 2015 and the first half of 2016, the Group remains reliant on central bank funding and continues to be in breach of many of its regulatory liquidity requirements as a result of prioritising the repayment of Emergency Liquidity Assistance ("**ELA**") funding (the most significant portion of which was assumed by the Bank pursuant to the Laiki Transfer Decrees) over the meeting of its regulatory liquidity requirements. While reliance on ELA funding adversely affects the Group's prescribed liquidity ratios because ELA funding is short-term and a significant portion of the Group's liquidity is used to repay ELA funding, neither the ECB nor the CBC has imposed any fines or taken any other supervisory actions within their remit with respect to these breaches, other than having imposed strict reporting requirements on the Bank with respect to its cash flow and liquidity position. In addition, the ECB and the CBC have imposed a number of operating restrictions on the Group, including prohibiting the distribution of dividends by

the Bank and the provision of variable remuneration to Group employees, as well as requiring the Bank to obtain the prior approval of the ECB before providing capital or funding to any subsidiary.

Although the Group expects gradually to come into compliance with its liquidity ratios, once the ELA funding is repaid in full, any failure by the Group to manage its liquidity effectively after the repayment of such ELA funding, or further breaches after repayment, could result in the Group not being able to meet its obligations when they fall due or in the regulators taking a different position with respect to breaches of liquidity requirements. Currently, the Group's two principal sources of funds are customer deposits, particularly retail deposits, and central bank funding. As at 31 December 2015 and 30 June 2016, customer deposits accounted for 73.7% and 79.3%, respectively, and central bank funding accounted for 23.1% and 16.7%, respectively, of the Group's funding. As at 31 December 2015 and 30 June 2016, the Group's ELA funding was €3.8 billion and €2.4 billion, respectively, and comprised 85.4% and 77.4%, respectively, of the Group's central bank funding.

The availability of ongoing funding from customer deposits is subject to factors such as depositors' concerns relating to the economy in general, the financial services industry and the Group specifically, and any significant deterioration in economic conditions in Cyprus. Any of these factors separately or in combination could lead to a sustained reduction in the Group's ability to access customer deposit funding on appropriate terms in the future. By way of example, the bail-in of depositors of the Bank in 2013 resulted in losses suffered by depositors which would have likely resulted in significant deposit outflows from Cyprus if the government of Cyprus (the "**Government**") had not imposed restrictive measures and capital controls on the withdrawal of funds. Accordingly, any event or series of events which results in a prolonged period of uncertainty concerning the Cypriot economy, the banking sector or the Group could precipitate another loss of confidence by depositors, which could result in a withdrawal of deposits.

The preparation of the BOCH Prospectus (required to be published in connection with the Proposed Listing) required the Bank to consider a detailed analysis of the Group's projected profit and loss, capital and liquidity reserves under both a base case scenario and a reasonable worst case scenario and an assessment of the current macro-economic and regulatory position of the Group. The reasonable worst case scenario was formulated using, amongst other things, macro-economic assumptions which simulate a recessionary environment in Cyprus. A deterioration in the Cypriot economy which precipitates a significant outflow of deposits from the Cypriot banking system (including the Bank) could result in the Bank having to rely on ELA funding of up to €2.8 billion under a reasonable worst case scenario in the Bank's working capital assessment and given that the provision of ELA funding is subject to approval by the ECB governing council, the Directors of the Bank do not regard it as a committed liquidity facility for the purposes of the working capital statement and, as a result, the statement of working capital set out in the BOCH Prospectus is qualified accordingly. As a consequence of such reliance on ELA funding, certain requirements may be imposed on the Bank by the CBC and/or the ECB.

Access to central bank funding may not always be available (see "*—Government and ECB actions intended to support liquidity may be insufficient or discontinued, thus the Group may be unable to obtain the required liquidity*" below) and is subject to funding provision rules. The amount of available funding is tied to the value of the collateral the Group provides, including the market value of retained covered bonds, as well as the value of the Group's loan portfolio, which may also decline in value. If the value of the Group's assets declines, then the amount of funding the Bank can obtain from these facilities may be reduced. In addition, ELA funding is short-term and is typically provided for a period of two to four weeks. The availability of this funding and its terms are at the discretion of the ECB and the CBC. Further, if securities or other assets that are currently used by the Bank as collateral were no longer eligible to serve as collateral for central bank funding, the Bank's funding costs could increase and its access to liquidity could be limited.

If there is a material decrease in the Group's customer deposits and/or the Group is unable to obtain the necessary liquidity either from central banks (including in the form of ELA or otherwise), the Group may not be able to maintain its current levels of funding without disposing of a number of the Group's assets or having to raise additional capital. In addition, in such circumstances the Bank may become subject to restrictive measures and capital controls by the Government and/or other measures taken with respect to the Bank under the BRRD

regime and SRM Regulation (see “*Financial Services Regulation and Supervision – Main Banking/Financial Services Regulatory Requirements – Bank Recovery and Resolution*” incorporated by reference herein), which, individually or together, could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

***Government and ECB actions intended to support liquidity may be insufficient or discontinued, thus the Group may be unable to obtain the required liquidity.***

The financial markets crisis, the increase of risk premiums, and the higher capital requirements demanded by investors and regulators have led to intervention and requirements for banking institutions to have increased levels of capitalisation and liquidity. In many countries, the requirement for additional liquidity was achieved through the provision of liquidity support by central banks. In order to permit such support, financial institutions were required to pledge securities and other assets deemed appropriate as collateral by their regulators and central banks.

In the Eurozone, the ECB and the national central banks adopted monetary easing policies and, consequently, made available monetary policy tools such as targeted longer-term refinancing operations, covered bond purchase programmes and an asset-backed securities purchase programme. An expanded asset purchase programme was launched in 2015 and expanded further in 2016 to include corporate bonds. Financial institutions in the Eurozone utilise these programmes and, given the interdependence between financial institutions in the Eurozone, the cessation of these programmes and any other accommodative monetary policies could have a material adverse effect on the financial condition of these financial institutions, including the Bank, and any deterioration, or perceived deterioration, in these financial institutions could also result in an adverse effect on the Bank and the Group in terms of its perception and prospects. There can also be no assurance that the ECB or these national central banks will continue to adopt accommodative monetary policies or that the employment of these policies will be sufficient to address the fiscal risks which remain.

In the event that there is a significant reduction or elimination in the liquidity support provided to the system by governments and central authorities, the Group may encounter increased difficulties in procuring liquidity in the market and/or higher costs for procurement of such liquidity, thereby adversely affecting its business, financial condition or results of operations.

***The Group's ability to enter into transactions with other financial institutions may be limited by its current credit rating and risk profile.***

The Bank routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. Sovereign credit pressures may weigh on Cypriot financial institutions, limiting their funding operations and weakening their capital adequacy by reducing the market value of their sovereign and other fixed income holdings. These liquidity and capital concerns have adversely affected inter-institutional financial transactions in general. In particular, as a Cypriot financial institution, the Bank's ability to enter into what would have been routine transactions with international counterparties has been adversely affected as a result of these counterparties' concerns as to the credit risk they would be taking with respect to the Bank. While credit market conditions have improved in the last year and most of the counterparties have re-opened lines of credit with the Bank, the risk remains that the credit situation may deteriorate as a result of deterioration in the sovereign credit outlook and the credit outlook for Cypriot financial institutions. In that event, the Bank's credit rating and risk profile may lead to the Bank having to pay higher rates of interest on its interbank borrowings and/or provide higher amounts of collateral, particularly cash collateral, to secure its transactions with international counterparties or adversely affect the Bank's ability to enter into transactions. The higher cost of these transactions may have an adverse effect on the Bank's ability to hedge its foreign currency and other market risk exposures and to manage its liquidity reserves.

## Market Risks

***A prolonged period of low or negative market interest rates or changes in interest rates may negatively affect the Group's net interest income and have other adverse consequences.***

Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies and domestic and international economic and political conditions. There is a risk that future events, in view of the tight liquidity conditions in the domestic deposit market, may alter the interest rate environment.

In the Eurozone, the ECB and the national central banks have adopted monetary easing policies which have exerted downward pressure on interest rates and yield curves, which may adversely affect the interest rate margin of the Group. Interest rates remain at historical lows and are expected to remain low (by historical standards) for the foreseeable future. A prolonged period of flatter than usual interest rate yield curves and negative interest rates could in particular have a material adverse effect on the Group's net interest income. In particular, net interest income may be adversely affected due to the inability of the Bank to lower interest rates on customer deposits and accounts below 0% and by possible margin compression from lower interest rates. From a funding perspective, even in the event of decreasing interest rates, competitive pressures may still restrict the Group's ability to decrease its deposit interest rates. Furthermore, a prolonged period of low inflation or deflation could materially adversely affect client behaviour, lead to customer deposit outflows and therefore adversely affect the Group's funding base.

In addition, changes in market interest rates may affect the interest rates the Group charges on its interest-earning assets differently from the way that it may affect the interest rates it pays on its interest-bearing liabilities, which could reduce the Group's net interest income. Since the Group's loans re-price quicker than its liabilities, a decrease in interest rates may cause the Group's net interest income to decrease. Alternatively, rising interest rates may also result in an increase in the Group's allowance for the impairment of loans and advances to customers if customers cannot refinance in a higher interest rate environment. Competitive pressures and/or fixed rates in existing loan commitments or loan facilities may also restrict the Group's ability to increase lending rates in the event of an increase in interest rates. Further, an increase in interest rates may reduce the Group's clients' capacity to repay, thereby increasing the Group's NPEs. Further, different types of assets and liabilities may be linked to different interest reference rates which may expose the Group to basis risk. Accordingly, changes in interest rates or a failure to manage its basis risk effectively may have a material adverse effect on the business, financial condition and results of operations of the Group.

***Changes in currency exchange rates may materially adversely affect the Group.***

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. These fluctuations and the degree of volatility with respect thereto may affect earnings reported by the Group. Foreign exchange rate fluctuations expose the Group to risks that arise from transactions in foreign currency, as well as changes in the value of the Group's assets and liabilities denominated in foreign currencies which may affect the Group's financial results and equity. Losses may also arise during the management of the Group's assets/liabilities and investments in foreign countries. Although the Group enters hedging transactions with the aim of minimising the risk of fluctuations in foreign exchange rates, such hedging could be inadequate. As a result, such fluctuations in foreign exchange rates may have a material adverse effect on the business, financial condition and results of operations and prospects.

***Risk of fluctuation of prevailing share and other securities prices.***

The Group can be adversely affected by changes in the market price of securities that it holds (mainly equity and debt securities and mutual funds). Changes in the prices of securities that are classified as investments at fair value through profit and loss affect the profit of the Group whereas changes in the value of securities classified as "available for sale" affect the equity of the Group. As at 30 June 2016, the Group had a €839.7 million portfolio of mutual funds and debt and equity securities. The Group currently invests part of its liquid assets in debt securities issued mostly by governments. In addition, the Group's insurance and investment businesses are

subject to the risk of negative price adjustments in the value of shares and other securities held in their investment portfolios.

## **Business Risks**

### ***The Group's businesses are conducted in a highly competitive environment.***

The Group faces significant competition from both domestic banks and international banks operating in Cyprus, particularly in relation to retail deposits as a result of the general scarcity of wholesale funding since the onset of the Cypriot economic recession in 2012. Further, a large number of domestic cooperative credit institutions were restructured and recapitalised by the Government in accordance with the Memorandum of Understanding ("MoU") between Cyprus and the European Commission (the "EC"), the ECB and the IMF (the "troika") and now represent increasing competition to the Bank in the retail and small and medium size enterprise ("SME") markets. Some of the foreign banks operating in Cyprus may have resources greater than those of the Bank's and have refocused their operations to cater for domestic retail, SME and corporate clients, as well as international clients. Moreover, with respect to international clients, Cyprus as a country competes with other low tax jurisdictions focused on the provision of financial services. If the Bank is unable to successfully compete with other institutions, these competitive pressures on the Group may have an adverse effect on its business, financial condition and results of operations.

### ***The Group's ability to grow its business and maintain its competitive position depends, in part, on the success of new operations, products and services, including the newly established REMU, its strategy to expand the BOC UK operations and proposed digitalisation and paperless banking.***

The Group intends to continue to explore and pursue opportunities to strengthen and grow its business generally. This includes the establishment of the Real Estate Management Unit ("REMU"), the organic expansion of the BOC UK business operations and assets, as well as proposals to move towards digitalisation and paperless banking.

With the establishment of REMU, the Group aims to accelerate the monetisation of its real estate assets which, as a result of the recent Cypriot economic recession, are principally comprised of enforced loan collateral located in Cyprus and Greece. REMU's ability to sell these real estate assets will depend on factors which are outside of the Group's control, such as changes in the demand for, and prices of, Cypriot and Greek real estate, the availability of capital gains tax relief in Cyprus for purchases of real estate in connection with debt restructurings or other changes to the current property tax environment and the quality and location of the real estate assets which, in many cases, are in a state of disuse and disrepair. Any material failure by REMU to sell these assets could result in increased ongoing operational and maintenance costs for the Group and a reduction in non-interest income for the Group, any of which could have a material adverse effect on the profitability of the Group.

The Bank has also targeted selective markets and client segments for growth, including BOC UK and its customer base. In December 2015, a new CEO was appointed to lead the UK bank into the next phase of its development. With a view to increasing its profitability and growing its business in the United Kingdom, the Group may launch new products and services and enter markets in new regions of the UK through BOC UK, its UK bank subsidiary. When seeking to expand its business, the Group may incur risks that may be material, including spending significant time, funds and other resources developing new products and services or improving BOC UK's existing offerings. If these products, services or improved offerings are not successful or not as innovative as envisaged, the Group may not be able to offset the costs of such initiatives, which may have a material adverse effect on the Group's income, revenues and/or cost base. The ability to successfully implement BOC UK's strategy or pursue business opportunities will also be impacted by factors such as general economic and business conditions, changes in government policy and regulatory requirements and constraints, many of which are outside the control of the Group. In particular, BOC UK's focus on the mortgage financing of buy-to-let real estate in the United Kingdom exposes it to volatility in UK house prices and changes in government policies and tax laws which may make the purchase of buy-to-let properties a less viable investment

and, therefore, reduce the demand for the related mortgage financing. The Group may also become subject to new or stricter UK regulatory requirements as a result of expanding its products, services and operations, or the supervision by existing supervisory authorities may increase its administrative, operational and management expenses (including management attention and time) to comply with such new or stricter requirements and supervision.

The success of the Group's business, financial condition, results of operations, prospects and competitive position in general also depends, in part, on the success of new products and services offered to clients, including any shifts to digitalisation and paperless banking. However, the Group cannot guarantee that these new products and services will be responsive to client demands or successful once they are offered or that they will be successful in the future. In addition, clients' needs or desires may change over time, and such changes may render its products and services obsolete, outdated or unattractive and the Group may not be able to develop and deploy new products that meet clients' evolving needs. The Group's success is also dependent on its ability to anticipate and leverage new and existing technologies that may have an impact on products and services in the banking industry. Technological changes may further intensify and complicate the competitive landscape and influence client behaviour. If the Group's products and services employ technology that is not as attractive to clients as that employed by its competitors, if it fails to employ technologies desired by clients before its competitors do so, such as digitalisation or paperless banking, or if it fails to execute effectively on targeted strategic technology initiatives, its business, financial condition, results of operations and prospects could be materially adversely affected. In addition, if the Group cannot respond in a timely fashion to the changing needs of its clients, it may lose clients, which could in turn materially adversely affect its financial condition, results of operations, prospects and competitive position.

Accordingly, if the Group's strategies are not implemented successfully, or if the Group's strategies do not yield the anticipated benefits or leads to unforeseen liabilities, or if the Group is unable to successfully monetize its real estate portfolio, launch new products or services, improve offerings or pursue other business opportunities in time or at all in the United Kingdom or its core market in Cyprus, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***The Group is exposed to insurance and reinsurance risks.***

The Group, through its subsidiaries EuroLife Ltd ("**EuroLife**") and General Insurance of Cyprus Ltd ("**GIC**"), provides life insurance and general insurance, respectively, and is exposed to certain risks particular to these businesses. For a portfolio of life insurance contracts, the principal risk is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The risk of a general insurance contract derives from the uncertainty of the amount and time of occurrence of a claim, such as natural disasters which are unpredictable both in terms of occurrence and scale. In addition, liabilities which stem from claims that have occurred in the past but have not been fully settled could turn out to be higher than expected. In particular, liability insurance claims may often take years to settle and may result in higher settlement or court costs than anticipated.

Insurance events are unpredictable and the actual number and amount of claims and benefits will vary from year to year from the estimate established using actuarial and statistical techniques. Accordingly, the level of insurance risk is determined by the frequency of the claims, the severity and the evolution of claims from one year to another.

In addition, although reinsurance arrangements mitigate insurance risk, the Group's insurance subsidiaries are not completely relieved of their direct obligations to their policyholders and a credit exposure exists to the extent that any reinsurer is unable to meet its contractual obligations.

***The Accountant's Report is qualified with respect to the financial information for the year ended 31 December 2013 and includes an emphasis of matter. The Q3 Review Report includes an emphasis of matter.***

The Accountant's Report is qualified, with respect to the financial information for the year ended 31 December 2013. The qualification relates to the inability of the Bank to measure the shares issued (a) in consideration of a bail-in of uninsured deposits and debt securities pursuant to the provisions of the relevant Bail-in Decrees issued and enforced by the Resolution Authority in 2013; and (b) in consideration for the acquisition of certain assets and liabilities of Laiki Bank in 2013, pursuant to the provisions of the relevant Bail-in Decree, issued and enforced by the Resolution Authority at their fair value as required by IFRS. The Group's equity and financial position were not affected by the accounting of these transactions giving rise to these qualifications. For a discussion of the resolution of Laiki Bank and the Recapitalisation, see "*History of the BOC Group, the Restructuring, the Recapitalisation and the Disposals*" incorporated by reference herein.

In relation to the Recapitalisation, under IFRS, the difference between the carrying amount of the financial liabilities (i.e., uninsured deposits, subordinated securities and other products of the Bank) extinguished and the fair value of the consideration paid (i.e., shares issued by the Bank), should have been recognised in profit or loss. Because the Bank was not able to establish a reliable measure of the fair value of the ordinary shares issued pursuant to the Recapitalisation as a result of the suspension from trading of the ordinary shares of the Bank, the unavailability of financial information and the continued negotiations between the Government and the troika that resulted in the MoU and EAP, the Bank assigned a fair value to the ordinary shares issued by reference to the carrying value of uninsured deposits, subordinated securities and other products of the Bank extinguished pursuant to the Recapitalisation.

In relation to the ordinary shares issued to Laiki Bank as compensation for its assets and liabilities acquired by the Bank, in accordance with IFRS 3 "Business Combinations", the cost of an acquisition is measured as the fair value of the aggregate consideration transferred measured at acquisition date and the amount of any non-controlling interests in the acquiree. Due to the specific conditions under which this transaction took place, as a result of the suspension from trading of the ordinary shares of the Bank, the unavailability of financial information and the continued negotiations between the Government and the troika that resulted in the MoU and EAP, the Bank was not able to establish a reliable measure of the fair value of the ordinary shares issued at the date of this transaction. By analogy to other standards that deal with the exchange of assets, the Bank has concluded that it was appropriate to determine the fair value of the consideration transferred by reference to the fair value of the individually identifiable assets and liabilities acquired for which a reliable fair value could be established. As a result of the above accounting treatments, no profit or loss arises from these transactions.

Each of the Accountant's Report and the Q3 Review Report contain an emphasis of matter with respect to the Bank's ability to continue as a going concern, and the fact that the Group is currently in breach of the regulatory liquidity ratios in Cyprus.

The emphases of matter are not qualifications to the audit opinions contained in the Accountant's Report or the Q3 Financial Information.

## **Operational Risks**

***The Group could fail to attract or retain senior management or other key employees.***

The Group relies on an experienced and qualified management team. In particular, Dr. Josef Ackermann, Chairman, and Mr. John Patrick Hourican, Group Chief Executive Officer, and certain other key members of management have been a driving force behind the Group's restructuring and strategy following the economic recession in Cyprus. The loss of the services of key members of management or certain key employees, particularly to competitors, in circumstances where a suitable replacement cannot be found in a timely manner, an inability to attract experienced and qualified employees and an inability to adequately incentivise existing employees, may have a material adverse effect on the Group's business, financial condition and results of operations. Mr. Hourican's existing employment contract is due to expire in February 2018. A failure to identify

successors of a similar professional calibre could delay and affect the Group's ability to implement its corporate strategies, including the reduction of its portfolio of NPEs and the resumption of growth in its core markets, and, accordingly, have a material adverse effect on the Group's business, financial condition and results of operations.

***Staff rationalisation measures and a failure to manage trade union relationships effectively could have a material adverse effect on the Group's business, operations, financial condition and results of operations.***

Staff rationalisation measures taken by the Bank, such as the voluntary exit plan ("VEP") provided by the Group in February and June 2016 to its employees in Cyprus, could weaken employee relations and result in labour disputes, which could adversely affect the Group's business, financial condition and results of operations. In the past, the Bank has implemented and may in the future continue to implement measures to increase efficiency, exploit synergies and respond to changing customer preferences. These measures could weaken the Group's employee relations and result in labour disputes that could have a material adverse effect on its reputation and the Group's business, financial condition and results of operations.

In addition, any failure to manage trade union relationships effectively may also result in disruption to the business and the Group's operations causing potential financial loss. Most of the Bank's employees are members of a union, and any prolonged labour unrest could have a negative impact on the Bank's operations in Cyprus, either directly or indirectly.

***The proper functioning of the Group's business requires precise documentation, recordkeeping and archiving, the lack of which could have a material adverse effect on the Group's reputation, business, results of operations and financial condition and prospects.***

The proper functioning of the Group's business requires precise documentation, recordkeeping and archiving. Incomplete documentation, inaccurate documentation, documentation not properly executed by counterparties, inadequate recordkeeping or archiving, including the inability to promptly reproduce the information stored in a demonstrable authentic, unchanged, unmodified or unaltered fashion, and the loss of documentation (both physical and electronic) could materially adversely affect the Group's business operations in a number of ways.

Technical limitations, end of lifecycles, erroneous operational decisions, human mistakes, outdated computer systems and programmes for the storage of older data, system failures, system decommissioning, underperforming third party service providers and inadequate and incomplete arrangements with third party service providers (including where the business continuity and data security of such third parties proves to be inadequate), may all lead to the production of incomplete or insufficient documentation or data, the loss or inaccessibility of documentation or data, and non-compliance with regulatory requirements or with internal monitoring requirements or policies. Furthermore, data required for making adequate decisions may not always be readily available or not be available in a format that allows processing without human intervention. In those circumstances, the Group may need to manually collect data from its various systems or from within different business units and convert it into a format compliant with reporting requirements. Deficiencies in its documentation, recordkeeping and archiving, or in obtaining accurate and complete information, for any one or more of the foregoing reasons, could materially adversely affect the Group's reputation, business, results of operations, financial condition and prospects.

***Failure to effectively improve or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on its operations.***

The ability of the Group to remain competitive depends in part on its ability to upgrade its information technology on a timely and cost-effective basis. The Group must continually make significant investments and improvements in its information technology infrastructure in order to remain competitive. The Group cannot provide assurance that it will be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of its information technology infrastructure. Any failure to effectively improve or upgrade the Group's information technology infrastructure and management information systems in a timely

manner could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group is currently contemplating the introduction of a digital transformation programme. There can be no assurance that the Group will realise the anticipated benefits associated with this upgrade programme in the timeframe planned, or at all. Technological advances between the date of the Offering Circular and full implementation of the programme may be faster than the upgrade programme anticipates, resulting in the risk that the Group may need to make further investments in its information technology landscape.

***The Bank's information systems and networks have been, and will continue to be, vulnerable to an increasing risk of continually evolving cyber security or other technological risks.***

A significant portion of the Bank's operations rely heavily on the secure processing, storage and transmission of confidential and other information, as well as the monitoring of a large number of complex transactions on a minute-by-minute basis. The Bank stores an extensive amount of personal and client-specific information for its retail, corporate and governmental customers and clients and must accurately record and reflect their extensive account transactions. The secure transmission of confidential information over the internet and the security of the Group's systems are essential to its maintaining customer confidence and ensuring compliance with data privacy legislation. If the Group or any of its third-party suppliers fails to transmit customer information and payment details online securely, or if they otherwise fail to protect customer privacy in online transactions, or if third parties obtain and/or reveal the confidential information of any member of the Group, the Group may lose customers and potential customers may be deterred from using the Group's products and services, which could expose the Group to liability and could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Bank's computer systems, software and networks have been and will continue to be vulnerable to unauthorised access, loss or destruction of data, unavailability of service, computer viruses or other malicious code and other events, which may be caused by misconfiguration of systems, failure of security updating (patching) or outdated systems. For example, the Bank's systems are not yet fully payment card industry data security standard ("PCI DSS") compliant so there is a risk of improper management of cardholder data as required by PCI DSS. In addition, the data centres of the Group are located in relative proximity to each other, which increases the likelihood that both data centres could be significantly impacted in the event of natural disasters.

A number of threats may derive from human error, fraud or malice on the part of employees, even if trained in information security, or third parties, or may result from accidental technological failure. If one or more of these events occurs, it could result in the disclosure of confidential client information, damage to the Group's reputation with its clients and the market, additional costs to the Bank (such as for repairing systems or adding new personnel or protection technologies), regulatory penalties and financial losses to both the Bank and its clients. Such events could also cause interruptions or malfunctions in the operations of the Bank (such as the lack of availability of the Bank's online banking systems), as well as the operations of its clients, customers or other third parties. Given the volume of transactions at the Bank, certain errors or actions may be repeated or compounded before they are discovered and rectified, which would further increase these costs and consequences.

The Bank relies on the remote access service, either by employees working remotely or service providers who support the Bank's systems. The reliance on service providers to support the Bank's systems and infrastructure is due to the expanded landscape of systems required to support operations and may lead to systems compromises or information leaks.

In addition, third parties with which the Bank conducts business under stringent contractual agreements may also be sources of cyber security or other technological risks. Although the Bank adopts a range of actions to reduce the exposure resulting from outsourcing, unauthorised access, loss or destruction of data or other cyber incidents could occur, resulting in similar costs and consequences to the Bank as those discussed above.

***The Group uses internal risk management methodologies and models which incorporate assumptions, judgements and estimates that may change over time or that may ultimately turn out not to be accurate, which could materially and adversely affect the Group's business, results of operations, financial condition and prospects.***

The Group could incur losses as a consequence of decisions that are principally based on the output of methodologies or models or due to errors in the development, implementation or use of such methodologies or models. Such errors can be caused by insufficient quality or quantity of data, flawed expert opinions, incorrect implementation or application of the model, unverified model assumptions, uncaptured behaviour, incomplete algorithms and computations or any other technical weaknesses. Uncaptured behaviour, which is behaviour that a model does not take into account, could relate to client behaviour, market behaviour or the behaviour of the Group.

The Group's risk management techniques and strategies may not be fully effective in mitigating the Group's risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the Group's tools and metrics for managing risk are based upon the use of observed historical market behaviours. The Group applies statistical and other tools to these observations to arrive at quantifications of risk exposures. These tools and metrics may fail to predict future risk exposure or may not be sufficiently conservative and, as such, could fail to correctly manage an existing, or to identify in a timely manner a future, material adverse event which could result in a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

When the Group's management establishes provisions for loan losses in the Group's businesses at a level it deems appropriate, it makes an assessment based on historical data, such as prior loss experiences, the volume and type of lending being conducted by the Group, industry standards, past due loans, economic conditions, recovery periods and potential amounts of liquidation expenses and other factors related to the Group's ability to collect on its loan portfolio. Accordingly, the establishment of provisions for loan losses requires management to exercise its judgement and to have available meaningful historical data. If this judgement proves to be incorrect or if the historical data is unavailable or limited for any reason, including due to the historical material economic dislocation experienced by Cyprus during 2013, or if the underlying risk management methodologies and models turn out not to be accurate, which for example, could come to light as a result of increases or decreases in non-performing assets or for other reasons, the Group's ability to forecast or make a judgement about future events based on past performance may be limited and the Group may have to increase or decrease its provisions for loan losses in the future. Any increase in the provisions for loan losses, any loan losses in excess of the previously determined provisions or changes in the estimate of the risk of loss and loss given default (i.e., the value of the asset lost upon default) inherent in the portfolio of performing loans could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

## **Conduct and Reputational Risks**

***The Group is exposed to conduct risk.***

Conduct risk corresponds to risks arising from the way in which the Group and its employees conduct themselves and includes matters such as how customers are treated, organisational culture (in particular, the way in which the Group's senior management affects the ethical conduct of employees), corporate governance, employee remuneration and conflicts of interest. The Group is also required to comply with certain conduct-of-business rules and the CBC Governance Directive (as defined in "*Management and Corporate Governance*" incorporated by reference herein) and any failure to comply with these rules could result in significant penalties.

Any failure to identify, manage and control these conduct risks or correct any deficiencies could result in a material adverse effect on the Group's reputation, business, financial conditions, results of operations and prospects.

***The Group is subject to reputational risk.***

Reputational risks may arise from past, present or potential failures in corporate governance or management practices that could lead to a misconduct event. The reputation of the Group may also be impacted by any fraudulent activity or litigation against the Group as well as from negative media or press coverage. Failure to appropriately manage reputational risks may reduce, directly or indirectly, the attractiveness of the Group to stakeholders, including depositors, borrowers and other customers, and may lead to negative publicity, loss of revenue, litigation, higher scrutiny and/or intervention from regulators, regulatory or legislative action, loss of existing or potential client business and difficulties in recruiting and retaining talent. Sustained damage arising from conduct and reputation risks could have a materially negative impact on the Group's operations and the value of the Group's franchise, which could have a material negative impact on the Group's financial condition and prospects.

There are ongoing investigations and proceedings which relate to the Bank's operations and prior board and management conduct during the period preceding the Bail-in Decrees (see "*Business Description – Litigation and Related Matters, including Regulatory Proceedings and Investigations*"). The outcome of one or more of these investigations or proceedings could result in the Bank or members of its prior Board or members of its management team being named as defendants in additional proceedings which could adversely affect the Bank's reputation. In addition, as a result of the deterioration of the Cypriot economy and banking sector in 2012, the CBC commissioned a report into Laiki Bank's and the Bank's acquisition of Greek government bonds which were perceived to have contributed to a significant capital shortfall at both banks and various corporate actions involving the Bank's international operations during the pre-bail-in period. The report ultimately focused on these issues with respect to the Bank and on alleged significant governance and conduct issues within the Bank during the pre-bail-in period. Under the supervision of the CBC and ECB, the Bank has taken steps to improve its corporate governance and internal controls and procedures. Nonetheless, the risk of further reputational damage to the Bank remains.

***The Group is exposed to the risk of fraud and illegal activities.***

The Group is subject to rules and regulations related to money laundering, anti-bribery and terrorism financing. Compliance with anti-money laundering, anti-bribery and anti-terrorist financing rules entails significant cost and effort, including obtaining information from clients and other third parties. Non-compliance with these rules may have serious consequences, including adverse legal and reputational consequences. Although the Group has anti-money laundering, anti-bribery and counter-terrorism financing policies and procedures which aim to ensure compliance with applicable legislation and strive for zero tolerance of any violations, it may not always be successful in identifying all instances of fraud or human error and, therefore, may not be able to comply at all times with all rules applicable to money laundering, anti-bribery and terrorism financing as extended to the whole Group and applied to its workers in all circumstances. In particular, the Group relies on a wide network of corporate service providers ("**Introducers**") for a significant proportion of its international banking business in Cyprus and has limited oversight of Introducers' interactions with prospective customers. As a general statement, a violation, or even any suspicion of a violation, of any of these rules may have serious legal and financial consequences, which could have a material adverse effect on a financial institution's reputation, business, results of operations, financial condition and prospects.

**Regulatory and Legal Risks**

***The Group is exposed to various forms of legal risk, particularly in relation to the alleged misselling of securities issued by the Bank, the bail-in of shareholders, uninsured depositors and other creditors of the Bank pursuant to its Recapitalisation from March 2013 to July 2013 and regulatory investigations.***

The Group may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Legal risk arises from pending or potential legal proceedings against the Group which may result in expenses incurred by the Group.

In particular, a significant number of legal and institutional proceedings and investigations have been brought against the Bank in relation to the alleged misselling to retail investors in Greece and Cyprus of the 2007 Capital Securities, the 2008 Convertible Bonds, the 2009 Convertible Capital Securities and the 2011 EUR CECS issued by the Bank and the bail-in of shareholders, uninsured depositors and other creditors of the Bank pursuant to the recapitalisation of the Bank effected by the Resolution Authority pursuant to the Bail-in Decrees (the “**Recapitalisation**”) from March to July 2013. The Bank is under a number of investigations by the CySEC and the Hellenic Capital Markets Commission (the “**HCMC**”) and there is a risk that the outcome or conclusions of these investigations could result in an increase in legal claims brought against the Bank. Moreover, as a result of increased regulatory scrutiny by the CySEC in the wake of the Recapitalisation, the number of investigations by the CySEC could increase. Some actions have also been instituted against the Bank by borrowers who obtained loans in foreign currency (mainly Swiss Francs), alleging that the Bank misled these borrowers and/or misrepresented matters, in violation of applicable law.

If the Group is unsuccessful in defending itself against these claims or appealing against the fines and penalties being imposed on it, or it has failed to take sufficient provisions, or at all, against legal proceedings that are decided unfavourably with respect to the Group, these claims or legal proceedings could have a material adverse effect on its financial condition and reputation. For a discussion of these misselling and bail-in proceedings, the CySEC and HCMC investigations and certain other legal proceedings and related matters to which the Group is a party, see “*Additional Information — Litigation and Related Matters, including Regulatory Proceedings*”. Furthermore, in the event that legal issues are not properly dealt with by the Group, these may give rise to the unenforceability of contracts with customers, legal actions against the Group, adverse judgments and an adverse impact on the reputation of the Group. All these events may disrupt the operations of the Group, possibly reducing the Group's equity and profits.

***The Group's business and operations are subject to substantial regulation and supervision and can be negatively affected by its non-compliance with certain existing regulatory requirements and any adverse regulatory and governmental developments.***

The Group conducts its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations. This is particularly the case in the current market environment, which is experiencing increased levels of government and regulatory intervention in the financial sector, which the Group expects to continue for the foreseeable future. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of the Group and could materially adversely affect the Group's business, financial condition, results of operations and prospects.

In particular, the CBC has issued and/or amended a number of directives which have adversely affected the Bank's ability to originate new loans and the CBC has also imposed stringent requirements and processes in terms of its management of NPLs (as defined in “*Presentation of Financial Information*”), see “*Financial Services Regulation and Supervision— Additional Cypriot Regulatory Requirements Applicable to the Bank – CBC Credit Risk Derivatives*” incorporated by reference herein. Furthermore, while the Sale of Credit Facilities Law is intended to assist Cypriot banks with the management of their delinquent loans, it remains untested and includes certain provisions which could potentially restrict the Bank's ability to sell delinquent loans to purchasers (see “*Financial Services Regulation and Supervision—Sale of Credit Facilities Law*” incorporated by reference herein).

The Group's operations are contingent upon licences issued by financial authorities in the countries in which the Group operates, including the United Kingdom. Violations of rules and regulations, whether intentional or unintentional, may lead to the withdrawal of some of the Group's licences or the imposition of financial or other penalties. In particular, in light of recent case law and decisions by the Financial Ombudsman Services established under FSMA (the “**Ombudsman**”), BOC UK has notified the FCA in relation to its re-examination of loans re-priced by it during 2008 and 2009 in order to determine the extent of any borrower detriment and the level of potential remediation or redress required. While the financial impact of any such remediation or redress

required is not expected to be material in the context of the Group, the FCA may impose penalties or take other regulatory measures which could have a material adverse impact on the reputation of BOC UK or the Group. The imposition of significant penalties, the revocation of licences for any member of the Group or the taking of any other significant regulatory measure against any member of the Group could have a material adverse effect on the Group's reputation, business, results of operations, financial condition and prospects.

The Bank is subject to supervision by the ECB and the CBC regarding, among other things, capital adequacy, liquidity and solvency. Certain of the Group's subsidiaries and operations are subject to the supervision of other local supervisory authorities. For example, BOC UK is subject to the supervision of the PRA and joint decisions of the ECB and PRA are issued with respect to the BOC UK's capital requirements. Increased regulatory intervention may lead to requests from regulators to carry out wide-ranging reviews. The Group is unable to predict what regulatory changes may be imposed in the future as a result of regulatory initiatives in the EU and elsewhere or by the ECB, the CBC, the PRA and other supervisory authorities. If the Group is required to make additional provisions or to increase its reserves as a result of potential regulatory changes, this could adversely affect the results of operations of the Group.

The Group is also subject to EU regulations with direct applicability and to EU directives which are adopted and implemented through local laws by the European Economic Area Member States in which it operates. For example, on 16 August 2012, the European Market Infrastructure Regulation (Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012) ("**EMIR**") came into force. EMIR introduces certain requirements in respect of derivative contracts, which apply primarily to financial counterparties, such as the Bank and other credit institutions, investment firms, and insurance companies. Broadly, EMIR's requirements in respect of derivative contracts, as they apply to financial counterparties, are (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation through an authorised or recognised central counterparty; (ii) risk mitigation techniques in respect of uncleared OTC derivative contracts; and (iii) reporting and record-keeping requirements in respect of all derivative contracts within the scope of EMIR. Accordingly, the introduction of EMIR is likely to increase the costs of transacting OTC derivative contracts for the Group. In addition, MiFID II, MiFIR and MAR could also require the implementation of additional compliance and other processes which could result in increased costs for the Group. MiFID II, MiFIR and MAR (each as defined in "*Financial Services Regulation and Supervision*" incorporated by reference herein) will also need to be supplemented by delegated acts and technical standards and, therefore, the scope of the final regulations and their impact on the Group remains unclear.

The Mortgage Credit Directive (as defined and described in "*Financial Services Regulation and Supervision*" incorporated by reference herein) has introduced a number of requirements for secured credit and home loans including enhanced consumer information requirements, business conduct rules, calculation of the annual percentage rate in accordance with a prescribed formula, a ban on certain "bundling" practices and a creditworthiness assessment before granting the loan and requirements on early repayment. Such changes may adversely affect the Bank's business model and require substantial investment in systems and controls to meet the requirements of the Mortgage Credit Directive.

***Legislative action and regulatory measures in response to the global financial crisis may materially adversely affect the Group and the financial and economic environment in which it operates.***

In the wake of the global financial crisis, the general political environment has evolved unfavourably for banks and the financial industry, resulting in the adoption of more stringent legislative and regulatory measures, despite the fact that these measures can have adverse consequences on lending and other financial activities, and on the economy. The impact of these measures has changed, and the continuing introduction of new legislative and regulatory measures is likely to change the environment in which the Group and other financial institutions operate substantially, and it is not always possible to predict what effect they will have on the Group.

The measures that have been or may be adopted include more stringent capital and liquidity requirements (particularly for large global institutions and groups such as the Group), taxes on financial transactions, limits or taxes on employee compensation over specified levels, limits on the types of activities that commercial banks

can undertake (particularly proprietary trading and investment and ownership in private equity funds and hedge funds) or new ring-fencing requirements relating to certain activities, restrictions on certain types of financial activities or products such as derivatives, mandatory write-down or conversion into equity of certain debt instruments, enhanced recovery and resolution regimes, revised risk-weighting methodologies (particularly with respect to insurance businesses) and the creation of new and strengthened regulatory bodies, including the assignment to the ECB of a supervisory role for all banks in the Eurozone area under the EU Single Supervisory Mechanism Regulation 1024/2013 (the "**SSM Regulation**"). The assumption by the ECB of its supervisory responsibilities under the SSM Regulation and implementation of a more demanding and restrictive regulatory framework, which is continuing to develop, with respect to, amongst other things, capital ratios, leverage, liquidity and disclosure requirements, notwithstanding the benefit to the financial system, will imply additional costs for banks. In addition, changes in law to address tax compliance issues such as compliance with the United States Foreign Account Tax Compliance Act of 2010 ("**FATCA**") and the Common Reporting Standard agreement of 6 May 2014 (the "**Common Reporting Standard**") (see "*Financial Services Regulation and Supervision – Tax related Regulations*" incorporated by reference herein), formally referred to as the Standard for Automatic Exchange of Financial Account Information, released by the Organisation for Economic Co-operation and Development ("**OECD**") have significantly increased the Group's compliance costs.

Compliance with new regulations might also restrict certain types of transactions, affect the Group's strategy and limit or imply the modification of the rates or fees charged by the Group for certain loans and other products, where any of the foregoing might reduce the yield of its investments, assets or holdings. Accordingly, the Bank might face increased limitations on its capacity to pursue certain business opportunities, and, as a consequence, this could have a significant adverse effect on the business, financial condition, results of operations of the Bank and prospects.

***As a result of the implementation of the BRRD and SRM Regulation in Cyprus and the United Kingdom, the relevant authorities have wide powers to impose resolution measures on the Bank which could materially adversely affect the Group and unsecured creditors of the Bank.***

The BRRD has been fully implemented in Cyprus and the United Kingdom (see "*Financial Services Regulation and Supervision—Main Banking/Financial Services Regulatory Requirements — Bank Recovery and Resolution*" incorporated by reference herein).

Under the BRRD regime, bank supervisory authorities in the EU are provided with wide resolution powers and tools intended to manage the failure of an institution in an orderly way and ensure the continuity of essential services. These resolution powers include a sale of business tool (which allows the relevant resolution authority to sell all or part of the failing bank to another entity), a bridge institution tool (which involves identifying the "good" assets or essential functions of the failing bank and separating them into a new entity, such as a bridge bank, that would be sold to another entity, with the existing bank holding the "bad" or non-essential functions then be liquidated), an asset separation tool (which involves the bad assets of the failing bank being put into an asset management vehicle) and a debt write down (or bail-in) tool. For banks established in a participating member state of the Single Supervisory Mechanism, such as the Bank, the resolution authority is the SRB which is an independent agency established under the SRM Regulation or such other successor authority or authorities having primary responsibility for resolution of the Bank and/or the Group (the "**Resolution Authority**").

Credit institutions to which the BRRD applies that are subsidiaries of other credit institutions to which the BRRD applies, such as BOC UK, may be subject to independent resolution action by their national resolution authorities in addition to those taken by the resolution authority supervising the parent entity. Any such measures could have a material adverse effect on the Bank or BOC UK, including its shareholders and unsecured creditors, including holders of Notes issued under the Programme.

***The Group is subject to minimum requirements for own funds and eligible liabilities***

To support the effectiveness of bail-in and other resolution tools, Article 130(1) of the BRRD requires that from 31 January 2016 EU member states shall apply the BRRD's provisions requiring EU credit institutions and

certain investment firms (collectively, "**BRRD Institutions**") to maintain MREL, subject to the provisions of the MREL regulatory technical standards ("**RTS**").

The draft RTS on the setting of MREL by resolution authorities such as the SRB had originally provided that resolution authorities had up to 48 months to fully phase in MREL. The final RTS have amended this such that the transitional period is now required to be "as short as possible". The SRB included the need to implement a harmonised framework for MREL in its priorities for 2016, and indicated on 12 January 2016 that it would "strive to obtain MREL decisions for the major banking groups within the Banking Union during 2016". Under the Proposals, the EBA (as defined below) would be mandated to draft new regulatory technical standards to specify the criteria for the basis on which the setting of MREL is to be determined in accordance with the new rules, if adopted. As at the date of this Offering Circular, the SRB has not set MREL for BOC and it remains difficult to predict with certainty when a binding MREL decision will be taken by the SRB in respect of the Bank, and the ultimate impact it will have in respect of the institutions comprising the Group.

Article 45(7) of the BRRD provides that the MREL for an individual BRRD institution will be set by the resolution authority for the member state in which the BRRD institution is authorised. The resolution authority must consult a competent authority before determining the MREL. The calculation of MREL should consider the need, in case of application of the bail-in tool, to ensure that the institution is capable of absorbing an adequate amount of losses and of being recapitalised by an amount sufficient to restore its Common Equity Tier 1 ("**CET 1**") ratio to a level sufficient to maintain the capital requirements for authorisation and to sustain market confidence.

Article 45 of the BRRD mandates the European Banking Authority (the "**EBA**") to deliver a report to the EC on the implementation of MREL. The final report was issued on 14 December 2016, the content of which will inform the EC's proposal on the 'harmonised application' of MREL, which is expected on 31 December 2016. As a result of the status of the implementation, it is difficult to predict with certainty when MREL will be set, and the ultimate impact it may have in respect of the institutions comprising the Group.

***Certain actions of the Group are restricted by its regulators.***

The Restructuring Plan in relation to the Bank was approved by the CBC in November 2013 and, in providing its approval of the Restructuring Plan, the CBC imposed a number of restrictions on the Group. These restrictions were affirmed by the ECB, in its capacity as SSM, including a prohibition on the distribution of dividends by the Bank and the provision of variable remuneration to Group employees as well as a requirement that the Bank obtain the prior approval of the ECB before providing capital or funding to any subsidiary. Following SREP 2016 the ECB's prohibition on variable pay was lifted and replaced with a limitation on variable remuneration to 10% of net revenues. These restrictions may prevent the Group from undertaking actions that are otherwise in the best interests of the Group. Notwithstanding the Restructuring Plan, the distribution of dividends by the Bank may also be restricted by applicable law or regulation, for example due to the requirement to maintain adequate regulatory capital. If the ECB or CBC imposes additional requirements or restrictions or fail to lift these restrictions in time as anticipated, the Group's business, financial condition, results of operations or prospects could be adversely affected.

***The Group is exposed to risks in relation to compliance with anti-corruption laws and the imposition of economic sanctions programmes against certain countries, citizens and entities.***

The Group is required to comply with the laws and regulations of various jurisdictions where it conducts operations. In particular, the Group's operations are subject to various anti-corruption laws, including the key principles of the United Kingdom Bribery Act of 2010 as part of the Group's Anti-Bribery Policy, and economic sanction programmes, including those administered by the United Nations and the EU, as well as those of the United States Department of Treasury's Office for Foreign Assets Control. The anti-corruption laws generally prohibit providing anything of value for the purposes of obtaining or retaining business or securing any improper business advantage. As part of its business, the Group may deal with entities whose employees are considered government officials. In addition, economic sanctions programmes restrict the Group's business

dealings with certain sanctioned countries, individuals and entities. In particular, the Group is exposed to risks in relation to the EU's economic sanctions programme against Russia and certain Russian citizens and businesses, which was imposed as a result of the accession of Crimea to the Russian Federation in March 2014 and subsequent unrest by Russian separatists in Eastern Ukraine following the presidential elections in Ukraine in May 2014.

Although the Group has internal policies and procedures and several monitoring measures designed to ensure compliance with applicable anti-corruption laws and sanctions regulations, these policies and procedures cannot provide complete assurance that the Group's employees, directors, officers, partners, agents, service providers or introducers will not take actions in violation of its policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which the Bank or they may be ultimately held responsible. In particular, the Group relies on a network of Introducers for a significant proportion of its international banking business in Cyprus and has limited oversight over introducers' interactions with prospective customers. Litigation or investigations relating to alleged or suspected violations of anti-corruption laws and sanctions regulations could lead to financial penalties being imposed on the Group, limits being placed on the Group's activities, the Group's authorisations and licenses being revoked, damage to the Group's reputation and other consequences that could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Further, violations of anti-corruption laws and sanctions regulations could be costly. In recent years, enforcement of these laws and regulations against financial institutions in the UK has become more aggressive, resulting in several landmark fines against UK financial institutions. The FCA, in particular, has made financial crime and anti-money laundering a key topic to be addressed under its 2016/2017 Business Plan. Furthermore, following the entry into force of the MLD4 and Transfers of Funds Regulation on 25 June 2015, new regulations will come into force before the deadline for national implementation of 26 June 2017, which will affect the scope of the regulatory requirements that the Group must comply with.

***Changes in consumer protection laws might limit the fees that the Group charges and increase costs in certain banking transactions.***

Changes in consumer protection laws in the jurisdictions where the Group has operations could limit the fees that the Group can charge for certain products and services such as mortgages, unsecured loans and credit cards. For example, an amendment to the Liberalisation of Interest Rate and Related Matters Law of 1999 (the "**Interest Rate Law**"), passed by the House of Representatives of Cyprus in September 2014, renders void and unenforceable certain terms in agreements relating to the payment of interest in credit facilities and prohibits default interest being charged in such agreements above 2%. On 7 May 2015, a further amendment to the Interest Rate Law entered into force imposing a burden on credit institutions to prove that, in connection with all credit facility agreements in force or terminated on or before 7 May 2015, the default interest levied on a borrower represents the actual amount of damages suffered by them and an obligation on credit institutions to pay compensation to borrowers in the event that they are unable to provide such proof. For more detail on this law, see "*Financial Services Regulation and Supervision— Additional Cypriot Regulatory Requirements Applicable to the Bank — Interest Rates*" incorporated by reference herein. If additional legislation is introduced, such laws could reduce the Group's profit for the period, although the amount of any such reduction cannot be estimated with any accuracy at this time. In addition, Regulation (EC) No 924/2009 on cross-border payments in euro laid the foundations of the single euro payments area policy by establishing the principle that banks are not permitted to impose different charges for domestic and cross-border payments or automated teller machine withdrawals within the EU. Accordingly, the Group's ability to increase its fees and charges with respect to the products and services concerned is limited and this could have an adverse effect on the Group's business, results of operations, financial condition and prospects.

***The Group must comply with data protection and privacy laws and failure to do so could have a material adverse effect on the Group's business, financial condition and reputation.***

The Group's operations are subject to a number of laws relating to data privacy, including the Cyprus Law on the Processing of Personal Data (Protection of the Individual) of 2001. The requirements of these laws may affect the Group's ability to collect and use personal data, transfer personal data to countries that do not have adequate data protection laws and also to utilise cookies in a way that is of commercial benefit to the Group. Enforcement of data privacy legislation has become increasingly frequent and could result in any member of the Group being subjected to claims from its customers that it has infringed their privacy rights, and it could face administrative proceedings (including criminal proceedings) initiated by the Commissioner for the Protection of Personal Data in Cyprus. In addition, any enquiries made, or proceedings initiated by, individuals or regulators may lead to negative publicity and potential liability for the Group.

***The Group is exposed to tax risk and the failure to manage this risk may have an adverse effect on the Group.***

Tax risk is the risk associated with changes in taxation rates or law, or misinterpretation of the law. This could result in an increase in tax charges or the creation of additional tax liabilities. Failure to manage the risks associated with changes in the taxation rates or law, or misinterpretation of the law, could materially adversely affect the Group's business, financial condition and results of operations.

For example, in line with the MoU, the Government amended Cyprus' tax legislation in order to increase its tax revenues. These amendments include an increase of the corporate tax rate from 10% to 12.5%, the immovable property tax rates as at 1 January 2013 and the special levy paid by banking institutions on deposits. There is a risk that further additional taxes could be imposed which may have a material adverse effect on the Group's business, financial condition and results of operations.

#### **Risk factors relating to the Notes**

***The Bank's Notes may be less liquid and more volatile than Notes issued by other issuers***

The Bank's Notes may be less liquid than those of other major issuers elsewhere in Europe and the United States. Consequently, holders of the Bank's Notes may face difficulties in disposing of their Notes, especially in large blocks. The value of the Bank's Notes may be adversely affected by sales of substantial amounts of its Notes or the perception that such sales could occur.

***The price of the Bank's Notes may be volatile***

The market price of the Bank's Notes may be subject to wide fluctuations in response to numerous factors, many of which are beyond the Bank's control. These factors include, but are not limited to, the following:

- fluctuations in the Group's results;
- the course of the economies of the countries in which the Group has presence;
- changes in the rating agencies' credit rating of the Bank;
- allegations made, or proceedings against, current or former members of the Board of Directors and senior management team;
- political instability or military conflict in Cyprus or abroad;
- and the general state of the Bond markets.

In addition, capital markets, in general, have experienced significant volatility during the current financial crisis. These market fluctuations may adversely affect the market price of the Bank's Notes regardless of its actual performance and prospects.

***Notes may not be a suitable investment for all investors***

Each potential investor in any Notes 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 relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment 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 relevant Notes, including where principal or interest is 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 relevant Notes 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.

Some Notes are complex financial instruments and such instruments may be purchased 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 Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

**Risk factors relating to the structure of a particular issue of Notes**

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

***Claims of Noteholders in respect of Senior Subordinated Notes are subordinated***

The Bank may issue Senior Subordinated Notes which will constitute unsecured and subordinated debt obligations of the Bank and which will rank as described in Condition 3(b).

The Bank may issue other obligations that rank or are expressed to rank senior to the Senior Subordinated Notes or *pari passu* with the Senior Subordinated Notes. In the event of an insolvency or winding up of the Bank, the Bank will be required to pay: (i) any Unsubordinated Creditors (as defined in the Terms and Conditions of the Notes) of the Bank; and (ii) any other subordinated obligations which by law and/or their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations (as defined in the Terms and Conditions of the Notes), rank senior to the Bank's obligations under the Senior Subordinated Notes, in full before it can make any payments on the Senior Subordinated Notes. If this occurs, the Bank may not have enough assets remaining after these payments are made, to pay amounts due under the Senior Subordinated Notes. In addition, in the event of an insolvency or winding up of the Bank, to the extent the Bank has assets remaining after paying its creditors who rank senior to the Senior Subordinated Notes, payments relating to: (a)

all other claims for principal in respect of contractually subordinated obligations of the Bank that rank *pari passu* with the Senior Subordinated Notes; and (b) any other subordinated obligations which by law and/or their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations that rank, or are expressed to rank, *pari passu* with the Senior Subordinated Notes (being together for the purposes of this paragraph, the relevant “*pari passu*” creditors) may, if there are insufficient assets to satisfy the claims of all of the Bank’s *pari passu* creditors, further reduce the assets available to pay amounts due under the Senior Subordinated Notes on a liquidation or bankruptcy of the Bank.

#### ***Claims of Noteholders in respect of Tier 2 Capital Notes are subordinated***

The Bank may issue Tier 2 Capital Notes which will constitute unsecured and subordinated debt obligations of the Bank and which will rank as described in Condition 3(c).

The Bank may issue other obligations or capital instruments that rank or are expressed to rank senior to the Tier 2 Capital Notes or *pari passu* with the Tier 2 Capital Notes. In the event of an insolvency or winding up of the Bank, the Bank will be required to pay: (i) any Unsubordinated Creditors of the Bank; (ii) any claim for principal in respect of other contractually subordinated obligations of the Bank not qualifying as Additional Tier 1 Capital or Tier 2 Capital (each as defined in the Terms and Conditions of the Notes) of the Bank and which by law and/or their terms rank senior to the Bank’s obligations under the Tier 2 Capital Notes; and (iii) any other subordinated obligations which by law and/or their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank senior to the Bank’s obligations under the Tier 2 Capital Notes, in full before it can make any payments on the Tier 2 Capital Notes. If this occurs, the Bank may not have enough assets remaining after these payments are made to pay amounts due under the Tier 2 Capital Notes. In addition, in the event of an insolvency or winding up of the Bank, to the extent the Bank has assets remaining after paying its creditors who rank senior to the Tier 2 Capital Notes, payments relating to: (a) all other claims for principal in respect of contractually subordinated obligations of the Bank qualifying (or which at issue qualified) as Tier 2 Capital; and (b) any other subordinated obligations which by law and/or their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations that rank, or are expressed to rank, *pari passu* with the Tier 2 Capital Notes (being together for the purposes of this paragraph, the relevant “*pari passu*” creditors) may, if there are insufficient assets to satisfy the claims of all of the Bank’s *pari passu* creditors, further reduce the assets available to pay amounts due under the Tier 2 Capital Notes on a liquidation or bankruptcy of the Bank.

#### ***Notes subject to optional redemption by the Bank***

An optional redemption feature (including, for the avoidance of doubt, any redemption of the Notes: (i) for taxation reasons pursuant to Condition 6(c) (*Redemption for Taxation Reasons*); (ii), in the case of Tier 2 Capital Notes, upon the occurrence of a Capital Event; and (iii) in the case of Senior Subordinated Notes, upon the occurrence of an Eligible Liabilities Event (each as defined in the Terms and Conditions of the Notes)) is likely to limit the market value of Notes. During any period when the Bank may elect to redeem Notes, or during which there is an actual or perceived increased likelihood that the Bank may elect to redeem the Notes, the market value of those Notes 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 Bank may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. 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 Notes 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.

#### ***Limited Events of Default for Subordinated Notes***

The only remedies against the Bank available to the Trustee or any Noteholder for recovery of amounts owing in respect of, or arising under, any Subordinated Notes will be: (i) the institution of proceedings for the winding-

up of the Bank; or (ii) the institution of proceedings to enforce the obligation, condition or provision binding on the Bank under the Trust Deed or the Notes. As such, the remedies available to holders of Subordinated Notes are more limited than those typically available to holders of senior ranking securities, including Senior Notes, which may make it more difficult for Noteholders to take enforcement action against the Bank.

### ***Fixed Rate Reset Notes***

Fixed Rate Reset Notes will initially bear interest at the relevant Initial Rate of Interest until (but excluding) the relevant First Reset Date. On the relevant First Reset Date, the relevant Second Reset Date (if applicable) and each relevant Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the relevant Mid-Swap Rate and the Relevant Reset Margin as determined by the relevant Calculation Agent on the relevant Reset Determination Date (each such interest rate, a “**Subsequent Reset Rate of Interest**”). The Subsequent Reset Rate of Interest for any Reset Period could be less than the relevant Initial Rate of Interest or the relevant Subsequent Reset Rate of Interest for prior Reset Periods and could affect the market value of an investment in the relevant Fixed Rate Reset Notes.

### ***Fixed/Floating Rate Notes***

Fixed/floating rate Notes may bear interest at a rate that the Bank may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Bank’s ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Bank may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Bank converts from a fixed rate to a floating rate, the spread on the fixed/floating rate Notes may be less favourable than then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Bank converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

### ***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium to their nominal 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.

### ***Modification and waivers***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally to obtain Written Resolutions on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Trust Deed and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Bank and the Trustee (as the case may be) will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Bank or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Bank and/or the Trustee (as the case may be) by accountholders in the clearing systems with

entitlements to such Global Note or Global Certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Bank and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the given of such consent/instruction and prior to effecting such resolution.

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Terms and Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes provide that the Trustee may, without the consent of Noteholders, agree to: (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes; or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such.

### ***Substitution***

The Terms and Conditions of the Notes also provide that, subject to satisfaction of the requirements set out in clause 15.2 of the Trust Deed and Condition 11(d), upon request in writing by the Bank the Trustee shall, without the consent of the Noteholders or Couponholders, agree to the substitution of any Successor in Business of the Bank, any Subsidiary of the Bank, or any Eligible Holding Company of the Bank (each as defined in the Trust Deed) in place of the Bank (or of any previous substitute) as the principal debtor under the Trust Deed and in respect of any Series of Notes and any Coupons and/or Talons relating thereto.

Following a substitution pursuant to clause 15.2(a) of the Trust Deed and the Terms and Conditions, the Trustee may also agree, without the consent of the Noteholders or the Couponholders, to a change of law governing the relevant Notes, Coupons, and Talons (or any condition thereof), provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the relevant Noteholders. The Trust Deed further provides that a change in the governing law of Condition 3 of any Series of Subordinated Notes, to the law of the jurisdiction of incorporation of the Substituted Obligor, in connection with any such substitution shall be deemed not to be prejudicial to the interests of the relevant Noteholders.

Accordingly, if the relevant requirements set out in clause 15.2 of the Trust Deed are satisfied Noteholders will have no ability to prevent any such substitution. In certain circumstances, including in relation to the substitution of an Eligible Holding Company as issuer of any Series of Subordinated Notes, the Bank will not be required to provide a guarantee of the new substituted obligor's obligations under the Notes. In those circumstances, holders of any such Subordinated Notes will, following any such substitution of an Eligible Holding Company, be effectively subordinated to the claims of direct creditors of the Bank. Such a substitution may adversely affect, or remove, the rights of Noteholders to make claims against the Bank, including in relation to breaches of the obligations under the Notes, affect the rating given to those Notes and potentially therefore the market price of such Notes and potentially adversely affect the amounts Noteholders are entitled to recover in the event of the insolvency of the Bank.

### ***U.S. Foreign Account Tax Compliance Act Withholding***

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking S.A. (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA") will affect the amount of any payment received by the ICSDs (see "United

*States Federal Income Considerations – FATCA Withholding*”). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Bank’s obligations under the Notes are discharged once it has paid the common depositary or common safekeeper for the ICSDs (as bearer/registered holder of the Notes) and the Bank has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

### ***Reliance on DTC, Euroclear and Clearstream, Luxembourg Procedures***

Notes issued under the Programme will be represented on issue by one or more Global Notes or Global Certificates that may be deposited with a custodian for DTC or a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note or Global Certificate, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note or Global Certificate held through it. While the Notes are represented by a Global Note or a Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes or Global Certificates, the Bank will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Bank has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note or Global Certificate.

Holders of beneficial interests in a Global Note or a Global Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

### ***The Notes may be subject to write-down or conversion into ordinary shares of the Bank***

The powers granted to supervisory authorities under the BRRD include (but are not limited to) the introduction of a statutory “write-down and conversion power” and a “bail-in” power, which will give the relevant Cypriot resolution authority the power to cancel all or a portion of the principal amount of, or interest on, certain unsecured liabilities (which could include the Notes) of a failing financial institution and/or to convert certain debt claims (which could include the Notes) into another security, including ordinary shares of the surviving Group entity, if any. For further information about the BRRD, see “*Financial Services Regulation and Supervision*” incorporated by reference herein.

### ***Change of law***

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

### ***Bearer Notes where denominations involve integral multiples***

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination (as defined in the Terms and Conditions of the Notes) plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a Noteholder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

### ***Risk factors relating to the market generally***

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### ***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Generally, these types of Notes would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severe adverse effect on the market value of Notes.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933 (“**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 Restrictions*” below.

#### ***Lack of Liquidity in the Secondary Market May Adversely Affect the Market Value of the Notes***

Generally weak global credit market conditions could contribute to a lack of liquidity in the secondary market for instruments similar to the Notes.

A failure of the market for securities similar to the Notes to recover from these conditions could adversely affect the market value of the Notes.

#### ***Exchange rate risks and exchange controls***

The Bank will pay principal and interest on the Notes 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 (the “**Investor’s Currency**”) other than the Specified Currency. Such risks 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 Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Governmental 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.

#### ***Interest rate risks***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

#### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. 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 Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the Regulation (EC) No 1060/2009 on credit rating agencies (the "**CRA Regulation**") from using credit ratings for regulatory purposes unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings if a Tranche of Notes is rated will be disclosed in the applicable Pricing Supplement.

#### ***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) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

- (a) the following sections of the BOCH Prospectus:
  - (i) the sub-sections entitled “*Introduction*”, “*Conditions, Waivers and Modification*”, “*Structure*”, and “*The Scheme Resolutions*” forming part of the section entitled “*The Scheme of Arrangement*” of pages 57 to 59 of the BOCH Prospectus;
  - (ii) the section entitled “*Business Description*” on pages 71 to 88 of the BOCH Prospectus;
  - (iii) the introductory four paragraphs and the sub-sections entitled “*Restructuring and Recoveries Division*”, “*Restructuring Tools*”, “*Watch Forum*”, “*Real Estate Management Unit*” and “*Overseas Run-Down*” forming part of the section entitled “*Restructuring and Recoveries Division and Real Estate Management Unit*” on pages 89 to 93 and 101 to 103 of the BOCH Prospectus;
  - (iv) the section entitled “*History of the BOC Group, the Restructuring, the Recapitalisation and Disposals*” on pages 104 to 112 of the BOCH Prospectus;
  - (v) the section entitled “*Risk Management*” on pages 113 to 125 of the BOCH Prospectus;
  - (vi) the section entitled “*Management and Corporate Governance*” on pages 126 to 147 of the BOCH Prospectus;
  - (vii) the section entitled “*Selected Financial Information*” on pages 150 to 154 of the BOCH Prospectus;
  - (viii) the section entitled “*Accountant’s Report and Historical Financial Information*” on pages 216 to 464 of the BOCH Prospectus;
  - (ix) the section entitled “*The Macroeconomic Environment in Cyprus*” on pages 478 to 481 of the BOCH Prospectus;
  - (x) the section entitled “*The Banking Sector in Cyprus*” on pages 482 to 484 of the BOCH Prospectus; and
  - (xi) the section entitled “*Financial Services Regulation and Supervision*” on pages 485 to 526 of the BOCH Prospectus; and
- (b) the unaudited interim condensed consolidated financial statements of the Bank for the nine month period ended 30 September 2016 (that includes comparative information for the nine month period ended 30 September 2015) (the “**Third Quarter Financial Information**”)

Each of the above documents has been previously published or are published simultaneously with this Offering Circular and has been filed with the Luxembourg Stock Exchange. Such documents shall be incorporated by reference in and form part of this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular 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 Offering Circular.

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

The table below sets out the relevant page references for the Historical Financial Information and the Third Quarter Financial Information. Any information not listed in the cross reference list but included in the documents incorporated by reference herein is given for information purposes only.

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the Luxembourg Stock Exchange.

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	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
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## GENERAL DESCRIPTION OF THE PROGRAMME

*The following general description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Terms and Conditions of the Notes” below shall have the same meanings in this general description. The Bank may agree with any Dealer that Notes may be issued in a form other than that contemplated in “Terms and Conditions of the Notes” herein, in which event (in the case of listed Notes only) a supplement to this Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.*

*The following general description is qualified in its entirety by the remainder of this Offering Circular.*

<b>Issuer</b>	Bank of Cyprus Public Company Limited
<b>Description</b>	Euro Medium Term Note Programme
<b>Size</b>	Up to €4,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arranger</b>	Merrill Lynch International
<b>Dealers</b>	<p>Bank of Cyprus Public Company Limited  Barclays Bank PLC  Citigroup Global Markets Limited  Credit Suisse Securities (Europe) Limited  Deutsche Bank AG, London Branch  Goldman Sachs International  HSBC Bank plc  J.P. Morgan Securities plc  Merrill Lynch International  Natixis  UBS Limited</p> <p>The Bank may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “<b>Permanent Dealers</b>” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “<b>Dealers</b>” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.</p>
<b>Trustee</b>	Deutsche Trustee Company Limited
<b>Issuing and Paying Agent and Calculation Agent</b>	Deutsche Bank AG, London Branch
<b>Method of Issue</b>	<p>The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “<b>Series</b>”) having one or more issue dates and on terms otherwise identical (or identical other</p>

than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the applicable Pricing Supplement.

#### **Issue Price**

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.

#### **Form of Notes**

The Notes may be issued in bearer form only (“**Bearer Notes**”), in bearer form exchangeable for Registered Notes (“**Exchangeable Bearer Notes**”) or in registered form only (“**Registered Notes**”). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “*Selling Restrictions*” below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “**Global Certificates**”.

#### **Clearing Systems**

Euroclear and Clearstream, Luxembourg for Bearer Notes, Euroclear, Clearstream, Luxembourg and DTC for Registered Notes or as otherwise specified in the applicable Pricing Supplement.

#### **Initial Delivery of Notes**

On or before the issue date for each Tranche, if the relevant Global Note is a NGN, or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Global Certificate representing Registered Notes may (or, in the case of Notes listed on the Luxembourg Stock Exchange, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates relating to Notes that are not listed on the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Bank, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name

of nominees or a common nominee for such clearing systems.

**Currencies**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Bank and the relevant Dealers.

**Maturities**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued with any maturity.

**Specified Denomination**

Definitive Notes will be in such denominations as may be specified in the applicable Pricing Supplement, save that in the case of any Notes which are to be offered to the public in a Member State of the European Economic Area in circumstances which would otherwise 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 Notes).

**Fixed Rate Notes**

Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Pricing Supplement.

**Fixed Rate Reset Notes**

Fixed Rate Reset Notes will have reset provisions pursuant to which the relevant Notes will, in respect of an initial period, bear interest at an initial fixed rate of interest specified in the applicable Pricing Supplement. Thereafter, the fixed rate of interest will be reset on one or more date(s) by reference to a Mid-Market Swap Rate for the relevant Specified Currency, and for a period equal to the Reset Period, as adjusted for any Relevant Reset Margin, in each case as may be specified in the applicable Pricing Supplement.

Interest on Fixed Rate Reset Notes will be payable in arrear on the date or dates in each year specified in the applicable Pricing Supplement.

**Floating Rate Notes**

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) 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 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or
- (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin.

Interest periods will be specified in the applicable Pricing Supplement.

**Zero Coupon Notes**

Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

**Interest Periods and Interest Rates**

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum

interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Pricing Supplement.

**Redemption**

The applicable Pricing Supplement will specify the basis for calculating the redemption amounts payable.

**Optional Redemption (other than as provided in “Early Redemption” below)**

The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Bank (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

**Status of Senior Notes**

Senior Notes will constitute senior, unsubordinated and unsecured obligations of the Bank, as described in “*Terms and Conditions of the Notes – Status of Senior Notes*”.

**Status of Senior Subordinated Notes**

Senior Subordinated Notes will constitute unsecured, subordinated obligations of the Bank and shall at all times rank: (A) senior to: (i) any claims for principal in respect of contractually subordinated obligations of the Bank qualifying (or which at issue qualified) as Additional Tier 1 Capital or Tier 2 Capital of the Bank (or which would so qualify but for any applicable limitation on the amount of such capital); (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank junior to the Bank’s obligations under the Senior Subordinated Notes; and (iii) all classes of share capital of the Bank; (B) *pari passu* among themselves and with (i) all other claims for principal in respect of contractually subordinated obligations of the Bank other than any subordinated obligations referred to in (A) above and sub-paragraph (C)(ii) below; and (ii) any other subordinated obligations which by law and/or their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank *pari passu* to the Bank’s obligations under the Senior Subordinated Notes; and (C) junior to (i) any Unsubordinated Creditors of the Bank; and (ii) any other subordinated obligations which by law and/or their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank senior to the Bank’s obligations under the Senior Subordinated Notes, as described in “*Terms and Conditions of the Notes – Status of Senior Subordinated Notes*”.

**Status of Tier 2 Capital Notes**

Tier 2 Capital Notes will constitute unsecured, subordinated obligations of the Bank and shall at all times rank: (A) senior to (i) any claims for principal in respect of contractually subordinated obligations of the Bank qualifying (or which at issue qualified) as Additional Tier 1 Capital of the Bank (or which would so qualify but for any applicable limitation on the amount of such capital); (ii) any other subordinated obligations which by law and/or their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank junior to the Bank’s obligations under the Tier 2 Capital Notes; and (iii) all classes of share capital of the Bank; (B) *pari passu* among themselves and with (i) all other

claims for principal in respect of contractually subordinated obligations of the Bank qualifying (or which at issue qualified) as Tier 2 Capital of the Bank (or which would so qualify but for any applicable limitation on the amount of such capital); and (ii) any other subordinated obligations which by law and/or their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations rank *pari passu* to the Bank's obligations under the Tier 2 Capital Notes; and (C) junior to (i) any Unsubordinated Creditors of the Bank; (ii) any claim for principal in respect of other contractually subordinated obligations of the Bank not qualifying as Additional Tier 1 Capital or Tier 2 Capital of the Bank and which by law and/or their terms rank senior to the Bank's obligations under the Tier 2 Capital Notes (including the Senior Subordinated Notes, if and to the extent applicable); and (iii) any other subordinated obligations which by law and/or their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank senior to the Bank's obligations under the Tier 2 Capital Notes, as described in "*Terms and Conditions of the Notes – Status of Tier 2 Capital Notes*".

**Negative Pledge (Senior Notes only)**

See "*Terms and Conditions of the Notes – Negative Pledge*".

**Cross Default (Senior Notes only)**

See "*Terms and Conditions of the Notes – Events of Default*".

**Substitution**

Subject to satisfaction of requirements set out in the Trust Deed, upon request in writing by the Bank, the Trustee shall, without the consent of the Noteholders or Couponholders, agree to the substitution of any Successor in Business of the Bank, any Subsidiary of the Bank, or any Eligible Holding Company of the Bank in place of the Bank (or of any previous substitute) as the principal debtor under the Trust Deed and in respect of any Series of Notes and any Coupons and/or Talons relating thereto. See "*Terms and Conditions of the Notes – Meetings of Noteholders, Modification, Waiver and Substitution – Substitution*".

**Ratings**

Tranches of Notes (as defined in "*General Description of the Programme*") may be rated or unrated. Where a Tranche of Notes is rated such rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Early Redemption**

Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Bank prior to maturity only: (i) in the case of Senior Notes, for taxation reasons; (ii) in the case of Senior Subordinated Notes, for taxation reasons and/or upon the occurrence of an Eligible Liabilities Event; and (iii) in the case of Tier 2 Capital Notes, for taxation reasons and/or upon the occurrence of a Capital Event. See "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".

**Withholding Tax**

All payments of principal and interest in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for, any taxes of the Republic of Cyprus

or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts as shall result in the Noteholders and Couponholders receiving such amounts as they would have received in respect of the Notes had no such withholding or deduction been required subject to customary exceptions, all as described in “*Terms and Conditions of the Notes – Taxation*”.

**Governing Law**

English law, save for Conditions 3(b), 3(c) and 3(d) which will be governed by the laws of the Republic of Cyprus.

**Approval and Listing and Admission to Trading**

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Euro MTF Market and to be admitted to listing on the Official List of the Luxembourg Stock Exchange or as otherwise specified in the applicable Pricing Supplement and references to listing shall be construed accordingly. As specified in the applicable Pricing Supplement, a Series of Notes may be unlisted.

**Selling Restrictions**

The United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than €100,000 or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom and Cyprus. See “*Subscription and Sale*”.

The Bank is Category 2 for the purposes of Regulation S under the Securities Act.

The Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the “**D Rules**”) unless (i) the applicable Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the applicable Pricing Supplement as a transaction to which TEFRA is not applicable.

**Transfer Restrictions**

There are restrictions on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See “*Transfer Restrictions*”.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Pricing Supplement or (ii) these terms and conditions as so completed, shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are constituted by an amended and restated Trust Deed (as further amended or supplemented as at the date of issue of the Notes (the “**Issue Date**”), the “**Trust Deed**”) dated 16 December 2016 between Bank of Cyprus Public Company Limited (the “**Bank**”) and Deutsche Trustee Company Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An amended and restated Agency Agreement (as further amended or supplemented as at the Issue Date, the “**Agency Agreement**”) dated 16 December 2016 has been entered into in relation to the Notes between the Bank, the Trustee, Deutsche Bank AG, London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the paying agents, the registrar, the transfer agents, the exchange agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar), the “**Exchange Agent**” and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

### **1 Form, Denomination and Title**

The Notes are issued in bearer form (“**Bearer Notes**”, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (“**Registered Notes**”) or in bearer form exchangeable for Registered Notes (“**Exchangeable Bearer Notes**”) in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be offered to the public in a Member State of the European Economic Area 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 relevant Notes).

*Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination.*

This Note is a Senior Note, a Senior Subordinated Note or a Tier 2 Capital Note, as specified hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder. Registered Notes issued by a relevant Dealer and sold in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by a permanent global certificate (a “**Restricted Global Certificate**”).

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Bank shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## **2 Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes**

### *(a) Exchange of Exchangeable Bearer Notes*

Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

### *(b) Transfer of Registered Notes*

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Bank), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not

transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Bank, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Notes*

In the case of an exercise of an option of the Bank or a Noteholder in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Exchange Free of Charge*

Exchange and transfer of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Bank, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) *Closed Periods*

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Bank at its option pursuant to Condition 6, (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date.

### 3 Status

#### (a) Status of Senior Notes

The Senior Notes (being those Notes that specify hereon their status as being "**Senior**") and any Coupons relating to them, constitute (subject to Condition 4) unsecured obligations of the Bank and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Bank under the Senior Notes, and any Coupons relating to them, shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Bank, present and future.

#### (b) Status of Senior Subordinated Notes

(i) The Senior Subordinated Notes (being those Notes that specify hereon their status as being "**Senior Subordinated**"), and any Coupons relating to them constitute unsecured, subordinated obligations of the Bank and shall at all times rank *pari passu* and without any preference among themselves. The rights of the holders of the Senior Subordinated Notes and any Coupons relating to them are subordinated on a winding-up as provided in paragraph (ii) below and accordingly amounts payable in respect of principal and interest on such Senior Subordinated Notes shall be payable in such winding-up only if and to the extent that the Bank could be considered solvent at the time of payment thereof and still be considered solvent immediately thereafter.

(ii) If at any time that the Bank is insolvent an order is made or an effective resolution is passed for the winding-up of the Bank, the claims of the holders of the Senior Subordinated Notes and any Coupons relating to them shall rank:

- (A) senior to (i) any claims for principal in respect of contractually subordinated obligations of the Bank qualifying (or which at issue qualified) as Additional Tier 1 Capital or Tier 2 Capital of the Bank (or which would so qualify but for any applicable limitation on the amount of such capital); (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank junior to the Bank's obligations under the Senior Subordinated Notes; and (iii) all classes of share capital of the Bank;
- (B) pari passu among themselves and with (i) all other claims for principal in respect of contractually subordinated obligations of the Bank other than any subordinated obligations referred to in sub-paragraph (A) above and sub-paragraph (C)(ii) below; and (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank *pari passu* to the Bank's obligations under the Senior Subordinated Notes; and
- (C) junior to (i) any Unsubordinated Creditors of the Bank; and (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank senior to the Bank's obligations under the Senior Subordinated Notes.

#### (c) Status of Tier 2 Capital Notes

(i) The Tier 2 Capital Notes (being those Notes that specify hereon their status as being "**Tier 2 Capital**") and any Coupons relating to them constitute unsecured, subordinated obligations of the Bank and shall at all times rank *pari passu* and without any preference among themselves.

The rights of the holders of the Tier 2 Capital Notes and any Coupons relating to them are subordinated on a winding-up as provided in paragraph (ii) below and accordingly amounts payable in respect of principal and interest on such Tier 2 Capital Notes shall be payable in such winding-up only if and to the extent that the Bank could be considered solvent at the time of payment thereof and still be considered solvent immediately thereafter.

- (ii) If at any time that the Bank is insolvent an order is made or an effective resolution is passed for the winding-up of the Bank, the claims of the holders of the Tier 2 Capital Notes and any Coupons relating to them shall rank:

- (A) senior to (i) any claims for principal in respect of contractually subordinated obligations of the Bank qualifying (or which at issue qualified) as Additional Tier 1 Capital of the Bank (or which would so qualify but for any applicable limitation on the amount of such capital); (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank junior to the Bank's obligations under the Tier 2 Capital Notes; and (iii) all classes of share capital of the Bank;
- (B) pari passu among themselves and with (i) all other claims for principal in respect of contractually subordinated obligations of the Bank qualifying (or which at issue qualified) as Tier 2 Capital of the Bank (or which would so qualify but for any applicable limitation on the amount of such capital); and (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank *pari passu* to the Bank's obligations under the Tier 2 Capital Notes; and
- (C) junior to (i) any Unsubordinated Creditors of the Bank; (ii) any claim for principal in respect of other contractually subordinated obligations of the Bank not qualifying as Additional Tier 1 Capital or Tier 2 Capital of the Bank and which by law and/or their terms rank senior to the Bank's obligations under the Tier 2 Capital Notes (including the Senior Subordinated Notes, if and to the extent applicable) and (iii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by the laws of the Republic of Cyprus and the Capital Regulations, rank senior to the Bank's obligations under the Tier 2 Capital Notes.

(d) *No set-off*

Subject to applicable law, claims in respect of any Subordinated Notes or any related Coupons may not be set-off, or be the subject of a counterclaim, by the holder against or in respect of any of its obligations to the Bank, the Trustee or any other person and every holder waives, and shall be treated for all purposes as if it had waived, any right that it might otherwise have to set-off, or to raise by way of counterclaim any of its claims in respect of any Subordinated Notes or any related Coupons, against or in respect of any of its obligations to the Bank, the Trustee or any other person. If, notwithstanding the preceding sentence, any holder receives or recovers any sum or the benefit of any sum in respect of any Subordinated Note or any related Coupons by virtue of any such set-off or counterclaim, it shall hold the same on trust for the Bank and shall pay the amount thereof to the Bank or, in the event of the winding-up of the Bank, to the liquidator of the Bank.

(e) *Interpretation*

For the purposes of this Condition 3, the expression “**obligations**” includes any direct or indirect obligations of the Bank and whether by way of guarantee, indemnity, other contractual support agreement or otherwise and regardless of name or designation, and any non-contractual obligations arising out of or in connection therewith.

## **4 Negative Pledge**

This Condition 4 shall only apply to Senior Notes and references to “Notes” and “Noteholders” shall be construed accordingly.

So long as any of the Notes or Coupons remains outstanding (as defined in the Trust Deed) the Bank shall not create or permit to subsist, and will procure that no Material Subsidiary shall create or permit to subsist, any Security other than a Permitted Security upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt or to secure any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Bank’s obligations under the Trust Deed and such Notes or Coupons (A) are secured equally and rateably therewith to the satisfaction of the Trustee or (B) have the benefit of such other security or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

## **5 Interest and other Calculations**

### *(a) Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g).

### *(b) Interest on Fixed Rate Reset Notes*

(i) *Application:* This Condition 5(b) is only applicable to Subordinated Notes and shall only apply if Fixed Rate Reset Notes is specified hereon as being applicable to one or more Interest Period(s).

(ii) *Accrual of Interest:* The Notes bear interest on their outstanding nominal amount:

- (A) from (and including) the Interest Commencement Date to (but excluding) the First Reset Date, at the rate per annum equal to the Initial Rate of Interest;
- (B) for the First Reset Period, at the rate per annum equal to the First Reset Rate of Interest; and
- (C) for each Subsequent Reset Period falling thereafter (if any) to (but excluding) the Maturity Date, at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g).

### *(iii) Fallbacks*

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page as of the Relevant Time on such Reset Determination Date, the Rate of Interest applicable to the Notes in respect of each Interest Period falling in the relevant Reset Period will be determined by the Calculation Agent on the following basis:

- (A) the Calculation Agent shall request each of the Reset Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately the Relevant Time on the Reset Determination Date in question;
  - (B) if at least three of the Reset Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (x) the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest (or, in the event of equality, one of the lowest) and (y) the Relevant Reset Margin, all as determined by the Calculation Agent;
  - (C) if only two relevant quotations are provided, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (x) the arithmetic mean (rounded as aforesaid) of the relevant quotations provided and (y) the Relevant Reset Margin, all as determined by the Calculation Agent;
  - (D) if only one relevant quotation is provided, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period will be equal to the sum of (x) the relevant quotation provided and (y) the Relevant Reset Margin, all as determined by the Calculation Agent; and
  - (E) if none of the Reset Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this Condition 5(b), the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) will be equal to the sum of (x) the Mid-Swap Rate determined on the last preceding Reset Determination Date and (y) the Relevant Reset Margin or, in the case of the first Reset Determination Date, the First Reset Rate of Interest will be equal to the sum of (1) the Initial Mid-Swap Rate and (2) the Relevant Reset Margin, all as determined by the Calculation Agent.
- (iv) *Mid-Swap Rate Conversion:* This Condition 5(b)(iv) is only applicable if Mid-Swap Rate Conversion is specified hereon as being applicable. If Mid-Swap Rate Conversion is so specified as being applicable, the First Reset Rate of Interest and, if applicable, each Subsequent Reset Rate of Interest will be converted from the Original Mid-Swap Rate Basis specified hereon to a basis which matches the per annum frequency of Interest Payment Dates in respect of the relevant Notes (such calculation to be determined by the Bank in conjunction with a leading financial institution selected by it).
- (c) *Interest on Floating Rate Notes*
- (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

- (ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon
- (y) the Designated Maturity is a period specified hereon and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean 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 either 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 as determined by the Calculation 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 Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Page at the Relevant Screen Page or if subparagraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Reference Banks Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Reference Banks Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Reference Banks Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Reference Banks Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Reference Banks Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels 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, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Reference Banks Agent with such 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 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, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Bank suitable for such purpose) informs the Reference Banks Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be

determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) *Linear Interpolation*

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(d) *Zero Coupon Notes*

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(e) *Accrual of Interest*

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date.

(f) *Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding*

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(c) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided

that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(g) *Calculations*

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts*

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or any Optional Redemption Amount to be notified to the Trustee, the Bank, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to this Condition 5, the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and (subject as aforesaid) no liability will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(i) *Calculation Agent*

The Bank shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Bank shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

**6 Redemption, Purchase and Options**

(a) *Final Redemption*

Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).

(b) *Early Redemption*

(i) Zero Coupon Notes:

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to this Condition 6 or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to this Condition 6 or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) *Redemption for Taxation Reasons*

- (i) *Senior Notes*:

This Condition 6(c)(i) shall only apply to Senior Notes and references to “Notes” and “Noteholders” shall be construed accordingly.

Subject to Condition 6(j) below, the Notes may be redeemed at the option of the Bank in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption, if (1) the Bank satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Republic of Cyprus or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, including a decision of any court or tribunal, which change or amendment becomes effective on or after the Issue Date of the first Tranche of such Notes; and (2) such obligation cannot be avoided by the Bank taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

- (ii) *Subordinated Notes*:

This Condition 6(c)(ii) shall only apply to Subordinated Notes and references to “Notes” and “Noteholders” shall be construed accordingly.

Subject to Condition 6(j) below, the Notes may be redeemed at the option of the Bank in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption, if:

- (A) the Bank satisfies the Trustee immediately before the giving of such notice that:
  - (1) it has or will become obliged to pay additional amounts as described under Condition 8; or
  - (2) the Bank would not be entitled to claim a deduction in computing taxation liabilities in the Republic of Cyprus in respect of any payment of interest to be made on the next Interest Payment Date or the value of such deduction to the Bank would be reduced,

in each case as a result of any change in, or amendment to, the laws or regulations of the Republic of Cyprus or any authority therein or thereof having power to tax, or

any change in the application or official interpretation of such laws or regulations, including a decision of any court or tribunal, which change or amendment becomes effective on or after the Issue Date of the last Tranche of such Notes; and

- (B) such obligation or loss of entitlement, as the case may be, cannot be avoided by the Bank taking reasonable measures available to it; and
- (C) the Bank satisfies the Competent Authority that such change in tax treatment of the relevant Notes is material and was not reasonably foreseeable at the time of their issuance,

provided that (in the case of (A)(1) above) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

*(d) Redemption at the Option of the Bank*

- (i) Subject to Condition 6(j) below, if Call Option is specified hereon, the Bank may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount (which may be the Early Redemption Amount (as described in Condition 6(b) above)) together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.
- (ii) All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.
- (iii) In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

*(e) Redemption at the Option of Noteholders*

- (i) This Condition 6(e) shall only apply to Senior Notes and references to "Notes" and "Noteholders" shall be construed accordingly.
- (ii) If Put Option is specified hereon, the Bank shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Bank (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount (which may be the Early Redemption Amount (as described in Condition 6(b) above)) together with interest accrued to the date fixed for redemption. To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Bank.

*(f) Redemption at the option of the Bank (Capital Event)*

- (i) This Condition 6(f) shall only apply to Tier 2 Capital Notes, and references to “Notes” and “Noteholders” shall be construed accordingly.
  - (ii) Subject to Condition 6(j) below, if a Capital Event occurs, the Notes may be redeemed at the option of the Bank in whole, but not in part, at the relevant Early Redemption Amount (as described in Condition 6(b)), together with any accrued but unpaid interest to the date fixed for redemption, provided that the Bank provides not less than 30 days' nor more than 60 days' prior notice to the Trustee, the Principal Paying Agent and the holders of the relevant Notes (such notice being irrevocable) specifying the date fixed for such redemption.
- (g) *Redemption at the option of the Bank (Eligible Liabilities Event)*
- (i) This Condition 6(g) shall only apply to Senior Subordinated Notes and then only to the extent specified hereon, and references to “Notes” and “Noteholders” shall be construed accordingly.
  - (ii) Subject to Condition 6(j) below, if an Eligible Liabilities Event occurs, the Notes may be redeemed at the option of the Bank in whole, but not in part, at the relevant Early Redemption Amount (as described in Condition 6(b)), together with any accrued but unpaid interest to the date fixed for redemption, provided that the Bank provides not less than 30 days' nor more than 60 days' prior notice to the Trustee, the Principal Paying Agent and the holders of the Senior Subordinated Notes (such notice being irrevocable) specifying the date fixed for such redemption.
- (h) *Purchases*
- Subject to Condition 6(j) below, the Bank and any of its Subsidiaries may at any time purchase Notes at any price in the open market or otherwise and provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith.
- (i) *Cancellation*
- All Notes purchased by or on behalf of the Bank or any of its Subsidiaries may, at the option of the Bank, be held, reissued or resold or be surrendered for cancellation. In the case of Bearer Notes, any cancellation will be effected by the Bank surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by the Bank surrendering the Certificate representing such Notes to the Registrar. In each case, if so surrendered, such Notes shall be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Bank in respect of any such Notes shall be discharged.
- (j) *Conditions to Early Redemption and Purchase*
- (i) Before the publication of any notice of redemption pursuant to Condition 6(c), 6(f) or 6(g), the Bank shall deliver to the Trustee a certificate signed by two Directors of the Bank stating that:
    - (A) in the case of a redemption pursuant to Condition 6(c)(i) or 6(c)(ii) above, the obligation or loss of entitlement, as applicable, referred to in such Condition cannot be avoided by the Bank taking reasonable measures available to it; or
    - (B) in the case of a redemption under Condition 6(f) or 6(g), the relevant circumstance referred to under such Condition exists,

and such certificate shall be treated by the Bank, the Trustee, the holders and all other interested parties as correct, conclusive and sufficient evidence thereof and satisfaction of the

relevant conditions precedent, in which event it shall be conclusive and binding on Noteholders and Couponholders. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6.

- (ii) Notwithstanding any other provision in this Condition 6, the Bank may redeem or purchase the Subordinated Notes (and give notice thereof to the Holders) only if (A) such redemption or purchase is permitted by the Capital Regulations then in force and (B) it has obtained the Competent Authority's prior permission (if such permission is then required by the Capital Regulations) for the redemption or purchase (as applicable) of the relevant Subordinated Notes.

## **7 Payments and Talons**

### *(a) Bearer Notes*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. In this paragraph, "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

### *(b) Registered Notes*

- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Registered Notes to be cleared through the Depositary Trust Company ("**DTC**"), on the fifteenth DTC business day before the due date for payment thereof (each a "**Record Date**"). For the purpose of this Condition 7(b), "**DTC business day**" means any day on which DTC is open for business. Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (iii) Registered Notes, if specified in the relevant Final Terms, will be issued in the form of one or more Restricted Global Certificates and may be registered in the name of, or in the name of a nominee for, DTC. Payments of principal and interest in respect of Registered Notes denominated in U.S. dollars will be made in accordance with Conditions 7(b)(i) and 7(b)(ii). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. dollars will be made or procured to be made by the Issuing and Paying Agent in the Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Issuing and Paying Agent or its agent to DTC or DTC's nominee with respect to Registered Notes held by DTC or DTC's nominee will be received from the Bank by the Issuing and Paying Agent who will make payments in such Specified Currency by wire transfer of same day funds, in the case of Notes registered in the name of DTC's nominee, to such nominee, or otherwise to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made

an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC business day after the Record Date for the relevant payment of interest and, in the case of payments or principal, at least twelve DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency. The Issuing and Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. dollars, will cause the Exchange Agent to deliver such U.S. dollar amount in same day funds to DTC's nominee for payment through the DTC settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.

(c) *Payments in the United States*

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Bank shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Bank, any adverse tax consequence to the Bank.

(d) *Payments subject to Fiscal Laws*

Save as provided in Condition 8, all payments will be subject in all cases to any other applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Bank agrees to be subject and the Bank will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreement. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments. In addition, all payments will be subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law, rule or regulation implementing an intergovernmental approach thereto.

(e) *Appointment of Agents*

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Bank and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Bank and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Bank reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Bank shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Bank shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above. Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) *Unmatured Coupons and unexchanged Talons:*

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, they should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or a Fixed Rate Reset Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relative unexpired Coupons are not to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Bank may require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) *Non-Business Days*

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant place of presentation, in such jurisdictions as shall be specified as “**Financial Centres**” hereon and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign

exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

- (ii) (in the case of a payment in euro) which is a TARGET Business Day or
- (iii) (in the case of payment in Australian dollars or New Zealand dollars) a business day in Sydney, Melbourne, Auckland and Wellington, respectively).

## 8 Taxation

### (a) Gross-up

- (i) All payments of principal and interest by or on behalf of the Bank in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Cyprus or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:
  - (A) *Other connection:* to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Republic of Cyprus other than the mere holding of the Note or Coupon; or
  - (B) *Presentation more than 30 days after the Relevant Date:* presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day; or
  - (C) *Payment by another Paying Agent:* (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.
- (ii) As used in these Conditions, “**Relevant Date**” in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions and the Trust Deed to (x) “**principal**” shall be deemed to include any premium payable in respect of the Notes on Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6, (y) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 and (z) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.
- (iii) Notwithstanding the foregoing provisions of this Condition 8, any payments by the Bank will be paid net of any withholding or deduction imposed pursuant to an agreement described in

Section 1471(b) of the U.S. Internal Revenue Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, any regulations or agreements thereunder, any official interpretations thereof, or any fiscal or regulatory legislation, rules or practices adopted pursuant to an intergovernmental agreement entered in connection with the implementation of Sections 1471 through 1474 of the U.S. Internal Revenue Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

- (b) *Subordinated Notes*: This Condition 8(b) shall only apply to Subordinated Notes and then only to the extent specified hereon. Notwithstanding the foregoing provisions, Condition 8(a) will be limited to payments of interest in respect of Subordinated Notes.

## **9 Prescription**

Claims against the Bank for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **10 Events of Default**

- (a) *Senior Notes*

This Condition 10(a) shall only apply to Senior Notes and references to "Notes" and "Noteholders" shall be construed accordingly.

If any of the following events occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to it being indemnified to its satisfaction, give notice to the Bank that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (i) *Non-Payment*: default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or
- (ii) *Breach of Other Obligations*: the Bank does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Bank by the Trustee; or
- (iii) *Cross-Default*: (A) any other present or future indebtedness of the Bank or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (C) the Bank or any of its Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred and remains unpaid or undischarged, as the case may be, equals or exceeds €10,000,000 or its equivalent (as reasonably determined by the Trustee); or
- (iv) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a material (in the opinion of the Trustee) part

of the property, assets or revenues of the Bank or any of its Material Subsidiaries and is not discharged or stayed within 90 days; or

- (v) *Security Enforced*: a secured party takes possession of, or a receiver, manager or other similar officer is appointed in respect of, the whole or a substantial part of the undertaking, assets and revenues of the Bank or any Material Subsidiary and in any of the foregoing cases it shall not be stayed or discharged within 60 days; or
- (vi) *Insolvency*: the Bank or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Trustee, a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or, in the opinion of the Trustee, a material part of the debts of the Bank or any of its Material Subsidiaries; or
- (vii) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of the Bank or any of its Material Subsidiaries, or the Bank or any of its Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases to carry on all or, in the opinion of the Trustee, substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (x) on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (y) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Bank or another of its Subsidiaries; or
- (viii) *Illegality*: it is or will become unlawful for the Bank to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (ix) *Analogous Events*: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (v), (vi) or (vii) above,

provided that, in relation to paragraphs (ii), (iii), (iv), (v), (vi), (viii) and (ix) and, with respect to Material Subsidiaries only, paragraph (vii), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

A report by two Directors of the Bank that, in their opinion, a Subsidiary of the Bank is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bank and the Noteholders.

(b) *Subordinated Notes*

This Condition 10(b) shall apply to Subordinated Notes only and references to "Notes" and "Noteholders" shall be construed accordingly.

In the case of Subordinated Notes:

- (i) *Non-Payment*: if the Bank shall not make payment of any principal or any interest in respect of the Notes for a period of 10 days or more after the due date for the same (which failure to make payment shall constitute *prima facie* evidence of the Bank's inability to make such payment), the Trustee, having given prior written notice thereof to the Bank where reasonably practicable, at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding (as defined in the Trust Deed) or as directed by an Extraordinary Resolution of the Noteholders shall, (subject in each case to it

first being indemnified to its satisfaction) institute proceedings in the Republic of Cyprus (but not elsewhere) for the winding-up of the Bank and prove in such winding-up; or

- (ii) *Enforcement Proceedings*: the Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding (as defined in the Trust Deed) or as directed by an Extraordinary Resolution of the Noteholders shall, (subject in each case to it first being indemnified to its satisfaction) institute such proceedings against the Bank as it may think fit to enforce any obligation, condition or provision binding on the Bank under the Trust Deed or the Notes (other than any obligation for payment of any principal or interest in respect of the Notes or Coupons) provided that the Bank shall not by virtue of any such proceedings be obliged to pay any sum or sums representing principal or interest in respect of the Notes or Coupons sooner than the same would otherwise have been payable by it; or
- (iii) *Winding-up*: in the event of the commencement of the winding-up of the Bank (except in any such case a winding-up for the purpose of a reconstruction or amalgamation or the substitution in place of the Bank of a Successor in Business (as defined in the Trust Deed) the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders), the Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding (as defined in the Trust Deed) or as directed by an Extraordinary Resolution of the Noteholders shall, (subject in each case to it first being indemnified to its satisfaction) (A) give notice to the Bank that the Notes are due and repayable immediately (and the Notes shall thereby become so due and repayable) at their principal amount together with accrued interest and any additional amounts as provided in the Trust Deed and (B) prove in the winding-up of the Bank.

## **11 Meetings of Noteholders, Modification, Waiver and Substitution**

### **(a) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed, except that the provisions relating to Subordinated Notes shall only be capable of modification in accordance with Condition 11(d) below. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to

pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. 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 Noteholders.

*(b) Modification of the Trust Deed*

Subject to Condition 11(d) below, the Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of law, provided that in such case the Bank procures (at the Bank's expense) the delivery of a legal opinion or legal opinions addressed to the Trustee in form and content reasonably acceptable to the Trustee relating to such compliance with mandatory provisions of law from reputable and independent counsel reasonably acceptable to the Trustee, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable thereafter.

*(c) Substitution*

Subject to satisfaction of the requirements set out in clause 15.2 of the Trust Deed and Condition 11(d) below, upon request in writing by the Bank, the Trustee shall, without the consent of the Noteholders or Couponholders, agree to the substitution of any Successor in Business of the Bank, any Subsidiary of the Bank, or any Eligible Holding Company of the Bank (the "**Substituted Obligor**") in place of the Bank (or of any previous substitute under subclause 15.2 of the Trust Deed) as the principal debtor under the Trust Deed and in respect of any Series of Notes and any Coupons and/or Talons relating thereto. Following a substitution pursuant to clause 15.2(a) of the Trust Deed and this Condition, the Trustee may also agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the relevant Notes, Coupons, and Talons (or any Condition thereof), provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the relevant Noteholders. The Trust Deed provides that a change in the governing law of Condition 3 of any Series of Subordinated Notes, to the law of the jurisdiction of incorporation of the Substituted Obligor, in connection with any such substitution shall be deemed not to be prejudicial to the interests of the relevant Noteholders.

*(d) Competent Authority's notice or permission*

The provisions relating to the Subordinated Notes shall only be capable of modification or waiver, and the issuer of the Subordinated Notes may only be substituted in accordance with Condition 11(c) above, if the Bank has notified the Competent Authority of such modification, waiver or substitution and/or obtained the prior permission of the Competent Authority as the case may be (if such notice and/or permission is then required by the Capital Regulations). Wherever such modification or waiver of the Subordinated Notes is proposed, or a meeting of Noteholders in respect thereof is proposed, or a substitution of the issuer of the Subordinated Notes is proposed in accordance with Condition 11(c) above, the Bank shall provide to the Trustee a certificate signed by two Directors, certifying either that

(i) it has notified the Competent Authority of, and/or received the Competent Authority's permission to such modification, waiver or substitution, as the case may be; or (ii) that the Bank is not required to notify the Competent Authority of, and/or obtain the Competent Authority's permission to, such modification, waiver or substitution. The Trustee shall be entitled to rely absolutely on such certificate without further enquiry and without liability for so doing.

(e) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Bank any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

## **12 Enforcement**

(a) *Actions by the Trustee*

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Bank as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in nominal amount of the Notes outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder or Couponholder may proceed directly against the Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

(b) *Limitation on actions in relation to Subordinated Notes*

In relation to Subordinated Notes no remedy against the Bank, other than as referred to in Condition 10, shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Bank of any of its other obligations under or in respect of the Notes or under the Trust Deed.

## **13 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Bank and any entity related to the Bank without accounting for any profit. The Trustee may rely without liability to Noteholders on a certificate, report or opinion of the Auditors (as set out in the Trust Deed) whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise.

## **14 Replacement of Notes, Certificates Coupons and Talons**

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent in Luxembourg (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Bank for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed

Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Bank on demand the amount payable by the Bank in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Bank may require. Mutilated or defaced Notes, Certificates Coupons or Talons must be surrendered before replacements will be issued.

## **15 Further Issues**

The Bank may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Bank may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

## **16 Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

## **17 Contracts (Rights Of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

## **18 Governing Law and Jurisdiction**

### *(a) Governing Law*

The Trust Deed, the Notes the Coupons and the Talons and any non-contractual obligation arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, save for Conditions 3(b), 3(c) and 3(d) which shall be governed by the laws of the Republic of Cyprus.

### *(b) Jurisdiction*

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes Coupons or Talons and accordingly any legal action or proceedings arising

out of or in connection with any Notes, Coupons or Talons (“**Proceedings**”) may be brought in such courts. The Bank has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) *Service of Process*

The Bank has irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

## 19 Acknowledgement of Statutory Loss Absorption Powers

Notwithstanding and to the exclusion of any other term of the Notes or the Trust Deed, or any other agreements, arrangements or understanding between any of the parties thereto or between the Bank and any Noteholder (which, for the purposes of this Condition 19, includes each holder of a beneficial interest in the Notes), the Trustee has in the Trust Deed acknowledged, accepted, and agreed, and each Noteholder by its purchase of the Notes will be deemed to acknowledge, accept, and agree, that any liability arising under the Notes or the Trust Deed may be subject to the exercise of Statutory Loss Absorption Powers by the Relevant Resolution Authority and acknowledges, accepts, consents to and agrees to be bound by:

- (a) the effect of the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority, which exercise (without limitation) may include and result in any of the following, or a combination thereof:
  - (i) the reduction of all, or a portion, of the Relevant Amounts in respect of the Notes;
  - (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Notes into shares, other securities or other obligations of the Bank or another person, and the issue to or conferral on the Noteholder of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Notes;
  - (iii) the cancellation of the Notes or the Relevant Amounts in respect of the Notes; and
  - (iv) the amendment or alteration of the maturity date of the Notes or the amendment of the amount of interest payable on the Notes, or the date on which interest becomes payable, including by suspending payment for a temporary period; and
- (b) the variation of the terms of the Notes and/or the Trust Deed, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority.

## 20 Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Additional Tier 1 Capital**” means Additional Tier 1 Capital for the purposes of the Capital Regulations.

“**Applicable Maturity**” means: (i) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (ii) in relation to ISDA Determination, the Designated Maturity.

“**Assets**” means the unconsolidated gross assets of the Bank, as shown in its latest published audited balance sheet, but adjusted for subsequent events, all in such manner as the board of directors of the Bank may determine.

“**BRRD**” means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time.

“**Business Day**” means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a “TARGET Business Day”) and/or
- (iii) if the currency is Australian dollars or New Zealand dollars, a business day in Sydney, Melbourne, Auckland and Wellington respectively and/or
- (iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

“**Capital Event**” means, at any time, on or after the Issue Date of the last tranche of the relevant Series of Tier 2 Capital Notes, a change in the regulatory classification of such Notes that results or would be likely to result in (i) the exclusion of such Notes in whole or, to the extent not prohibited by the Capital Regulations, in part, from the Tier 2 capital of the Bank and/or the Group; or (ii) their reclassification, in whole or, to the extent not prohibited by the Capital Regulations, in part, as a lower quality form of regulatory capital of the Bank and/or the Group, in each case (a) other than where such exclusion or, as the case may be, reclassification is only as a result of any applicable limitation on such capital, and (b) provided that the Bank satisfies the Competent Authority that such exclusion or regulatory reclassification of such Notes (as applicable) was not reasonably foreseeable at the time of their issuance.

“**Capital Regulations**” means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency applicable to the Bank including, without limitation to the generality of the foregoing, the BRRD, CRD IV and those regulations, requirements, guidelines and policies of the Competent Authority relating to capital adequacy, resolution and/or solvency then in effect in the Republic of Cyprus (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank or the Group).

“**Competent Authority**” means the European Central Bank in conjunction with the Central Bank of Cyprus or such other successor authority or authorities having primary bank supervisory authority with respect to prudential oversight and supervision of the Bank and/or the Group.

“**CRD IV**” means any or any combination of the CRD IV Directive, the CRR, and any CRD IV Implementing Measures.

“**CRD IV Directive**” means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, as amended or replaced from time to time.

“**CRD IV Implementing Measures**” means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to,

delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Bank (on a stand-alone basis) or the Group (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Bank (on a stand-alone or consolidated basis).

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms, as amended or replaced from time to time.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30.

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30.

- (vii) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1)] + (D_2 - D_1)]}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

- (viii) if “**Actual/Actual-ICMA**” is specified hereon,

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

- (b) if the Calculation Period is longer than one Determination Period, the sum of:
  - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
  - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date and

“Determination Date” means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

**"Eligible Holding Company"** means a limited liability company incorporated in a member state of the European Economic Area: (a) that directly or indirectly, legally and/or beneficially owns all of the ordinary shares of the Bank; (b) that is consolidated with the Bank in the consolidated financial statements prepared by the group of companies of which it and the Bank are members; (c) that is the parent financial holding company of the Bank for the purposes of the CRR and is subject to supervision of the Competent Authority on a consolidated basis for the purposes of determining own funds requirements pursuant to the Capital Regulations; and (d) whose ordinary shares are admitted to listing on the official list of the Financial Conduct Authority in its capacity as the United Kingdom Listing Authority and admitted to trading on the London Stock Exchange's main market for listed securities and/or otherwise admitted to trading on a regulated market within the European Economic Area for the purposes of Directive 2004/39/EC (as amended).

**"Eligible Liabilities Event"** means the determination by the Bank after consultation with the Competent Authority that the Senior Subordinated Notes are no longer eligible for inclusion in the amount of eligible liabilities of the Bank or the Group for the purposes of Article 45 of the BRRD (as implemented in the Republic of Cyprus and including any amendment or replacement of the relevant implementing provisions) or the Capital Regulations or any other regulations applicable in the Republic of Cyprus from time to time, provided that an Eligible Liabilities Event shall not occur where such ineligibility for inclusion of the Senior Subordinated Notes in the amount of eligible liabilities is due to the remaining maturity of the Senior Subordinated Notes being less than any period prescribed by any applicable eligibility criteria under the Capital Regulations (or any other regulations applicable in the Republic of Cyprus from time to time) effective on the Issue Date of the first tranche of the relevant Series of Senior Subordinated Notes.

**"Euro-zone"** means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

**"Excluded Subsidiary"** means any Subsidiary of the Bank:

- (i) which is a single purpose company or limited liability undertaking whose principal assets and business are constituted by a securitisation or similar financing and
- (ii) none of whose liabilities in respect of such financing are the subject of Security or a guarantee or underwriting or other similar form of assurance from the Bank or any other Subsidiary of the Bank.

**“First Reset Date”** means the date specified as such hereon.

**“First Reset Margin”** means the margin specified as such hereon.

**“First Reset Period”** means the period from (and including) the First Reset Date to (but excluding) the Second Reset Date or, if no such Second Reset Date is specified hereon, the Maturity Date.

**“First Reset Rate of Interest”** means, in respect of the First Reset Period and subject to Condition 5(b), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Reset Margin.

**“Group”** means the Bank and its consolidated Subsidiaries.

**“Initial Mid-Swap Rate”** means the rate specified as such hereon.

**“Initial Rate of Interest”** means the rate specified as such hereon.

**“Interest Accrual Period”** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

**“Interest Amount”** means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount, specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

**“Interest Commencement Date”** means the Issue Date or such other date as may be specified hereon.

**“Interest Determination Date”** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

**“Interest Period”** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified hereon.

**“Interest Period Date”** means each Interest Payment Date unless otherwise specified hereon.

**“ISDA Definitions”** means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

**“Material Subsidiary”** at any time shall mean any Subsidiary of the Bank:

- (i) whose consolidated total assets represent 10 per cent. or more of the consolidated total assets of the Bank as calculated by reference to the then latest audited consolidated financial

statements of such Subsidiary and the then latest audited consolidated financial statements of the Bank, provided that, in the case of a Subsidiary acquired after the end of the financial period to which the then latest relevant audited consolidated financial statements of the Bank relate, the reference to the then latest audited consolidated financial statements of the Bank for the purposes of the calculation above shall, until consolidated financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant audited consolidated financial statements, adjusted as deemed appropriate by the Bank; or

- (ii) to which is transferred all or substantially all of the business, undertaking and assets of a Subsidiary of the Bank which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary under the provisions of this subparagraph (ii) upon publication of its next audited consolidated financial statements but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such audited consolidated financial statements have been published by virtue of the provisions of sub-paragraph (i) above or before, on or at any time after such date by virtue of the provisions of this sub-paragraph (ii).

**“Mid-Market Swap Rate”** means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Original Mid-Swap Rate Basis (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Floating Leg Maturity (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent).

**“Mid-Market Swap Rate Quotation”** means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate.

**“Mid-Swap Floating Leg Benchmark Rate”** means EURIBOR (if the Specified Currency is euro) or LIBOR for the Specified Currency (if the Specified Currency is U.S. dollars, Pounds Sterling or Swiss Francs) or (in the case of any other Specified Currency) the benchmark rate most closely connected with such Specified Currency and selected by the Calculation Agent in its discretion after consultation with the Bank.

**“Mid-Swap Floating Leg Maturity”** means the maturity duration specified as such hereon.

**“Mid-Swap Rate”** means, in relation to a Reset Determination Date and subject to Condition 5(b), either:

- (i) if Single Mid-Swap Rate is specified hereon, the rate for swaps in the Specified Currency:
  - (a) with a term equal to the relevant Reset Period; and
  - (b) commencing on the relevant Reset Date,which appears on the Relevant Screen Page; or
- (ii) if Mean Mid-Swap Rate is specified hereon, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearer 0.001 per cent. (0.0005 per cent. being

rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

- (a) with a term equal to the relevant Reset Period; and
- (b) commencing on the relevant Reset Date;

which appears on the Relevant Screen Page,

in either case, as at approximately the Relevant Time on such Reset Determination Date, all as determined by the Calculation Agent.

**“Original Mid-Swap Rate Basis”** means the basis reference period specified as such hereon. In the case of Notes other than Exempt Notes, the Original Mid-Swap Rate Basis shall be annual, semi-annual, quarterly or monthly.

**“Permitted Security”** means (i) any security created by or over the assets of an Excluded Subsidiary to secure indebtedness for or in respect of moneys borrowed or raised; or (ii) any security created as security for any indebtedness of the Bank or any of its Subsidiaries in respect of covered bonds.

**“Prospectus Directive”** means Directive 2003/71/EC of the European Parliament and of the Council dated 4 November 2003, as amended, including by Directive 2010/73/EU of the European Parliament and of the Council dated 24 November 2010.

**“Rate of Interest”** means the rate of interest (expressed as a percentage per annum) payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon and shall include, *inter alia*, the Initial Rate of Interest, the First Reset Rate of Interest and the Subsequent Rate of Interest, as applicable.

**“Reference Banks”** means in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

**“Reference Banks Agent”** means an independent investment bank, commercial bank or stockbroker appointed by the Bank.

**“Reference Rate”** means the rate specified as such hereon.

**“Relevant Amounts”** means the outstanding principal amount of the Notes, together with any accrued but unpaid interest and additional amounts due on the Notes pursuant to Condition 8. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Statutory Loss Absorption Powers by the Relevant Resolution Authority.

**“Relevant Debt”** means any present or future indebtedness for or in respect of moneys borrowed or raised, having an original maturity of more than one year, in the form of, or represented by, bonds, notes, debentures, loan stock or other securities that are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market.

**“Relevant Reset Margin”** means, in respect of a Reset Period, whichever of the First Reset Margin or the Subsequent Reset Margin is applicable for the purpose of determining the Rate of Interest in respect of such Reset Period.

**“Relevant Resolution Authority”** means the resolution authority with the ability to exercise any Statutory Loss Absorption Powers in relation to the Bank.

**“Relevant Screen Page”** means such page, section, caption, column or other part of a particular information service as may be specified hereon or any successor or replacement page, section, caption, column or other part of a particular information service).

**“Relevant Time”** means the time specified as such hereon.

**“Reset Date”** means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable).

**“Reset Determination Date”** means, in respect of a Reset Period, the date specified as such hereon.

**“Reset Period”** means the First Reset Period or a Subsequent Reset Period, as the case may be.

**“Reset Reference Banks”** means the principal office in the principal financial centre of the Specified Currency of five major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Calculation Agent in its discretion after consultation with the Bank.

**“Resolution Authority”** means the Single Resolution Board in its capacity as resolution authority in respect of the Bank pursuant to the SRM Regulation, or such other successor authority or authorities having primary responsibility for resolution of the Bank and/or the Group.

**“SRM Regulation”** means Regulation (EU) No 806/2014 of the European Parliament and of the Council dated 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, as amended or replaced from time to time.

**“Second Reset Date”** means the date specified as such hereon.

**“Security”** means any mortgage, charge, pledge, lien or other form of encumbrance or security interest.

**“solvent”** means, for the purposes of these Conditions, that (i) the Bank is able to pay its debts as they fall due and (ii) the Bank's Assets exceed its Unsubordinated Liabilities, and references to “solvency” and “insolvency” shall be construed accordingly; a report by the board of directors of the Bank or, in the circumstances as provided in the Trust Deed, the Auditors (as defined in the Trust Deed) or, if the Bank is insolvent or in winding-up, its liquidator, as to whether or not the Bank is insolvent or in winding-up shall in the absence of proven error be treated and accepted by the Bank, the Trustee, the Noteholders and the Couponholders as correct and sufficient evidence thereof.

**“Specified Currency”** means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

**“Statutory Loss Absorption Powers”** means any write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements applicable to the Bank, relating to (i) the transposition of the BRRD and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Bank (or any affiliate of the Bank) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Bank or any other person (or suspended for a temporary period).

**“Subordinated Notes”** means Senior Subordinated Notes and Tier 2 Capital Notes.

**“Subsequent Reset Date”** means the date or dates specified as such hereon.

**“Subsequent Reset Margin”** means the margin specified as such hereon.

**“Subsequent Reset Period”** means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date or the Maturity Date, as the case may be.

**“Subsequent Reset Rate of Interest”** means in respect of any Subsequent Reset Period and subject to Condition 5(b), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Reset Margin.

**“Subsidiary”** means, at any particular time, in respect of a company or corporation (its “Holding Company”), any company or corporation:

- (i) more than half the issued equity share capital of which, or more than half the issued share capital carrying voting rights of which, is beneficially owned, directly or indirectly, by the first mentioned company or corporation or
- (ii) which is a subsidiary of another subsidiary of the first mentioned company or corporation.

**“TARGET System”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

**“Tier 2 Capital”** means Tier 2 Capital for the purposes of the Capital Regulations.

**“Unsubordinated Creditors”** means creditors of the Bank who are unsubordinated depositors or other unsubordinated creditors of the Bank, including (without limitation) holders of Senior Notes.

**“Unsubordinated Liabilities”** means the unconsolidated gross liabilities of the Bank (other than liabilities to persons who are not, or are trustees for persons who are not, Unsubordinated Creditors) all as shown by the latest published audited balance sheet of the Bank, but adjusted for contingent liabilities and for subsequent events, all in such manner as the board of directors of the Bank, the Auditors (as defined in the Trust Deed) or the liquidator of the Bank (as the case may be) may determine.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the applicable Pricing Supplement to be issued in NGN form or to be held under the NSS (as the case may be) the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes 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.

Global notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time. Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for DTC and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the applicable Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other permitted clearing system (the “**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Bank to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Bank in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Bank will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

## Exchange

### *Temporary Global Notes*

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the applicable Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*General Description of the Programme – Selling Restrictions*”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the applicable Pricing Supplement, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

### *Permanent Global Notes*

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “*Partial Exchange of Permanent Global Notes*”, in part for Definitive Notes or, in the case of (i) below, Registered Notes:

- (i) if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Issuing and Paying Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and
- (ii) otherwise, if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

### *Unrestricted Global Certificates*

If the Pricing Supplement states that the Notes are to be represented by an Unrestricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

- (ii) with the consent of the Bank,

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

#### *Restricted Global Certificates*

If the Pricing Supplement states that the Restricted Notes are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System. These provisions will not prevent the trading of interests in the

Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by that Restricted Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System (except for DTC) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Bank that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Restricted Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and the Bank is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (iii) with the consent of the Bank,

provided that, in the case of the first transfer of part of a holding pursuant to (i) and (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out in "*Transfer Restrictions*".

#### *Partial Exchange of Permanent Global Notes*

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes.

#### *Delivery of Notes*

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may, in the case of an exchange in whole, surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Bank will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be or if the Global Note is a NGN, the Bank will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**"

means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Bank will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

#### *Exchange Date*

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

#### *Amendment to Conditions*

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

#### *Payments*

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. For the purposes of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “business day” set out in Condition 7(h). If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the Bank shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Bank’s obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

All payments in respect of the Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 1 January and 25 December.

#### *Prescription*

Claims against the Bank in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

### *Meetings*

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

### *Cancellation*

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note on its presentation to or to the order of the Issuing and Paying Agent for endorsement in the relevant schedule of such permanent Global Note, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

### *Purchase*

Notes represented by a permanent Global Note may only be purchased by the Bank or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

### *Bank's Option*

Any option of the Bank provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Bank giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Bank is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, 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), DTC or any other Alternative Clearing System (as the case may be).

### *Noteholders' Options*

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, when the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the Bank shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

### *NGN nominal amount*

Where the Global Note is a NGN, the Bank shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of

payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

#### *Trustee's Powers*

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

#### *Notices*

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, notices shall also be published either on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

#### *Electronic Consent and Written Resolution*

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (a) approval of a resolution proposed by the Bank or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an “**Electronic Consent**” as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Bank and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Bank and/or the Trustee, as the case may be, by accountholders in the relevant clearing system(s) with entitlements to such Global Note or Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Bank and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “**commercially reasonable evidence**” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, and/or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any

form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Bank nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## CLEARING AND SETTLEMENT

### Book-Entry Ownership

#### *Bearer Notes*

The Bank may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note in bearer form without coupons may be deposited with a common depositary for Clearstream, Luxembourg and/or Euroclear or an Alternative Clearing System as agreed between the Bank and the Dealer. Transfers of interests in such temporary Global Notes or permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or, if appropriate, the Alternative Clearing System.

#### *Registered Notes*

The Bank may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of the Notes to be represented by an Unrestricted Global Certificate or a Restricted Global Certificate. Each Unrestricted Global Certificate or Restricted Global Certificate deposited with a common depositary for, and registered in the name of, a nominee of Clearstream, Luxembourg and/or Euroclear will have an ISIN and a Common Code.

The Bank and a relevant U.S. agent appointed for such purpose that is an eligible DTC participant may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by a Restricted Global Certificate. Each such Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under “*Transfer Restrictions*”. In certain circumstances, as described below in “*Transfers of Registered Notes*”, transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Restricted Global Certificates are deposited, and DTC will electronically record the nominal amount of the Restricted Notes held within the DTC system. Investors in Notes of such Tranche may hold their beneficial interests in an Unrestricted Global Certificate only through Clearstream, Luxembourg or Euroclear. Investors may hold their beneficial interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC’s nominee will be to or to the order of its nominee as the registered owner of such Restricted Global Certificate. The Bank expects that the nominee, upon receipt of any such payment, will immediately credit DTC participant’s accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. The Bank also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Bank, any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Restricted Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by an Unrestricted Global Certificate, in amounts specified in the applicable Pricing Supplement, and, in the case of Notes initially represented by a Restricted Global Certificate, in amounts of U.S.\$100,000 (or its equivalent

rounded upwards as agreed between the Bank and the relevant Dealer(s)), or higher integral multiples of U.S.\$1,000, in certain limited circumstances described below.

#### *Transfers of Registered Notes*

Transfers of interests in Global Certificates within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Clearstream, Luxembourg or Euroclear. In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in “*Subscription and Sale*”) relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Clearstream, Luxembourg or Euroclear by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent of details of that account at either Euroclear or Clearstream, Luxembourg or DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and to DTC to be credited and debited, respectively, with an interest in the relevant Global Certificates.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under “*Transfer Restrictions*”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and/or Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent, the Custodian, the Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the

disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see “*Transfer Restrictions*”.

DTC has advised the Bank that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for Individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Bank as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Bank, any Paying Agent or any Transfer Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by Individual Certificates will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

#### *Individual Certificates*

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in “*Summary of Provisions Relating to the Notes while in Global Form – Exchange – Restricted Global Certificates*” or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in “*Summary of Provisions Relating to the Notes while in Global Form – Exchange – Unrestricted Global Certificates*”. In such circumstances, the Bank will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Bank and the Registrar may require to complete, execute and deliver such Individual Certificates; and

- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

#### *Pre-issue Trades Settlement*

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that the Notes initially will settle beyond T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior the relevant Issue Date should consult their own adviser.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used for general funding purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

## BUSINESS DESCRIPTION OF THE GROUP

### The Bank

The Bank was founded in 1899 and is a leading full-service bank and financial services group in Cyprus. For a detailed description of the history and development of the Group, see "*History of the BOC Group and the Restructuring, the Recapitalisation and the Disposals* — " incorporated by reference herein.

The registered office of the Bank is located at the Group Headquarters at 51 Stassinou Street, Ayia Paraskevi, Strovolos, 2002 Nicosia, Cyprus, telephone number +357 22 122100. The Bank is a public company, limited by shares under the Cyprus Companies Law, Cap. 113, 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 Bank has a primary listing on the main market of the Cyprus Stock Exchange and a secondary listing on the Athens Exchange ("ATHEX"). The Bank is also a public company for the purposes of the Cyprus Income Tax Law, 118(I)/2002.

As at 30 October 2016 (being the last practicable date at which such figures could be obtained) the Bank's issued share capital comprised 8,922,944,533 ordinary shares of a nominal value of EUR 0.10 each, all of which were fully paid up.

### The Scheme of Arrangement

The Bank (the current holding company of the Group) announced on 15 November 2016 details of proposals to change the Group's corporate structure by introducing a new parent company of the Bank, incorporated in Ireland, with its tax residence in Cyprus, using a scheme of arrangement proposed to be made under sections 198 to 200 of the Cyprus Companies Law, between the Bank and its shareholders, to be presented for approval to the Cyprus Court on 21 December 2016 (the "**Scheme**").

BOCH was incorporated under the Irish Companies Act 2014 on 11 July 2016, as a public limited company under the name "Aion Cyprus Public Limited Company" and changed its name to "Bank of Cyprus Holdings Public Limited Company" on 10 August 2016. If the Scheme becomes effective, BOCH will become the holding company of the Bank and conduct all of its operations through its holding of the Bank and the Group.

The Scheme is subject to certain conditions (the "**Scheme Conditions**"). Subject to the Scheme becoming effective and the related applications for admission to listing and trading being successful, it is expected that the earliest date on which the Proposed Listing will become effective is 13 January 2017. In the event that any of the Scheme Conditions are not satisfied (or waived) prior to 31 March 2017 (being the latest date by which the Scheme may become effective, unless the Bank and BOCH agree a later date and (if appropriate) the Court so allows), the Scheme will be cancelled and will not become effective. If the Scheme does not become effective, the current listings of the BOC Shares on the CSE and on ATHEX will continue and holders of BOC Shares will retain their current holdings.

For a detailed description of the Scheme and its principal features (including the Scheme Conditions), see the pages of the section of the BOCH Prospectus entitled "*The Scheme of Arrangement*" that are incorporated by reference herein.

### Overview of the Group

The Group provides a wide range of financial products and services which include consumer and SME banking, corporate banking, international banking services and wealth, brokerage and asset management services, life assurance and general insurance.

At 30 June 2016, based on CBC data, the Group was the largest bank in Cyprus based on loans and deposits, with a market share of loans of 41.4% and a market share of deposits of 29.0%.

The Group operates primarily in Cyprus with limited operations abroad. As at 30 June 2016, the Group had a total of 131 branches (of which 125 operated in Cyprus, one operated in Romania, four operated in the United Kingdom and one operated in the Channel Islands). The Group also provides 24-hour online, mobile and telephone banking. The Group has representative offices in Russia, Ukraine and China. At 30 June 2016, the Group employed 4,279 staff worldwide.

The Group's total revenue from continuing operations for the six months ended 30 June 2016 was €542.5 million and was €1.1 billion for the year ended 31 December 2015. The majority of the Group's revenue is derived from banking and financial services, which accounted for 95.0% of total revenue from continuing operations for the six months ended 30 June 2016 and 95.4% for the year ended 31 December 2015.

At 30 June 2016, the Group's total assets, total liabilities and total equity were €22.7 billion, €19.6 billion and €3.1 billion, respectively. As one of the largest deposit-taking institutions and providers of loans in Cyprus, the Group's assets are mostly comprised of loans to businesses and households in Cyprus. At 30 June 2016, gross loans and advances to customers in Cyprus before fair value adjustments on initial recognition was €19.3 billion and accounted for 91.4% of gross loans and advances to customers before fair value adjustments on initial recognition.

#### *Gross loans analysis by customer sector*

The following tables set out the breakdown of the Group's gross loans and advances to customers before fair value adjustments on initial recognition by customer sector at the dates indicated below:

	30 June	31 December		
	2016	2015	2014	2013
	(€'000)	(€'000)	(€'000)	(€'000)
<b>Gross loans and advances to customers by customer sector</b>				
Corporate .....	9,669,971	10,828,867	10,585,146	11,246,833
SMEs .....	4,549,471	4,683,786	4,924,808	6,098,937
Retail				
—housing .....	4,273,742	4,303,798	4,384,270	5,423,519
—consumer, credit cards and other .....	2,129,137	2,183,957	2,238,655	2,862,581
International banking services .....	396,505	528,795	603,557	1,004,374
Wealth management .....	64,573	63,272	69,952	107,075
<b>Total .....</b>	<b>21,083,399</b>	<b>22,592,475</b>	<b>22,806,388</b>	<b>26,743,319</b>

#### *Gross loans and advances to customers classified as held for sale by customer sector*

	31 December
	2014
	(€'000)
Corporate .....	507,838
SMEs .....	163,152
Retail	
—housing .....	25,999
—consumer and other .....	204,867
International banking services .....	63,868
<b>Total .....</b>	<b>965,724</b>

#### *Customer deposits*

Customer deposits remain the Group's primary source of funding, with their contribution to the Group's total funding gradually increasing. Customer deposits (including those classified as held for sale where applicable) accounted for 79.3% of total funding at 30 June 2016, compared with 73.7%, 59.2% and 56.0% of total funding as at 31 December 2015, 2014 and 2013, respectively.

The following tables show a breakdown of the Group's customer deposits by type and geographical area at the dates indicated (deposits by geographical area are based on the originator country of the deposit):

	30 June	31 December		
	2016	2015	2014	2013
	(€'000)	(€'000)	(€'000)	(€'000)
<b>Customer deposits</b>				
<i>By type of deposit</i>				
Demand <sup>(1)</sup> .....	5,397,006	4,987,078	4,237,590	3,492,789
Savings <sup>(2)</sup> .....	1,036,340	1,033,991	955,556	925,549
Time or notice <sup>(3)</sup> .....	8,313,127	8,159,612	7,430,412	10,552,829
<b>Total</b> .....	<b>14,746,473</b>	<b>14,180,681</b>	<b>12,623,558</b>	<b>14,971,167</b>
<i>By geographical area</i>				
Cyprus .....	13,311,262	12,691,090	11,314,137	12,705,254
Russia <sup>(4)</sup> .....	—	—	—	918,491
United Kingdom .....	1,429,578	1,486,551	1,304,844	1,244,186
Romania .....	5,633	3,040	4,577	30,055
Ukraine .....	—	—	—	73,181
<b>Total</b> .....	<b>14,746,473</b>	<b>14,180,681</b>	<b>12,623,558</b>	<b>14,971,167</b>

(1) Demand deposit means a deposit (interest-bearing or non-interest-bearing) that can be withdrawn without prior notice.

(2) Savings deposit means an interest-bearing deposit that can be withdrawn without prior notice and allows cash deposits at any time.

(3) Time or notice deposit means an interest-bearing deposit that cannot be withdrawn for a present 'fixed' term or period of time. The account holder is required to give notice of withdrawal a specified number of days in advance of making any withdrawal in order to avoid penalties.

(4) Classified as held for sale at 31 December 2014.

For a more detailed discussion of the Group's business and operations, see the following sections of the BOCH Prospectus which are incorporated by reference herein: "Business Description", "Restructuring and Recoveries Division and Real Estate Management Unit", "History of the BOC Group, the Restructuring, the Recapitalisation and Disposals", "Risk Management", "The Macroeconomic Environment in Cyprus", and "The Banking Sector in Cyprus" and "Financial Services Regulation and Supervision".

## Board of Directors of the Bank

### Members of the Board of Directors

The business address of each of the directors in their capacity as directors of the Bank is 51 Stassinou Street, Ay. Paraskevi, Strovolos, 2002 Nicosia, Cyprus and their respective positions and date appointed to the Board of Directors are as follows:

Name	Position	Committee Membership	Latest Appointment Date
Josef Ackermann	Chairman and Independent Director	Nominations and Corporate Governance Committee	20 November 2014

Wilbur L. Ross, Jr.	Vice-Chairman and Independent Director	Nominations and Corporate Governance Committee Risk Committee	20 November 2014
Maksim Goldman	Vice-Chairman and Non-Independent Director	Audit Committee (as of 1 January 2017 Mr Goldman will leave the Audit Committee and join the Risk Committee) Nominations and Corporate Governance Committee	25 October 2016
Michael Spanos	Senior Independent Director	Human Resources and Remuneration Committee	25 October 2016
John Patrick Hourican	Group Chief Executive Officer and Non-Independent Executive Director		20 November 2014
Christodoulos Patsalides	Non-Independent Deputy Chief Executive Officer, Chief Operating Officer and Executive Director		24 November 2015
Arne Berggren	Independent Director	Audit Committee Risk Committee	25 October 2016
Marios Kalochoritis	Independent Director	Human Resources and Remuneration Committee Risk Committee	24 November 2015
Ioannis Zographakis	Independent Director	Audit Committee Risk Committee	24 November 2015
Michael Heger	Independent Director	Human Resources and Remuneration Committee Risk Committee (as of 1 January 2017 Mr Heger will leave the Risk Committee and join the Audit Committee)	25 October 2016

**Dr. Josef Ackermann.** *Chairman and Independent Director.* Dr. Ackermann was born in 1948. He is the former chairman of the management board and the group executive committee at Deutsche Bank. Dr. Ackermann joined Deutsche Bank's board of managing directors in 1996, where he was responsible for the investment banking division. Under his leadership, this business unit developed into one of Deutsche Bank's principal revenue sources and entered the top group of global investment banks. Prior to Deutsche Bank, Dr. Ackermann was president of Schweizerische Kreditanstalt (SKA), today's Credit Suisse. Dr. Ackermann has held numerous board positions, including sitting on the board of directors at Zurich Insurance Group, Royal Dutch Shell plc, Siemens AG and EQT Holdings AB, among others. Today, he still holds numerous mandates, amongst them, as the chairman of the Bank, as a member of the board of directors at Investor AB and Renova

Management AG and as a member of the international advisory board of Akbank. Dr. Ackermann also serves as honorary chairman of the St. Gallen Foundation for International Studies, honorary senate member of the Foundation Lindau Nobel Prizewinners Meetings at Lake Constance, vice chair of the board of trustees of The Conference Board, among other posts. Dr. Ackermann also served as chairman of the Institute of International Finance and as vice-chairman of the foundation board of the World Economic Forum. Dr. Ackermann studied economics and social sciences at the University of St. Gallen, where he earned his doctorate, and holds an honorary doctorate from the Democritus University of Thrace in Greece. Dr. Ackermann is also an honorary fellow of the London Business School, was visiting professor in finance at the London School of Economics, and was appointed honorary professor at the Johann Wolfgang Goethe University in Frankfurt.

**Wilbur L. Ross, Jr.** *Vice-Chairman and Independent Director.* Mr. Ross was born in 1937. He is the founder, chairman and chief strategy officer of WL Ross & Co. LLC, a private equity firm. Mr. Ross was also formerly the chief executive officer of WL Ross prior to 30 April 2014 when he became its chairman and chief strategy officer. In June 2016, Mr. Ross became a director of Nexeo Solutions, Inc. (formerly WL Ross Holding Corp of which he was the chairman and chief executive officer). Mr. Ross is currently a member of the board of directors of: ArcelorMittal, the world's largest steel and mining company; EXCO Resources, Inc., a natural gas and oil exploration company; DSS Holdings LP, a shipping transportation company; Sun Bancorp, Inc., a bank holding company; and the Bank. Mr. Ross formerly served as a member of the board of directors of many banks, financial and other companies, including but not limited to The Governor and Company of the Bank of Ireland, a commercial bank in Ireland until June 2014, BankUnited, Inc., until March 2014; Talmer Bancorp., Assured Guaranty, an insurance company; International Textile Group; NBNK Investments PLC; PB Materials Holdings, Inc.; Ohizumi Manufacturing; Ocwen Financial Corp.; Navigator Holdings, a marine transport company, and International Automotive Components until November 2014; Plascar Participacoes SA, a manufacturer of automotive interiors, until January 2014 and Air Lease Corporation, an aircraft leasing company from 2010 to December 2013; International Coal Group from April 2005 to June 2011, Montpelier Re Holdings Ltd., a reinsurance company, from 2006 to March 2010; The Greenbrier Companies, a supplier of transportation equipment and services to the railroad industry from June 2009 until January 2013. Mr. Ross was executive managing director of Rothschild Inc. for 24 years before acquiring that firm's private equity partnerships in 2000. Mr. Ross is a graduate of Yale University and of Harvard Business School. Through the course of Mr. Ross' career, he has served as a principal financial adviser to, investor in, and director of various companies across the globe operating in diverse industries, and he has assisted in restructuring more than \$500 billion of corporate liabilities. Mr. Ross is well qualified to serve as a director due to his over 35 years of experience in private equity, numerous public and private company directorship roles, and globally-recognised financial expertise having been elected to both the Private Equity Hall of Fame and the Turnaround Management Association Hall of Fame. Mr. Ross has been appointed by President Clinton to the board of directors of the U.S.-Russia Investment Fund and has served as privatisation advisor to New York City's Mayor Guiliani. He was awarded a medal by President Kim Dae Jung for assisting Korea during its financial crisis and in 2014 was awarded the Order of the Rising Sun with Gold and Silver Stars by the Japanese government.

**Maksim Goldman.** *Vice-Chairman and Non-Independent Director.* Mr. Goldman was born in 1971. He currently serves as director of strategic projects at Renova Group where he is responsible for coordinating the business development of various significant assets under management of the Renova Group. Mr. Goldman is currently the vice chairman of the Bank and a member of the board of directors of United Company Rusal Plc, OAO "Volga", FC "Ural" and United Manganese of Kalahari. Previously, Mr. Goldman served as deputy chief legal officer of Renova Group, responsible for implementing the investment policy and support of key mergers and acquisitions transactions. During 2005 to 2007, he worked as vice president and international legal counsel of OAO Sual-Holding, which was the management company for OAO "SUAL", the second largest aluminium producer in Russia, and also participated in the creation of United Company Rusal through combination of the assets of Sual-Holding, Rusal and Glencore. From 1999 to 2005, Mr. Goldman worked as an associate at Chadbourne & Parke LLP in New York and in Moscow. Mr. Goldman holds a J.D. from the School of Law, University of California (Los Angeles). He also holds a bachelor of arts degree in history from the University of California (Los Angeles).

**John Patrick Hourican.** *Group Chief Executive Officer and Executive Director.* Mr. Hourican was born in 1970. He currently serves as the GCEO of the Bank. He served as chief executive of The Royal Bank of Scotland Group's ("RBS") Investment Bank (Markets & International Banking) from October 2008 until February 2013. Between 2007 and 2008, he served on behalf of a consortium of banks (RBS, Fortis and Santander) as chief financial officer of ABN AMRO Group and as a member of its managing board. He joined RBS in 1997 as a leveraged finance banker. He held a variety of senior positions within RBS's wholesale banking division, notably on the division's board as finance director and chief operating officer. He also ran RBS's leveraged finance business in Europe and Asia. Mr. Hourican started his career at Price Waterhouse and he is a fellow of the Institute of Chartered Accountants in Ireland. He is a graduate of the National University of Ireland and Dublin City University.

**Michael Spanos.** *Senior Independent Director.* Mr. Spanos was born in 1953. He currently serves as a senior independent director of the Bank; a managing director of M.S. Business Power Ltd, which provides consultancy services on strategic and business development (since 2008); the non-executive chairman of Lanitis Bros Ltd (since 2008); and the founding chairman of Green Dot (Cyprus) Public Co. Ltd (since 2004). Mr. Spanos worked at Lanitis Bros Ltd from 1981 to 2008 as marketing manager, general manager and managing director. Between 2005 and 2009, Mr. Spanos served as vice-chairman of the board of directors of the Cyprus International Institute (Cyprus and Harvard School of Public Health). Mr. Spanos has also served on other boards, such as Heineken-Lanitis (Cyprus) Ltd. (2005 to 2007), Lumiere T.V. Public Ltd (2000 to 2012), A. Petsas & Sons Public Ltd. (2000 to 2007), Cyprialife Insurance Ltd (then known as Laiki Cyprialife Insurance Limited) (1995 to 2000) and Coca-Cola İçecek (2012-2016). Mr. Spanos is a former director of the CBC's board of directors. Mr. Spanos holds a master's degree and a bachelor of arts degree in economics from North Carolina State University.

**Marios Kalochoritis.** *Independent Director.* Mr. Kalochoritis was born in 1973. He currently serves as a non-executive, independent director of the Bank. He currently serves as the managing partner of Loggerhead Partners an investment consulting and advisory firm that he founded, based in Dubai. His expertise includes investment banking, hedge fund management, private equity, wealth management and as a chief financial officer. Geographically he has covered North and South America, Western and Eastern Europe and the Middle East. He is experienced in start-ups and turnaround situations. Previously, he spent close to 6 years in Cyprus where, as a co-founder and a managing director, he had set up and ran the operations and risk management of a global macro hedge fund. Prior to that he was a senior vice president for Bank Clariden Leu (now Credit Suisse) in Zurich and he headed business development for Central and Eastern Europe and Turkey. Between 2003 and 2006 he was the group chief financial officer for Amana Group in Dubai, a major regional construction and industrial group, where he led the group's corporate restructuring process. During 2001-2003 he was the co-founder and Vice President of a boutique financial intermediary in New York, backed by the Blackstone Group. He started his career at Enron in Houston where as a financial analyst and later an associate in the finance department, he worked and led investments and transactions in oil & gas, energy and other infrastructure opportunities around the world. He also interned with J.P. Morgan Chase (M&A team) in New York and McKinsey & Co in Athens. He holds a master's degree in business administration from Harvard Business School and a bachelor's of science degree in finance from Louisiana State University. He is a member of the Institute of Directors.

**Arne Berggren.** *Independent Director.* Mr. Berggren was born in 1958. He currently serves as a non-executive, independent member of the board of the Bank. He has been involved in corporate and bank restructurings, working for both the private sector as well as for international organisations since the early 90s starting with Nordea during the Swedish financial crisis. This was followed by bank crises management and bank restructuring assignments in numerous countries in Latin America, Eastern Europe and Asia, and more recently during the current financial crisis in the Baltics, Spain and Slovenia. He has been head of financial restructuring and recovery at Carnegie Investment Bank AB and Swedbank AB and as chief executive officer of Swedcarrier AB he led the restructuring of parts of Swedish Rail. Mr. Berggren has held numerous board positions in the financial and corporate sector including a position on the board of directors at LBT Varlik

Yönetim AS and DUTB Ltd. He is a graduate in economics of the University of Uppsala, Sweden and he continued at the Universities of Amsterdam, Geneva and New York for post graduate studies.

**Ioannis Zographakis.** *Independent Director.* Mr. Zographakis was born in 1963. He currently serves as a non-executive director of the Bank. He is a senior executive with a broad and diverse international experience in the banking industry. He has worked with Citibank for over 20 years, in the United States, United Kingdom and Greece. His line/business positions and divisional/corporate responsibilities have provided him with an extensive background in corporate governance, business restructuring, re-engineering, crisis management, separation of businesses, business strategy, profit & loss management, finance, product and segment management, operations & technology management, and dealing with various regulatory bodies and industry related organisations. He started his career in 1990 with Citibank in Greece as a management associate for Europe, Middle-East & Africa (EMEA). He then worked as the deputy treasurer and treasurer for the Citibank Consumer Bank in Greece, before moving to the United States in 1996 as the director of finance for Citibank CitiMortgage. In 1997, he became the financial controller for Citibank's consumer finance business in the United States and then he was the director of finance and acting chief financial officer for the consumer assets division. From 1998 until 2004, he worked in the Student Loan Corporation ("SLC"), a Citigroup subsidiary and a New York Stock Exchange traded company. He started as the chief financial officer, became the chief operations officer and in 2001 he was named the chief executive officer. In 2005, he moved back to Europe as Citibank's consumer lending head for EMEA and head of its UK Retail Bank. Deciding to move closer to home in 2006, he took the position as Citibank's Retail Bank head in Greece where he stayed until 2011, before moving back to Cyprus consulting on financial services when requested. He has been a director for the SLC in the United States, a director for Tiresias (Greek Credit Bureau) and the secretary of the audit committee, a director and member of the audit committee for Diners Club Greece, the vice-chairman of the Citi Insurance Brokerage Board in Greece and the chairman of the Investments and Insurance Supervisory Committee in Citibank Greece. He holds a bachelor's degree in civil engineering from Imperial College in London and a master's degree in business administration (management) from Carnegie Mellon University in the United States.

**Christodoulos Patsalides.** *Deputy Chief Executive Officer, Chief Operating Officer and Executive Director.* Dr. Patsalides was born in 1962. He currently serves as the Group's deputy chief executive officer and chief operating officer. From 1989 to 1996, Dr. Patsalides previously worked for the CBC in the Management of Government External Debt and Foreign Exchange Reserves department. In 1996, Dr. Patsalides joined the Bank where he has held a number of positions in corporate banking, treasury and private banking, among others. From December 2013 to April 2016, Dr. Patsalides served as finance director and was responsible for finance, treasury, investor relations, economics research and procurement. In Dr. Patsalides' current capacities as the deputy chief executive officer and chief operating officer, he is responsible for human resources, corporate affairs, central operations, legal services, organisation and methods, information technology, business transformation and administrative operations. He has recently been appointed to the board of directors of the Cyprus anti-Cancer Society (a charity organisation). Dr. Patsalides holds a bachelor of science degree in economics from Queen Mary College in London and a master of science degree and a doctor of philosophy degree in economics from the London School of Economics.

**Dr. Michael Heger.** *Independent Director.* Dr. Heger was born in 1955. He currently serves as a non-executive, independent director of the Bank. He began his career in 1980 as a manager in export finance and legal affairs for Waagner-Biro AG in Vienna, Austria. Having spent two years at Waagner-Biro AG, he moved to UniCredit Bank Austria Group, where he held various management positions, from 1982 to 2002. Between 2001 and 2002, he served as general manager and head of structured trade finance at Bank Austria AG. From 2002 to 2003, he served as the deputy general manager and head of international division for Raiffeisenlandesbank Niederösterreich-Wien AG. Dr. Heger then joined MPH Management and Participation Holding S.A., a special purpose company for equity participation in commercial and industrial companies, financial institutions and in property developments as well as for financial and consulting services for domestic and international clients and commodity trading, as the general manager of finance and investment and head of the representative office. He occupied this role between 2004 and 2009, after which he served as general manager and chief executive officer of Metal Trade Overseas AG in Zug, Switzerland until 2012. Since 2013, he has served as the general manager

of finance and investment and as an independent senior advisor for S.I.F International Holding S.A., Luxembourg at its representative office in Vienna. He holds a doctorate in law from the University of Vienna and obtained a postgraduate degree in law from the College of Europe in Bruges, Belgium.

### ***Future Appointment***

On 30 August 2016 the Bank announced its intention to appoint Ms. Lyn Grobler to the Board of Directors. The appointment is subject to the approval at the ECB.

**Ms. Lyn Grobler. *Independent Director.*** Ms Grobler was born in South Africa. It is intended that she will serve as a non-executive independent director of the Bank. Ms. Grobler has worked in information technology for 30 years. Ms Grobler managed a number of large scale global technology projects and strategies based in both London and South Africa before joining British Petroleum in 2000. Ms. Grobler worked at British Petroleum for 16 years, holding a variety of different roles across information technology and global trading, exiting as Vice President & Chief Information Officer, Corporate Functions, where she led the transformation of both the organisation and the digital landscape through introducing sustained change in process, capability and technology. Ms Grobler was appointed Group Chief Information Officer of Hyperion Insurance Group in 2016 and is a member of Hyperion's Group Executive Committee. Ms Grobler graduated in 1985 from Cape Peninsula Technology University in South Africa with a Higher National Diploma in Electronic Data Processing.

### **Executive Committee**

The executive committee consists of the following members:

<b>Name</b>	<b>Position</b>
John Patrick Hourican	Group Chief Executive Officer
Christodoulos Patsalides	Deputy Chief Executive Officer and Chief Operating Officer
Michalis Athanasiou	Chief Risk Officer
Eliza Livadiotou	Finance Director
Charis Pouangare	Director Consumer and SME Banking
Panicos Nicolaou	Director Corporate Banking
Louis Pochanis	Director International Banking Services and Wealth, Brokerage & Asset Management
Aristos Stylianou	Executive Chairman, Insurance
Nick Fahy	Chief Executive Officer, Bank of Cyprus UK Ltd. & Bank of Cyprus (Channel Islands) Ltd
Anna Sofroniou	Director Real Estate Management Unit
Nick Smith	Director Restructuring and Recoveries

For a discussion of the Group's management and corporate governance arrangements, including those which are anticipated following the Scheme becoming effective, see the section of the BOCH Prospectus entitled "*Management and Corporate Governance*" which is incorporated by reference herein.

## RECENT TRENDS

The following financial information in relation to the Group has been extracted, or derived, from the Third Quarter Financial Information or has been extracted or derived from those of the Group's accounting records and financial reporting and management systems that have been used to prepare its financial information. All financial information included in this section is unaudited.

### *Review of the nine month period ended 30 September 2016*

The Bank further reduced the level of ELA funding from €2.4 billion at 30 June 2016 to €1.3 billion at 30 September 2016 (€3.8 billion at 31 December 2015). At the date of this Offering Circular, the level of ELA funding was €0.3 billion. At the same time, the Group's customer deposits increased from €14.7 billion at 30 June 2016 to €15.6 billion at 30 September 2016, a 6.1% increase comprised of €831.6 million in Cypriot resident deposits (a significant proportion of which were Government deposits) and €65.1 million in non-Cypriot resident deposits. The Group's customer deposits increased by €1.5 billion, or 10.3%, from 31 December 2015 to 30 September 2016. The Group's market share for Cypriot resident deposits also increased from 27.2% at 30 June 2016 to 28.8% at 30 September 2016 (source: CBC data).

The Group's gross loans totalled €20,596 million at 30 September 2016, compared to €21,083 million at 30 June 2016 and €22,592 million at 31 December 2015. The Group's gross loans in Cyprus totalled €18,773 million at 30 September 2016 and accounted for 91% of Group gross loans.

At 30 September 2016, 90+DPD loans decreased by 5.4% to €8.8 billion from €9.3 billion at 30 June 2016 and by 22.6% from €11.3 billion at 31 December 2015. At 30 September 2016, the 90+DPD ratio decreased by 1.4 percentage points to 42.6% from 44.0% at 30 June 2016 and by 7.5 percentage points from 50.1% at 31 December 2015.

In December 2015, REMU was set up as part of the Group's efforts to provide solutions to distressed borrowers and properties acquired through repossession by moving to a model that involves on-boarding a larger volume of properties than in prior years. REMU is a specialised unit specially created to actively manage such properties (including selective investment and development) with an intention to more effectively manage monetisation of the Bank's real estate assets and portfolios in Cyprus, Greece and Romania. During the nine months ended 30 September 2016, REMU acquired €893.9 million of assets through the execution of debt for property swaps and disposed of real estate assets amounting to €109.8 million. At 30 September 2016, REMU had properties under management with a total carrying value of €1.3 billion.

### *Recent Trends*

The Group maintains a leading position in Cyprus for lending and aims to provide lending to the more promising sectors of the recovering Cypriot economy as well as to viable businesses and consumers. New lending provided by the Group in Cyprus for the nine months ended 30 September 2016 was €667.2 million and the Group's market share for loans in Cyprus was 41.1% at 30 September 2016. The Cypriot economy continued to improve during the third quarter of 2016. Real GDP in the third quarter of 2016 grew 0.7% quarter-on-quarter (seasonally adjusted) as compared to growth of 0.8% quarter-on-quarter (seasonally adjusted) in the second quarter of 2016 (source: Cyprus Statistical Service, flash estimate dated 15 November 2016). The overall improvement of the Cypriot economy during the first three quarters of 2016 was reflected in ratings upgrades by the credit ratings agencies. In August 2016, Moody's Investor's Service Ltd ("**Moody's**") affirmed its Cyprus government bond rating of 'B1' to reflect Cyprus' economic recovery and the expectation of continued economic growth and maintained its credit outlook at 'stable' to reflect balanced upside and downside risks. On 16 September 2016, Standard and Poor's Credit Market Services Europe Limited ("**S&P**") raised Cyprus' long-term sovereign credit rating to 'BB' to reflect Cyprus' economic growth and debt reduction as well as improvement in the banking sector's asset quality. S&P maintained their 'positive' outlook to reflect the

view that Cyprus could be further upgraded within the next twelve months if the reduction of non-performing loans accelerates or if net government debt drops below 80% of GDP. On 21 October 2016, Fitch Ratings Limited ("**Fitch**") upgraded its Cyprus long-term issuer default rating to 'BB-' to reflect continuing progress in economic adjustment particularly in terms of the economic recovery, the strengthening of the banking sector and fiscal management. Fitch maintained a 'positive' outlook to reflect the view that Cyprus could be further upgraded in the next twelve months if the economic recovery continues, overall asset quality improves, the government debt to GDP ratio declines and the current account deficit narrows with a sustained track record of access to capital markets at affordable rates. In November 2016, Moody's revised their outlook from 'stable' to 'positive'.

The Group continues to focus on its core operations in Cyprus as well as pursue a focused growth strategy in the UK, targeting entrepreneurs and the 'buy-to-let' market. For the nine months ended 30 September 2016, BOC UK has provided new lending of €327.6 million. In line with the Group's strategy to dispose non-core assets, the Group has decided to wind down the operations of BOC CI (completion of this process is targeted during 2016) and to relocate its business to other Group locations.

### ***Further Developments***

- The Scheme and the Scheme Resolutions were approved by an extraordinary general meeting of the shareholders of the Bank on 13 December 2016.
- At its meeting on 13 December 2016, the Board of Directors of the Bank approved the replacement of Mr Maksim Goldman as a member of the Audit Committee by Dr Michael Heger who is currently a member of the Risk Committee. At the same time, Mr Goldman will be assuming Dr Heger's position as a member of the Risk Committee. The changes will be effective as of 1 January 2017.

## TAXATION

### Cyprus Taxation

*The following is a general description of certain tax aspects of the Notes under Cypriot law as at the date of this Offering Circular and does not purport to be a comprehensive description of all tax aspects relating to the Notes. Prospective investors should consult their tax and other professional advisers as to the specific tax consequences of acquiring, holding and disposing of the Notes.*

### 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 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.

### Interest Income

#### *Non-Cyprus Tax Residents*

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 defence tax.

#### *Cyprus tax resident individuals*

Under the provisions of the Income Tax Law, 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 is subject to 30 per cent. withholding pursuant to the provisions of the Special Contribution for the Defence Fund of the Republic Law, Law 117(I) of 2002 (as amended) (the “**SCDF Law**”).

In July 2015, the SCDF law was amended so that an individual will now be subject to Special Defence Contribution (the “**SDC**”) if he/she is a resident of Cyprus for tax purposes and is also considered to be domiciled in Cyprus. The key amendments are as follows:

- With the introduction of “non-domicile” or “non-dom” rules, a Cyprus tax resident individual who is not domiciled in Cyprus be exempt from tax under the SCDF Law on any interest income regardless of whether such income is derived from sources within Cyprus and regardless of whether such income is remitted to a bank account or economically used in Cyprus.
- The term “domiciled in Cyprus” is defined in the law as an individual who has a Cypriot domicile of origin in accordance with the Wills and Succession Law, Cap 195 (the “**Wills and Succession Law**”) (i.e. the domicile of the father at the time of birth) but it does not include:
  - (i) an individual who has obtained and maintained a domicile of choice outside Cyprus in accordance with the Wills and Succession Law, provided that such an individual has not been a tax resident of Cyprus for a period of 20 consecutive years preceding the tax year; or
  - (ii) an individual who has not been a tax resident of Cyprus for a period of 20 consecutive years prior to the introduction of the law.

Notwithstanding the above, an individual who has been a tax resident of Cyprus for at least 17 years out of the last 20 years prior to the relevant tax year, will be considered to be “domiciled in Cyprus” and as such be subject to SDC regardless of his/her domicile of origin.

The law includes anti-abuse provisions pursuant to which any transfer of assets made by a person who is domiciled in Cyprus to a relative up to a third degree of kindred who is not domiciled in Cyprus and in the Commissioner's opinion such transfer was made with the main purpose to avoid the imposition of SDC, the income arising from those assets will be subject to SDC.

#### *Cyprus tax resident companies*

The interest received or credited by a resident company is subject to:

- (a) 12.5 per cent. pursuant to the provisions of the Income Tax Law, provided that this interest is derived from the ordinary carrying on of its business or closely connected with the carrying on of its business; or
- (b) 30 per cent. pursuant to the provisions of the SCDF Law, if that interest is not derived from the ordinary carrying on of its business and is not closely connected with the carrying on of its business.

#### **Stamp Duty**

The Stamp Duty Law 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 Law, the First Schedule thereto provides a stamp duty of 0.15 per cent. for amounts from €5,001 up to €170,000 and 0.2 per cent. for amounts above €170,000 with a maximum flat stamp duty of €20,000.00.

The issue of the Notes may be liable to stamp duty. If so chargeable, stamp duty of €20,000.00 will be payable by the Bank.

So long as the Notes are cleared through Euroclear and Clearstream, Luxembourg, sales or transfers of the Notes (whether effected by residents or non-residents of Cyprus) will not attract stamp duty in Cyprus.

#### **Profit from the Disposal of the Notes**

Any gains derived from the disposal of the Notes by a Cyprus resident natural person or legal entity is exempt from income tax in Cyprus.

Any gains from the disposal of the Notes is not subject to Cyprus income tax, irrespective of trading nature of the gain, the number of Notes held or the period for which the Notes were held. Any gain is also outside the scope of application of the Capital Gains Tax Law 1980-2002 (as amended).

#### ***FATCA Withholding***

FATCA imposes a withholding tax of 30 per cent. on (i) certain U.S. source payments and (ii) payments of gross proceeds from the disposition of assets that produce U.S. source interest or dividends made to persons that fail to meet certain certification or reporting requirements. In order to avoid becoming subject to this withholding tax, non-U.S. financial institutions must enter into agreements with the IRS (“**IRS Agreements**”) (as described below) or otherwise be exempt from the requirements of FATCA. Non-U.S. financial institutions that enter into IRS Agreements or become subject to provisions of local law (“**IGA legislation**”) intended to implement an IGA entered into pursuant to FATCA, may be required to identify “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In addition, in order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with

any applicable IGA legislation, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made (i) currently in respect of certain U.S. source payments, (ii) on or after 1 January, 2019 in respect of payments of gross proceeds (including principal repayments) on certain assets that produce U.S. source interest or dividends and (iii) on or after 1 January, 2019 (at the earliest) in respect of “foreign passthru payments” and then, for “obligations” that are not treated as equity for U.S. federal income tax purposes, only on such obligations that are issued or materially modified after the date that is six months after the date on which the final regulations applicable to “foreign passthru payments” are filed in the Federal Register.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Bank, any paying agent and the Common Depositary or Common Safekeeper, given that each of the entities in the payment chain between the Bank and the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA-compliant holder could be subject to withholding. However, definitive Notes will only be printed in remote circumstances.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Bank, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

The application of FATCA to Notes issued or materially modified after the date that is six months after the date on which the final regulations applicable to “foreign passthru payments” are filed in the Federal Register, (or whenever issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in the applicable Pricing Supplement.

**FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE BANK, THE NOTES AND THE HOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISOR TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.**

#### **The proposed financial transactions tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A

financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **Luxembourg taxation**

The following information is of a general nature only and 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. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes 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.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

#### *Withholding Tax*

##### **(i) Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

##### **(ii) Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005 as amended (the “**Relibi Law**”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the “**Territories**”), as amended) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10 per cent. 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 Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 10 per cent.

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 16 December 2016 (the “**Dealer Agreement**”) between the Bank, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Bank to the Permanent Dealers. However, the Bank has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Bank through the Dealers, acting as agents of the Bank. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Bank will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Bank has agreed to reimburse the Arranger for its expenses incurred in connection with the update of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the applicable Pricing Supplement.

The Bank has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Bank.

### Selling Restrictions

#### *United States*

The Notes 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 certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Notes 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 a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that except as permitted by the Dealer Agreement, they have not offered, sold or delivered and will not offer, sell or, in the case of Bearer Notes, deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Issuing and Paying Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Issuing and Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Offering Circular has been prepared by the Bank for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Bank and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any qualified institutional buyer in the United States to any U.S. person or to any other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer with respect thereto, is unauthorised and any disclosure without the prior written consent of the Bank of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer, is prohibited.

#### *Public Offer Selling Restriction 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 Notes to be issued under this Offering Circular 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 Notes to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) at any time to fewer than 150 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 Bank for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Bank 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.

For the purposes of this provision:

- the expression “**an offer of Notes to the public**” in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, 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 (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

#### *United Kingdom*

Each Dealer has represented and agreed that:

- (i) 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 Notes in circumstances in which Section 21(1) of the FSMA would not, if the Bank was not an authorised person, apply to the Bank; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### *Cyprus*

Each Dealer has represented and agreed that:

- (a) it has not made and will not make an offer for sale or sell any Securities 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 (as amended) (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 Securities 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 (as amended) with respect to any offer or sale of the Securities in Cyprus.

#### **General**

These selling restrictions may be modified by the agreement of the Bank and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular, any other offering material or any Pricing Supplement and neither the Bank nor any other Dealer shall have responsibility therefor.

## TRANSFER RESTRICTIONS

### Rule 144A Notes

Each Purchaser of Restricted Notes within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

- (1) It is (a) a qualified institutional buyer within the meaning of Rule 144A (“**QIB**”), (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
- (2) The Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.
- (3) Such Notes, unless the Bank determines otherwise in compliance with applicable law, will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

- (4) It understand that the Bank, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (5) It understands that the Notes offered in reliance on Rule 144A will be represented by one or more Restricted Global Certificates. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (6) Distribution of this Prospectus, or disclosure of any of its contents to any person other than such purchaser and those persons, if any, retained to advise such purchaser with respect thereto is

unauthorised, and any disclosure of any of its contents, without the prior written consent of the Bank, is prohibited.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

### **Regulation S Notes**

Each purchaser of Registered Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Bank or a person acting on behalf of such an affiliate.
- (2) It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
- (3) It understands that such Notes, unless otherwise determined by the Bank in accordance with applicable law, will bear a legend to the following effect:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.”
- (4) It understands that the Bank, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
- (5) It understands that the Notes offered in reliance on Regulation S will be represented by one or more Unrestricted Global Certificates. Prior to the expiration of the distribution compliance period, before any interest in an Unrestricted Global Certificate representing Notes issued by the Bank may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (6) It is expected that delivery of the Notes may be made against payment therefor on or about a date which will occur more than three business days after the date of pricing of the Notes which date may be specified in the Final Terms. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes may initially settle on or about a date which will occur more than three business days after the date of pricing of the Notes, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own advisor.

## FORM OF PRICING SUPPLEMENT

Pricing Supplement dated [●]

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC (AS AMENDED) FOR THE ISSUE OF NOTES DESCRIBED BELOW.**

**BANK OF CYPRUS PUBLIC COMPANY LIMITED (the “Bank”)**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the **€4,000,000,000 Euro Medium Term Note Programme**

### PART A– CONTRACTUAL TERMS

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 16 December 2016 [as supplemented by the supplement[s] dated [date[s]]] (the “**Offering Circular**”). Full information on the Bank and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. Copies of the Offering Circular may be obtained from [address].

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the [Offering Circular].

*[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 (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.]*

- |   |           |  |   |
|---|-----------|--|---|
| 1 | [ (i) ]   | Series Number:                           | [●]   |
|   | [ (ii) ]  | Tranche Number:                          | [●]   |
|   | [ (iii) ] | Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below [which is expected to occur on or about [insert date]]].] |
| 2 |           | Specified Currency or Currencies:        | [●]   |
| 3 |           | Aggregate Nominal Amount:                | [●]   |
|   | [ (i) ]   | Series:                                  | [●]   |
|   | [ (ii) ]  | Tranche:                                 | [●]   |
| 4 |           | Issue Price:                             | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]  |

5	Net proceeds of issue:	[●]
6	(i) Specified Denominations:	[●]  <i>(Note – where multiple denominations above €100,000 (or equivalent) are being used the following sample wording should be followed:</i>  <i>[€100,000] and integral multiples of [€1,000] in excess thereof [up to and including [€199,000], No notes in definitive form will be issued with a denomination above [€199,000] ]</i>
	(ii) Calculation Amount:	[●]  <i>(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor). (Note: There must be a common factor in the case of two or more Specified Denominations)</i>
7	[(i)] Issue Date:	[●]
	[(ii)] Interest Commencement Date	[[●]/Issue Date/Not Applicable]  <i>(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes)</i>
8	Maturity Date:	[●]  <i>(Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year. In the case of Senior Subordinated Notes and Tier 2 Capital Notes, the maturity date must be such to enable it to be an eligible liability for the purposes of the relevant regulations)</i>
9	Interest Basis:	[[●] per cent. Fixed Rate] [Fixed Rate Reset Notes] [[●] month [LIBOR/EURIBOR] ] +/- [●] per cent. Floating Rate] [Zero Coupon] <i>(See paragraph 15/16/17/18 below)</i>
10	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
11	Change of Interest Basis:	[For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] paragraph [15/16/17] applies and for the period from (and including) [date], up to (and including) the Maturity Date, paragraph [15/16/17] applies]/[Not Applicable]
12	Put/Call Options:	[Investor Put]

[Issuer Call]

[Not Applicable]

[See paragraph [19/20/21/22] below)]

- 13 [Date [Board] approval for issuance of Notes obtained: [●]

*(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]*

- 14 Status of the Notes: [Senior Notes/Subordinated Notes - Senior Subordinated Notes/Subordinated Notes - Tier 2 Capital Notes]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 15 **Fixed Rate Note Provisions** [Applicable/Not Applicable]

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

- (i) Rate[(s)] of Interest: [●] per cent. per annum payable in arrear on each Interest Payment Date]
- (ii) Interest Payment Date(s): [●] in each year from and including [●], up to and including [●]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]]/[Not Applicable]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA)/ISDA/include any other option from the Conditions)]
- (vi) [Determination Dates: [[●] in each year]/[Not Applicable]

*(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*

- 16 **Fixed Rate Reset Note Provisions** [Applicable/Not Applicable]

- (i) Initial Rate of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear on each Interest Payment Date]
- (ii) Interest Payment Date(s): [[●] in each year from and including [●], up to and including [●]]
- (iii) Fixed Coupon Amount to (but excluding) the First Reset Date: [●] per Calculation Amount
- (iv) Broken Amount(s): [[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]]/[Not Applicable]

(v)	Day Count Fraction:	[30/360/Actual/Actual (ICMA)/ISDA/include any other option from the Conditions]
(vi)	[Determination Dates:	[[●] in each year]/[Not Applicable]
		<i>(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))</i>
(vii)	Reset Determination Date(s):	[[●] in each year]/[Not Applicable]
(viii)	First Reset Date:	[●]
(ix)	Second Reset Date:	[●]/[Not Applicable]
(x)	Subsequent Reset Date(s):	[●] [and [●]]/[Not Applicable]
(xi)	Initial Mid-Swap Rate:	[●] per cent. per annum (quoted on [annual/semi-annual basis])
(xii)	Mid-Swap Rate:	[●]
(xiii)	Mid-Swap Rate Conversion:	[Applicable/Not Applicable]
	- Original Mid-Swap Rate:	[Annual/Semi-annual/Quarterly/Monthly]
(xiv)	First Reset Margin:	[+/-][●] per cent. per annum
(xv)	Subsequent Reset Margin:	[+/-][●] per cent. per annum
(xvi)	Relevant Screen Page:	[●]
(xvii)	Relevant Time:	[●]
(xviii)	Mid-Swap Floating Leg Maturity:	[●]
17	<b>Floating Rate Note Provisions</b>	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Interest Period(s):	[[●] [, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(ii)	Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(iii)	Interest Period Date:	[Not Applicable]/ [[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business

Day Convention in (v) below is specified to be Not Applicable]]

- (iv) First Interest Payment Date: [●]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
- (vi) Business Centre(s): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [●]
- (ix) Screen Rate Determination: [Applicable/Not Applicable]
  - Reference Rate: [[●] month [LIBOR/EURIBOR]]
  - Interest Determination Date(s): [●]
  - Relevant Screen Page [●]
- (x) ISDA Determination: [Applicable/Not Applicable]
  - Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (xi) Linear Interpolation [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (xii) Margin(s): [+/-][●] per cent. per annum
- (xiii) Minimum Rate of Interest: [●] per cent. per annum
- (xiv) Maximum Rate of Interest: [●] per cent. per annum
- (xv) Day Count Fraction: [Actual/Actual]  
[Actual/Actual – ISDA]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360], [360/360] or [Bond Basis]

		[30E/360] or [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA] [Not applicable]
18	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]  <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) [Day Count Fraction in relation to Early Redemption Amounts:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360], [360/360] or [Bond Basis] [30E/360] or [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA] [Not applicable]
<b>PROVISIONS RELATING TO REDEMPTION</b>		
19	<b>Call Option</b>	[Applicable/Not Applicable]  <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount]/[Condition 6(b) applies]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●] days
20	<b>Capital Event</b>	[Applicable/Not Applicable] <i>(may only be applicable for Tier 2 Capital Notes)</i>
21	<b>Eligible Liabilities Event</b>	[Applicable/Not Applicable] <i>(may only be applicable for Senior Subordinated Notes)</i>
22	<b>Put Option</b>	[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 Note and method, if any, of calculation of such amount(s): [[●] per Calculation Amount]/[Condition 6(b) applies]
  - (iii) Notice Period: [●] days
- 23 **Final Redemption Amount of each Note** [●][Par] per Calculation Amount
- 24 **Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons, upon the occurrence of a Capital Event, upon the occurrence of an Eligible Liabilities Event or on event of default or other early redemption: [●]/[Par] per Calculation Amount

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 25 Form of Notes: **Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes in accordance with its terms]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Registered Notes:**
- [Restricted Global Certificate registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is held under the New Safekeeping Structure (NSS)]
- [Unrestricted Global Certificate registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]]
- 26 [New Global Note] / [Notes held under the New Safekeeping System]: [Yes][No]

- |    |   |  |
|----|---|--|
| 27 | Financial Centre(s) or other special provisions relating to payment dates:                            | [Not Applicable/ <i>give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 17(vi) relates</i> ] |
| 28 | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | [No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]  |

### THIRD PARTY INFORMATION

[(*Relevant third party information*) has been extracted from (*specify source*). The Bank 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.]

Signed on behalf of the Bank

By: \_\_\_\_\_  
Duly authorised

## PART B– OTHER INFORMATION

### 1 LISTING AND ADMISSION TO TRADING

- (i) Listing: [Official List of the Luxembourg Stock Exchange/other (specify)/None]
- (ii) Admission to trading: [Application [has been/will be/is expected to be] made by the Bank (or on its behalf) for the Notes to be admitted to trading on [the Euro MTF market of the Luxembourg Stock Exchange] [specify] with effect from [ ].] [Not Applicable.]

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

### 2 RATINGS

- Ratings: [[The Notes to be issued [have been/are expected to be/have not been] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:
- [S & P: [●]]
- [Moody's: [●]]
- [Fitch: [●]]
- [[Other]: [●]]

[[Name of credit rating agency(ies) ] [is/is not] established in the European Union and [has not/has applied to be/is/is not] registered under the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies [, although the result of such application(s) has not yet been determined].]

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

### 3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

*(Need to 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 statement:)*

[Save for any fees payable to the Managers, so far as the Bank is aware, no person involved in the offer of the Notes has an interest material to the offer. The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Bank and its affiliates in the ordinary course of business. (Amend as appropriate if there are other interests)]

### 4 REASONS FOR THE OFFER

- (i) Reasons for the offer: [ ]

*(See [“Use of Proceeds”] wording in Offering Circular – if reasons for offer different from making profit and/or hedging)*

*certain risks will need to include those reasons here.))*

5 **[Fixed Rate Notes and Fixed Rate Reset Notes only – YIELD**

Indication of yield: [●]

6 **OPERATIONAL INFORMATION**

ISIN: [●]

Common Code: [●]

[CUSIP: [●]]

[CINS: [●]]

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

[Names (and addresses) of Calculation Agent(s): [Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom]/[Specify other]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] *[include this text for registered notes]* and does not necessarily mean that the Notes 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.] /

[No. Whilst the designation is specified as “no” at the date of these Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) *[include this text for registered notes]*. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have

been met.]

7      **DISTRIBUTION**

- (i)      Method of distribution:      [Syndicated/Non-syndicated]
- (ii)     If syndicated:
  - (A)     Names                      of      [Not Applicable/*give names*  
Managers:
  - (B)     Stabilisation              [Not Applicable/*give names*  
Manager(s)              (if  
any):
- (iii)    If non-syndicated, name of      [Not Applicable/*give name*  
Dealer:
- (iv)    U.S. Selling Restrictions:      [Reg. S Compliance Category [1/2/3]; [Rule 144A;]  
TEFRA C/TEFRA D/TEFRA not applicable]

## GENERAL INFORMATION

### Listing:

- (1) Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to the Official List and to be admitted to trading on the Euro MTF Market for a period of 12 months from the date of this Offering Circular.

### Approvals and consents:

- (2) The Bank has obtained all necessary consents, approvals and authorisations in Cyprus in connection with the establishment of the Programme. The establishment of the Programme was authorised by resolution of the Board of Directors passed on 4 September 2003. The resolution of the Board of Directors passed on 4 September 2003, authorising the establishment and subsequent updates of the Programme, was amended by resolutions of the Board of Directors passed on 24 May 2005 and on 9 March 2006. The update and increase in the size of the Programme from €1,500,000,000 to €2,000,000,000 was authorised by a resolution of the Board of Directors passed on 12 April 2007, the update and increase in the size of the Programme from €2,000,000,000 to €4,000,000,000 was authorised by a resolution of the Board of Directors passed on 14 February 2008 and the update of the Programme was authorised by a resolution of the Board of Directors passed on 8 April 2011, on 30 May 2014, on 23 October 2015 and thereafter on 25 October 2016.

### No significant change:

- (3) There has been no significant change in the financial or trading position of the Bank or of the Group since 30 September 2016 and no material adverse change in the prospects of the Bank or of the Group since 30 June 2016.

### Litigation:

- (4) Save as set out below, neither the Bank 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 Bank is aware) during the 12 months preceding the date of this Offering Circular which may have or have had in the recent past significant effects on the financial position or profitability of the Group.

As a major financial institution in Cyprus, the Group in the ordinary course of business is subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies, actual and threatened, relating to the suitability and adequacy of advice given to clients or the absence of advice, lending and pricing practices, selling and disclosure requirements, record keeping, filings and a variety of other matters. In addition, as a result of the deterioration of the Cypriot economy and banking sector in 2012 and the subsequent Recapitalisation in 2013 as a result of the Bail-in Decrees, the Bank is subject to a large number of proceedings and investigations that either precede, or result from the events that occurred during, the period of the Bail-in Decrees. Most ongoing investigations and proceedings of significance relate to matters arising during the period prior to the issue of the Bail-in Decrees. The extent of the impact of these matters, in which Group is or may in the future become involved, cannot be reliably measured with any certainty but may materially impact the reputation, operations, financial results, condition and prospects of the Group. As at 30 June 2016, in total the Group was subject to over 3,000 claims.

The Group has not disclosed an estimate of the potential financial effect on it of contingent liabilities arising from these matters where it is not practicable to do so because it is too early to do so or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct

of the matters. Provisions have been recognised for those cases where the Group is able to estimate probable losses. Where an individual provision is material, the fact that a provision has been made is stated. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory matters as at 30 June 2016 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

#### ***Investigations and litigation relating to securities issued by the Bank***

Approximately 1,200 institutional and retail customers have filed various separate actions against the Bank alleging that the Bank is guilty of miss-selling in relation to securities issued by the Bank between 2007 and 2011. Remedies sought include the return of the money investors paid for their investments. Claims are currently pending before the courts in Cyprus and in Greece, as well as the decisions and fines imposed upon the Bank in related matters by CySEC and/or HCMC.

The bonds and capital securities in respect of which claims have been brought are the following: 2007 Capital Securities, 2008 Convertible Bonds, 2009 Convertible Capital Securities (“CCS”) and 2011 Convertible Enhanced Capital Securities (“CECS”).

The Bank is defending these claims, particularly with respect to institutional investors and retail purchasers who received investment advice from independent investment advisors. In the case of retail investors, if it can be documented that the relevant Bank officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', the Bank may face significant difficulties. To date, a small number of cases have been tried in Greece. The Bank has appealed against any such cases which were not ruled in its favour. The resolution of the claims brought in the courts of Greece is expected to take a number of years. Provision has been made based on management's best estimate of probable outcomes based on advice of legal counsel.

#### ***The Hellenic Capital Market Commission (HCMC) Investigation***

The HCMC is currently in the process of investigating matters concerning the Group's investment in Greek government bonds from 2009 to 2011, including, *inter-alia*, related non-disclosure of material information in the Bank's CCS and CECS and rights issue prospectus (tracking the investigation carried out by CySEC in 2013), Greek government bonds' reclassification, ELA disclosures and allegations by some Greek government bond investors regarding the Bank's non-compliance with MiFID in respect of investors' direct investments in Greek government bonds.

#### ***The Cyprus Securities and Exchange Commission (CySEC) Investigations***

CySEC is currently in the process of investigating:

- Matters concerning possible price manipulation attributable to the Bank for the period from 1 November 2009 to 30 June 2010 post the investment in Banca Transilvania.
- The adequacy of provisions for the impairment of loans and advances in year 2011, which is at the final stages of completion.
- The adequacy of provisions for impairment of loans and advances in year 2013 in light of the results of the asset quality review carried out by the ECB in 2014.

Additionally, in late 2014 CySEC completed an investigation into the value of goodwill in Uniastrum Bank disclosed in the interim financial statements of the Group in 2012. In October 2016, CySEC issued a decision, concluding that the Bank was in breach of certain laws regarding disclosure in accordance, *inter alia*, with the Market Manipulation (Market Abuse) Law of 2005 and has imposed an

administrative fine upon the Bank of €25,000. CySEC also imposed higher fines upon certain former members of the Board of Directors and former management of the Bank. On 24 October 2016, the Bank filed a recourse before the Administrative Court against the decisions of CySEC and the fine imposed upon the Bank.

In 2015, CySEC completed an investigation into the reclassification of Greek Government bonds in April 2010. This investigation is currently pending with the Attorney General and CySEC.

### ***Bail-in related litigation***

#### ***Depositors***

A number of the Bank's depositors, who allege that they were adversely affected by the bail-in, filed claims against the Bank and other parties (such as the CBC and the Ministry of Finance of Cyprus) on the grounds that, *inter alia*, the Cypriot Resolution Law and the Bail-in Decrees were in conflict with the Constitution of Cyprus and the European Convention on Human Rights. They are seeking damages for their alleged losses resulting from the bail-in of their deposits. The Bank is defending these actions.

#### ***Shareholders***

Numerous claims were filed by shareholders in 2013 (some of whom are current shareholders) of the Bank against the Government and the CBC before the Supreme Court of Cyprus in relation to the dilution of their shareholding as a result of the Recapitalisation pursuant to the Cypriot Resolution Law and the Bail-in Decrees issued thereunder. These proceedings sought the cancellation and setting aside of the Bail-in Decrees as unconstitutional and/or unlawful and/or irregular. The Bank appeared in these proceedings as an interested party to support the position that the cases should be adjudicated upon in the context of private law. The Supreme Court of Cyprus ruled in these cases in October 2014 that the proceedings fall within private and public law and thus fall within the jurisdiction of the District Courts.

As at 31 October 2016, both the Cypriot Resolution Law and the Bail-in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. It is expected that actions for damages will be instituted by the shareholders in due course before the District Courts of Cyprus.

#### ***Claims based on set-off***

Certain claims have been filed by customers against the Bank alleging that the implementation of the bail-in under the Bail-in Decrees was not carried out correctly in relation to them and, in particular, that their rights of set-off were not properly respected. The Bank intends to contest such claims.

#### ***Laiki Bank depositors and shareholders***

The Bank has been joined as a defendant with regards to certain claims which have been brought against Laiki Bank by its depositors, shareholders and holders of debt securities. These claims have been brought on grounds similar to the claims brought by the Bank's bailed-in depositors and shareholders as described above. The Bank, *inter alia*, maintains the position that it should not be a party to these proceedings.

### ***Commission for the Protection of Competition Investigation***

In April 2014, following an investigation which began in 2010, the Cypriot Commission for the Protection of Competition (the "CPC") issued a statement of objections alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, the Bank and JCC Payment Systems Ltd ("JCC"), a card-processing business currently 75% owned by the Bank.

The CPC also alleged that the Bank's arrangements with American Express violated Cypriot and EU competition law. On both matters, the CPC has concluded that the Bank (in common with other banks and JCC) breached relevant competition law requirements. For the time being, the proceedings before the CPC are not proceeding due to an Administrative Court decision holding that the composition of the CPC was contrary to law. This decision is subject to an appeal instituted before the Supreme Court of Cyprus by the Attorney General. The Bank intends to file a recourse before the Administrative Court for the annulment of the CPC's decision in the event that such decision stands and if and when a fine is imposed in connection with the CPC's decision.

#### ***Provident fund cases***

Twenty three claims which were pending before the Cypriot Labour Disputes Tribunal by certain of the Bank's former employees with respect to their retirement benefits were withdrawn unreservedly and dismissed by the court in April 2016, following an out-of-court settlement to the satisfaction of the Bank.

In December 2015, the Bank of Cyprus Employees Provident Fund (the "**Provident Fund**") filed an action against the Bank claiming €70 million allegedly owed as part of the Bank's contribution by virtue of an agreement with the union dated 31 December 2011.

#### ***Employment litigation***

Former senior officers of the Bank have instituted a total of three claims for unfair dismissal and for Provident Fund entitlements against the Bank and Trustees of the Provident Fund. As at 31 October 2016, one case had been dismissed as filed out of time but the plaintiff has appealed against this ruling.

#### ***Greek case***

In connection with a legal dispute (one case by the Bank against Themis Constructions ("**Themis**") and one by Themis against the Bank) relating to the Bank's discontinued operations in Greece (the "**Themis case**"), a provision was recognised in previous periods (30 September 2014: €39.0 million) following a court judgment of the Athens Court of Appeal dismissing the Bank's case and upholding the Themis' claim. This provision was reversed as at 31 December 2014 following the dismissal of the judgment by the Supreme Court of Greece in March 2015. The Supreme Court of Greece further ruled that these claims (the Bank's claim against Themis for approximately €25 million which had been transferred to Piraeus Bank SA in March 2013, as well as Themis' claim against the Bank for a similar amount) be reconsidered on the merits at the instigation of the affected party. Both cases are fixed to be heard in December 2016.

#### ***Swiss Francs loans litigation in Cyprus and the United Kingdom***

Three hundred and nineteen actions have been instituted against the Bank by borrowers who obtained loans in foreign currencies (mainly Swiss Francs). Borrowers have seen their monthly loan repayments increase significantly due to the strengthening of the Swiss Franc during recent years and especially in 2015, and the interest rate and margin being charged by certain Cypriot banks (including the Bank). The central allegation in these cases is that the Bank misled borrowers and/or misrepresented matters, in violation of applicable law. The Bank intends to contest such proceedings.

#### ***CNP Arbitration***

The French entity CNP Assurances S.A. had certain exclusive arrangements with Laiki Bank with respect to insurance products offered in, *inter alia*, Cyprus through the formation of a local company (CNP Cyprus Insurance Holdings Ltd (a company in which the Group now has a 49.9% shareholding, acquired as part of the acquisition of certain operations of Laiki Bank pursuant to Regulatory Administrative Act 104/2013)). CNP Assurances S.A. held 50.1% of the shares of CNP Cyprus

Insurance Holdings Ltd and Laiki Bank held 49.9% of the shares. In the context of the total arrangement between the parties, two agreements were in place between CNP Assurances S.A. and Laiki Bank, a Shareholders' Agreement and a Distribution Agreement (to which Distribution Agreement CNP Cyprus Insurance Holdings Ltd was also a party).

Following the resolution of Laiki Bank, CNP Assurances S.A. and CNP Cyprus Insurance Holdings Ltd instituted arbitration proceedings in London under the rules of arbitration of the International Chamber of Commerce, alleging that the Bank was a successor to Laiki Bank in respect of both the Shareholders' and Distribution Agreements and that the said Agreements were violated by the Bank. The claims of CNP Assurances S.A. and CNP Cyprus Insurance Holdings Ltd amounted to approximately €240 million (including adjustments for taxes and pre-award interest as at March 2015). The Tribunal award was issued in September 2016, rejecting all claims made by the claimants with costs in favour of the Bank.

### ***UK property lending claims***

The Bank is the defendant in certain proceedings alleging that the Bank is legally responsible for allegedly, *inter alia*, advancing and miss-selling loans for the purchase by UK nationals of property in Cyprus. The proceedings in the United Kingdom are currently stayed in order for the parties to have time to negotiate possible settlements.

### ***General criminal investigations and proceedings***

As part of the investigations and inquiries following and relating to the financial crisis which culminated in March 2013, the Attorney General and the Cypriot police (the "**Police**") are conducting various investigations into the Bank's investment in Greek Government bonds, including their reclassification in the Bank's financial statements. The Bank is cooperating fully with the Attorney General and the Police and is providing all information requested of it. See "*The Hellenic Capital Market Commission (HCMC) investigations*" and "*The Cyprus Securities and Exchange Commission (CySEC) Investigation*" above for more details.

The Attorney General has filed a criminal case against the Bank and five former members of the Board of Directors for alleged breach of Article 302 (conspiracy to defraud) of Cyprus' criminal code and Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law. The alleged offence refers to the non-publication in a timely manner of the increased capital shortfall of the Bank in 2012. The Bank denies all allegations. The case is fixed for hearing on 2, 5, 12, 13 and 16 December 2016. The maximum penalty on the Bank, if found guilty, will be the imposition of a fine that is not expected to have a material impact on the financial position of the Group.

The Attorney General has filed a separate criminal case against the Bank and six former members of the Board of Directors for alleged breach of Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law, with respect to the Greek Government Bonds. The alleged offence refers to the non-disclosure of the purchase of the Greek Government Bonds during a specified period. The Bank denies all allegations. A hearing for argument and objections before plea took place on 6 December 2016. The next stage is that the court will issue its interim ruling on 20 December 2016 and will also issue procedural directions as to how the case should proceed thereafter. The maximum penalty on the Bank, if found guilty, will be the imposition of a fine that is not expected to have a material impact on the financial position of the Group.

### **Third party information:**

- (4) Where information in this Offering Circular has been sourced from third parties this information has been accurately reproduced and as far as the Bank is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the

reproduced information inaccurate or misleading. The source of third party information is identified where used.

**US legends for Bearer Notes:**

- (5) Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: “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”.

**Clearance and Settlement:**

- (6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. In addition, the Bank may make an application with respect to any Restricted Notes of a Registered Series to be accepted for trading in book-entry form by DTC. Acceptance by DTC of Registered Notes of each Tranche of a Registered Series issued by the Bank will be confirmed in the applicable Pricing Supplement. The Common Code, the International Securities Identification Number (“**ISIN**”), the Committee on the Uniform Security Identification Procedure (“**CUSIP**”) number and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041. The address of any alternative clearing system will be specified in the applicable Pricing Supplement.

**Issue price and post-issuance reporting:**

- (7) The issue price and the amount of the relevant Notes will be determined, before filing of the applicable Pricing Supplement of each Tranche, based on the prevailing market conditions. The Bank will not provide any post-issuance information, except if required by any applicable laws and regulations.

**Documents available:**

- (8) For so long as any Notes shall be outstanding or the Programme remains in effect, copies of the following documents may be inspected during normal business hours at, and copies of the documents specified at (iv), (v) and (vi) below are available free of charge from, the specified offices of each of the Paying Agents:
- (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
  - (ii) the Agency Agreement;
  - (iii) the Memorandum and Articles of Association of the Bank;
  - (iv) the BOCH Prospectus, and any supplements thereto;
  - (v) the most recently available audited consolidated annual financial statements of the Group, in each case together with the audit reports prepared in connection therewith, and the most recently available unaudited interim condensed consolidated financial statements (if any) of the Group;
  - (vi) a copy of this Offering Circular together with any supplement to this Offering Circular; and

- (vii) all reports, letters and other documents, balance sheets, historical financial information, valuations and statements by any expert any part of which is extracted or referred to in this Offering Circular.

This Offering Circular will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

**US matters:**

- (9) The Bank is a corporation organised under the laws of Cyprus. None of the directors and executive officers of the Bank are residents of the United States, and all or a substantial portion of the assets of the Bank and such persons are located outside the United States.

**Accountants:**

- (10) Ernst & Young Cyprus Limited, member of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants of Cyprus, has audited, and rendered a qualified audit report on the accounts of the Group for the year ended 31 December 2013 and a qualified audit report on the accounts of the Group for the year ended 31 December 2014.

Ernst & Young LLP, member of the Institute of Chartered Accountants in England and Wales, has reported, in accordance with Statements of Investment Reporting Standards issued by the Auditing Practices Board in the United Kingdom, on the consolidated historical financial information as at and for the six months ended 30 June 2016 and as at and for the years ended 31 December 2013, 2014 and 2015, as stated in its accountant's report dated 30 November 2016 and included in the section of the BOCH Prospectus entitled "*Historical Financial Information*" which is incorporated by reference herein, as disclosed on page 5.

**Yield for Notes:**

- (11) The yield of any Fixed Rate Notes and any Fixed Rate Reset Notes will be included in the applicable Pricing Supplement. The yield will be calculated at the relevant Issue Date and, on the basis of the relevant Issue Price and (in the case of Fixed Rate Reset Notes), the relevant Initial Rate of Interest. It will not be an indication of future yield.

## **REGISTERED OFFICE OF THE BANK**

### **Bank of Cyprus Public Company Limited**

51 Stassinos Street  
Ayia Paraskevi  
Strovolos  
2002 Nicosia  
Cyprus

### **DEALERS**

#### **Bank of Cyprus Public Company Limited**

51 Stassinos Street  
Ayia Paraskevi  
Strovolos  
2002 Nicosia  
Cyprus

#### **Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

#### **Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

#### **Credit Suisse Securities (Europe) Limited**

One Cabot Square  
London E14 4QJ  
United Kingdom

#### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

#### **Goldman Sachs International**

Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

#### **HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

#### **J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

#### **Merrill Lynch International**

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

#### **Natixis**

30 avenue Pierre Mendès France  
75013 Paris  
France

#### **UBS Limited**

5 Broadgate  
London EC2M 2QS  
United Kingdom

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## **TRUSTEE**

### **Deutsche Trustee Company Limited**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

## **ISSUING AND PAYING AGENT AND CALCULATION AGENT**

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

## **PAYING AGENT, TRANSFER AGENT AND REGISTRAR**

### **Deutsche Bank Luxembourg S.A.**

2 boulevard Konrad Adenauer  
L-1115 Luxembourg

## **EXCHANGE AGENT, REGISTRAR, TRANSFER AGENT AND PAYING AGENT**

### **Deutsche Bank Trust Company Americas**

60 Wall Street  
Corporate Trust and Agency Services  
New York, NY 10005  
United States of America

## **LUXEMBOURG LISTING AGENT**

### **Deutsche Bank Luxembourg S.A.**

2 boulevard Konrad Adenauer  
L-1115 Luxembourg

## **AUDITORS**

### **Ernst & Young Cyprus Limited**

Jean Nouvel Tower  
6 Stasinos Avenue  
1060 Nicosia  
Cyprus

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## REPORTING ACCOUNTANTS TO BOCH

### **Ernst & Young LLP**

1 More London Place  
London  
SE1 2AF  
United Kingdom

## LEGAL ADVISERS

### **To the Bank**

#### *As to Cyprus law*

### **Chryssafinis & Polyviou LLC**

8 Michael Karaolis Street  
Anemomylos Office Building  
4th Floor  
Nicosia  
Cyprus

#### *As to English law*

### **Sidley Austin LLP**

Woolgate Exchange  
25 Basinghall Street  
London, EC2V 5HA  
United Kingdom

### **Chryssafinis & Polyviou LLC**

8 Michael Karaolis Street  
Anemomylos Office Building  
4th Floor  
Nicosia  
Cyprus

### **To the Dealers and the Trustee**

#### *As to Cyprus law*

### **Keane Vgenopoulou & Associates LLC**

2 Makarios Ave.  
Atlantis Building, 2nd Floor, Office 201  
Mesa Geitonia  
Limassol 4000  
Cyprus

#### *As to English law*

### **Allen & Overy LLP**

One Bishops Square  
London E1 6AD  
United Kingdom