

Bank of Cyprus Holdings



BANK OF CYPRUS HOLDINGS PUBLIC LIMITED COMPANY

(incorporated and registered in Ireland under the Companies Act 2014 of Ireland with registered number 585903)

€220,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities ISIN: XS1865594870

Issue price: 100 per cent.

On 19 December 2018 (the "**Issue Date**"), Bank of Cyprus Holdings Public Limited Company (the "**Issuer**" or the "**Company**") issued €220,000,000 in aggregate principal amount of Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the "**Capital Securities**") having the terms and conditions set out in "*Terms and Conditions of the Capital Securities*" as supplemented by the final terms set out in "*Final Terms of the Capital Securities*" (the "**Conditions**" and each of the Conditions, a "**Condition**"). Unless otherwise defined herein, capitalised terms shall have the respective meanings ascribed to them in the Conditions and any reference to a numbered Condition should be construed accordingly.

The Capital Securities are denominated in euro and bear interest on their Outstanding Principal Amounts (from (and including) their Issue Date to (but excluding) the First Call Date, at a fixed rate of 12.5 per cent. per annum and thereafter at the relevant Rate of Interest as provided in Condition 4 (*Interest and other Calculations*)). Interest is payable on the Capital Securities semi-annually in arrear on each Interest Payment Date, commencing on the First Interest Payment Date. There will be a long first Interest Period and the First Interest Amount per Calculation Amount will be payable on the First Interest Payment Date. The Issuer may elect to cancel any interest payment (in whole or in part) at its sole and full discretion, and must cancel payments of interest in the circumstances described in Condition 5(b) (*Interest Cancellation – Mandatory cancellation of interest*). Any interest which is so cancelled will not accrue or be payable at any time thereafter, no amount will become due from the Issuer in respect thereof and cancellation thereof shall not constitute a default for any purpose on the part of the Issuer.

The Issuer may elect, or may be required, to cancel the payment of interest on the Capital Securities (in whole or in part) on any Interest Payment Date (see Condition 5 (*Interest Cancellation*)). As a result, holders of Capital Securities may not receive interest on any Interest Payment Date. In addition, upon the occurrence of a Trigger Event, the then Outstanding Principal Amount of each Capital Security will be reduced by the relevant Write-Down Amount and any interest accrued to the relevant Trigger Event Write-Down Date and unpaid shall be cancelled in accordance with Condition 6(a) (*Principal Write-down and Principal Write-up – Principal Write-down*). Following such a Principal Write-down, the Issuer may, at its full discretion but subject to certain conditions, implement a Principal Write-up to a maximum of the Original Principal Amount of each Capital Security, in accordance with Condition 6(b) (*Principal Write-down and Principal Write-up – Principal Write-up*). **Holders of Capital Securities may lose some or all of their investment as a result of such a Principal Write-down and there can be no assurance that the Issuer will implement a Principal Write-up.**

The Capital Securities are perpetual securities, have no scheduled date for redemption and are not redeemable at the option of the holders of the Capital Securities at any time. As a result, the Issuer is not required to make any payment of the principal amount of the Capital Securities at any time prior to its winding-up. The Issuer may only redeem the Capital Securities, at its discretion and subject to the approval of the Competent Authority and certain other conditions, in the circumstances described in Condition 7 (*Redemption, Purchase and Options*), which includes an option for the Issuer to (a) redeem (i) the Capital Securities in whole, but not in part, upon the occurrence of a Tax Event or a Capital Event and (ii) all (but not some only) of the Capital Securities on the First Call Date or any Optional Redemption Date thereafter, in each case, at the then Outstanding Principal Amount of the Capital Securities together with accrued but unpaid interest to the relevant date fixed for redemption insofar as it has not been cancelled in accordance with Condition 5 (*Interest Cancellation*) and (b) repurchase the Capital Securities at any price in the open market or otherwise,

save that any such purchase may not take place within five years after the Issue Date unless permitted by the Capital Regulations.

Potential investors should read the whole of this document, in particular the section entitled "Risk Factors" set out on pages 13 to 31. An investment in the Capital Securities involves certain risks and investors should review and consider these risk factors carefully before purchasing any Capital Securities. The Capital Securities may be subject to the application of the Bail-In Tool (as defined on page 21 of this document), as well as the Write-Down and Conversion Tool (as defined on page 21 of this document), either of which may result in the Capital Securities being written-down or converted into equity (in whole or in part). The Capital Securities are also the subject of contractual write-down provisions as described herein. Accordingly, potential investors should review and consider the risk factors relating to the Bail-In Tool, the Write-Down and Conversion Tool and the contractual write-down provisions of the Capital Securities and the potential impact these may have on their investment. This document does not necessarily describe all the risks linked to an investment in the Capital Securities and additional risks and uncertainties, including those of which the Issuer is not currently aware or deems immaterial, may also potentially have an adverse effect on the Issuer and/or the Group's business, financial condition, results of operations, or future prospects or may result in other events that could cause investors to lose all or part of their investment. Potential investors should carefully consider the risks set forth (or incorporated by reference) in this document and reach their own views prior to making any investment decision with respect to the Capital Securities and/or consult their professional advisers.

The Capital Securities are in registered form and available and transferable in minimum amounts of €200,000 and integral multiples of €1,000 in excess thereof. The Capital Securities are represented by a global certificate in registered form (the "**Global Certificate**") and are registered in the name of a nominee of a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**" and, together with Euroclear, the "**Clearing Systems**" and each, a "**Clearing System**").

The Capital Securities are admitted to the official list of the Luxembourg Stock Exchange (the "**Official List**") and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (the "**Euro MTF Market**"). The Euro MTF Market is not a regulated market pursuant to the provisions of Directive 2014/65/EU (as amended, "**MiFID II**") but is subject to the supervision of the financial sector and exchange regulator, the *Commission de Surveillance de Secteur Financier*. References in this document to the Capital Securities being "listed" (and all related references) shall mean that such Capital Securities have been admitted to the Official List and admitted to trading on the Euro MTF Market.

The Issuer is not regulated by the Central Bank of Ireland as a result of issuing the Capital Securities. Any investment in the Capital Securities does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland.

IMPORTANT INFORMATION

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

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

Neither this document nor any other financial statements nor any further information supplied in relation to the Issuer and/or the Capital Securities, is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, or constituting an invitation or offer, by or on behalf of the Issuer or any party advising (or acting as agent of) the Issuer in connection with the issue of the Capital Securities, that any recipient of this document or any other financial statements or any further information supplied pursuant to the terms of the Capital Securities should subscribe for or purchase any of the Capital Securities. Each potential investor contemplating purchasing Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Issuer and its consolidated subsidiaries (the "**Group**").

The delivery of this document does not at any time imply that the information contained herein concerning the Issuer or the Group is correct at any time subsequent to the date hereof or that any other financial statements or any further information supplied in relation to the Issuer and/or the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. Potential investors should review, amongst other things, the most recent financial statements of the Issuer when deciding whether or not to purchase the Capital Securities.

The Issuer does not represent that this document may be lawfully distributed, or that the Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which would permit a public offering of Capital Securities or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Capital Securities may not be offered or sold, directly or indirectly, and neither this document nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The distribution of this document and the offer or sale of the Capital Securities may be restricted by law in certain jurisdictions. Persons into whose possession this document or any Capital Securities come must inform themselves about, and observe, any such restrictions.

Notice to Potential Investors in the United Kingdom

The communication of this document and any other document or materials relating to the Capital Securities is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "**FSMA**"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the Capital Securities are only available to, and any investment or investment activity to which this document relates should only be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in the European Economic Area

This document is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (as amended or superseded), as implemented in the Member States of the European Economic Area (the "**EEA**").

PRIIPs Regulation / Prohibition of sales to EEA retail investors – The Capital Securities have not been offered, sold or otherwise available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Any distributor subject to MiFID II that is offering, selling or recommending the Capital Securities is responsible for undertaking its own target market assessment in respect of the Capital Securities and determining its own distribution channels for the purposes of the MiFID II product governance rules under Commission Delegated Directive (EU) 2017/593 (as amended, the "**Delegated Directive**"). Neither the Issuer nor any Purchaser makes any representations or warranties as to a distributor's compliance with the Delegated Directive.

Notice to United States Persons

The Capital Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Capital Securities have only been offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**").

All references in this document to "**euro**", "**€**" and "**EUR**" 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, those to "**Ireland**" refer to the island of Ireland exclusive of Northern Ireland, those to "**Cyprus**" refer to the Republic of Cyprus and those to "**EU**" refer to the European Union.

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OVERVIEW OF THE PRINCIPAL FEATURES OF THE CAPITAL SECURITIES

The following overview provides an overview of certain provisions of the Conditions and is qualified by the more detailed information contained elsewhere in this document, including the full set of Conditions as set out in "Terms and Conditions of the Capital Securities" and the Final Terms as set out in "Final Terms of the Capital Securities". Unless otherwise defined herein, capitalised terms shall have the respective meanings ascribed to them in the Conditions and any reference to a numbered Condition should be construed accordingly.

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| Issuer: | Bank of Cyprus Holdings Public Limited Company |
| Legal Entity Identifier (LEI): | 635400L14KNHZXPUZM19 |
| Fiscal Agent, Paying Agent, Registrar and Transfer Agent: | Citibank Europe plc |
| Securities: | Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities |
| Outstanding Principal Amount at issue: | €220,000,000 |
| Final Terms of the Capital Securities: | The Final Terms (as set out in "Final Terms of the Capital Securities" herein) specifies the Issue Date, the First Interest Payment Date, the First Interest Amount per Calculation Amount, the Interest Amount per Calculation Amount and the First Call Date. |
| Risk factors: | There are certain factors that may affect the Issuer's ability to issue and/or fulfil its obligations under the Capital Securities. In addition, there are certain factors which are material for the purpose of assessing certain risks relating to the structure of the Capital Securities. These are set out under "Risk Factors". |
| Status of the Capital Securities: | <p>The Capital Securities constitute unsecured, subordinated obligations of the Issuer and at all times rank <i>pari passu</i> and without any preference among themselves.</p> <p>Subject to Condition 3(a)(ii) (<i>Status</i>), any amounts payable in respect of principal and interest on the Capital Securities shall be payable only if and to the extent that the Issuer could be considered solvent at the time of payment thereof and still be considered solvent immediately thereafter.</p> <p>The rights of the holders of the Capital Securities are subordinated on a winding-up as provided in Condition 3(a)(ii) (<i>Status</i>).</p> |

Interest:

The Capital Securities bear interest on their Outstanding Principal Amounts:

- (a) from (and including) the Issue Date to (but excluding) the First Call Date, at a fixed rate of 12.5 per cent. per annum; and
- (b) in the case of each Interest Period thereafter, the sum, converted from an annual basis to a semi-annual basis (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the Reference Rate in respect of the Reset Interest Period in which such Interest Period falls and (B) the Margin,

all as determined by the Fiscal Agent (in conjunction with the Issuer, where applicable) in accordance with Condition 4 (*Interest and other Calculations*), and subject in each case as provided in Condition 5 (*Interest Cancellation*) and Condition 9 (*Payments*).

Optional cancellation of interest:

The Issuer is entitled to elect at its sole and full discretion to cancel (in whole or in part) the interest otherwise scheduled to be paid on any Interest Payment Date. See Condition 5(a) (*Interest Cancellation – Optional cancellation of interest*) for further information.

Mandatory cancellation of interest:

The Issuer is required to cancel (in whole or in part, as applicable) any interest payment otherwise due to be paid to the extent that:

- (a) the payment of such interest, when aggregated with any interest payments or distributions paid or scheduled for payment in the then current Financial Year on the Capital Securities and all other own funds instruments (excluding any instruments which constitute Tier 2 Capital of the Issuer) plus any principal write-ups, where applicable, would cause the amount of Distributable Items (if any) then available to the Issuer to be exceeded; or
- (b) the payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of law in the Republic of Cyprus transposing or implementing Article 141(2) of the CRD IV Directive) plus any principal write-ups, where applicable, the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded; or
- (c) the Competent Authority requires the Issuer to cancel the payment of such interest.

See Condition 5(b) (*Interest Cancellation – Mandatory cancellation of interest*).

Non-cumulative interest:

If the payment of any amount of Interest scheduled on an Interest Payment Date is cancelled in accordance with the Conditions, such Interest shall be cancelled and shall not accrue or be payable at any time and the holders of the Capital Securities have no further rights or claims in respect of any such Interest (or part thereof) not paid, whether in the case of bankruptcy, liquidation or the dissolution of the Issuer or otherwise. In addition, the cancellation of any such interest shall not (a) constitute an event of default of the Issuer or a breach of the Issuer's other obligations or duties or a failure to perform by the Issuer in any manner whatsoever; (b) entitle the holders of the Capital Securities to any compensation or to take any action to cause the bankruptcy, liquidation, dissolution or winding up of the Issuer; or (c) in any way impose restrictions on the Issuer, including (but not limited to) restricting the Issuer from making any distribution or equivalent payment in connection with its Junior Obligations or Parity Obligations.

Write-Down following a Trigger Event:

Upon the occurrence of a Trigger Event, the Issuer is required to immediately notify the Competent Authority that a Trigger Event has occurred, determine the relevant Write-down Amount as soon as possible and no later than the relevant Trigger Event Write-down Date, deliver a Trigger Event Write-down Notice to holders and deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that a Trigger Event has occurred.

The determination that a Trigger Event has occurred, including the underlying calculations, and the Issuer's determination of the relevant Write-down Amount, is irrevocable and binding on the holders of the Capital Securities. Neither the Fiscal Agent nor any of the other agents named in the Fiscal Agency Agreement are responsible for the foregoing determinations or calculations.

On a Trigger Event Write-down Date, the Issuer will:

- (A) irrevocably cancel all interest accrued on each Capital Security up to (and including) the relevant Trigger Event Write-down Date (whether or not the same has become due at such time); and
- (B) irrevocably reduce the then Outstanding Principal Amount of each Capital Security by the relevant Write-down Amount with effect from the relevant Trigger Event Write-down Date, such Principal Write-down to be effected, save as may be otherwise required by the Capital Regulations and/or the

Competent Authority and subject to Condition 6(a)(v) (*Principal Write-down and Principal Write-up – Other AT1 Loss Absorbing Instruments*), *pro rata* and concurrently with the Principal Write-down of each other Capital Security and the write-down or conversion into equity (as the case may be) of the then outstanding principal amount of any other AT1 Loss Absorbing Instruments.

For these purposes "**Write-down Amount**" means, on any Trigger Event Write-down Date, the amount by which the then Outstanding Principal Amount of each Capital Security is to be Written Down and which is calculated per Calculation Amount of such Capital Security, being the minimum of: (A) the amount per Calculation Amount (together with, subject to Condition 6(a)(v) (*Principal Write-down and Principal Write-up – Other AT1 Loss Absorbing Instruments*), the concurrent *pro rata* Principal Write-down of the other Capital Securities and the write-down or conversion into equity (as the case may be) of the outstanding principal amount of any other AT1 Loss Absorbing Instruments) that would be sufficient to immediately restore the Group CET1 Ratio to not less than 5.125 per cent.; or (B) if the amount determined in accordance with (A) above would be insufficient to restore the Group CET1 Ratio to not less than 5.125 per cent., the amount necessary to reduce the Outstanding Principal Amount of such Capital Security to one cent.

The relevant Write-down Amount for each Capital Security is therefore the product of the amount calculated in accordance with Condition 6(a)(iv) (*Principal Write-down and Principal Write-up – Write-down Amount*) per Calculation Amount and the Outstanding Principal Amount of each Capital Security divided by the Calculation Amount (in each case immediately prior to the relevant Trigger Event Write-down Date).

To the extent the write-down or conversion into equity of any AT1 Loss Absorbing Instruments is not effective for any reason (A) the ineffectiveness of any such write-down or conversion into equity shall not prejudice the requirement to effect a Principal Write-down of the Capital Securities pursuant to Condition 6(a) (*Principal Write-down and Principal Write-up – Principal Write-down*) and (B) the write-down or conversion into equity of any AT1 Loss Absorbing Instrument which is not effective shall not be taken into account in determining the relevant Write-down Amount of the Capital Securities.

Any AT1 Loss Absorbing Instruments that may be written down or converted into equity in full (save for any provision for a *de minimis* floor analogous to that provided in

Condition 6(a)(iv)(B)) (*Principal Write-down and Principal Write-up – Write-down Amount*) but not in part only shall be treated for the purposes only of determining the relevant *pro rata* amounts in Condition 6(a)(iii)(B) (*Principal Write-down and Principal Write-up – Cancellation of interest and Principal Write-down*) and Condition 6(a)(iv)(A) (*Principal Write-down and Principal Write-up – Write-down Amount*) as if their terms permitted partial write-down or partial conversion into equity.

In the event of a concurrent write-down of any other AT1 Loss Absorbing Instrument (if any), the *pro rata* write-down and/or conversion into equity of such AT1 Loss Absorbing Instrument shall only be taken into account to the extent required to restore the Group CET1Ratio to the lower of (A) such AT1 Loss Absorbing Instrument's trigger level and (B) 5.125 per cent., in each case, in accordance with the terms of such AT1 Loss Absorbing Instrument and the Capital Regulations.

Any Principal Write-down of the Capital Securities shall not constitute an event of default of the Issuer or a breach of the Issuer's other obligations or duties or a failure to perform by the Issuer in any manner whatsoever, or constitute the occurrence of any event related to the insolvency of the Issuer or entitle the holders of the Capital Securities to any compensation or to take any action to cause the bankruptcy, liquidation, dissolution or winding up of the Issuer. The holders of the Capital Securities shall have no further rights or claims against the Issuer (whether in the event of bankruptcy, liquidation or the dissolution of the Issuer or otherwise) with respect to any interest cancelled and/or any principal Written Down in accordance with the Conditions (including, but not limited to, any right to receive accrued and unpaid and future interest or any right of repayment of principal, but without prejudice to their rights in respect of any reinstated principal (and any interest therein) following a Principal Write-up pursuant to Condition 6(b)) (*Principal Write-down and Principal Write-up – Principal Write-up*).

A Principal Write-down may occur on one or more occasions and accordingly the Capital Securities may be Written Down on one or more occasions.

Write Up of the Capital Securities at the Discretion of the Issuer:

Subject to compliance with the Capital Regulations, if, at any time, the Group records a positive Net Profit while the Outstanding Principal Amounts of the Capital Securities are less than the Original Principal Amount, the Issuer is entitled, at its full discretion but subject to Conditions 6(b)(ii) (*Principal Write-up – Maximum Distributable Amount*), 6(b)(iii) (*Principal Write-up – Maximum Write-up Amount*) and 6(b)(iv) (*Principal Write-up – Principal Write-Up and Trigger Event*), to increase the Outstanding Principal Amount of each Capital Security (a "**Principal Write-up**")

up to a maximum of its Original Principal Amount on a *pro rata* basis with the other Capital Securities and with any other AT1 Discretionary Temporary Write-down Instruments capable of being written up in accordance with their terms at the time of such Principal Write-up (based on the then outstanding principal amounts thereof), *provided that* the Maximum Write-up Amount is not exceeded as determined in accordance with Condition 6(b)(iii) (*Principal Write-up – Maximum Write-up Amount*).

The Outstanding Principal Amount of a Capital Security shall never be increased to above its Original Principal Amount and may be subject to a Principal Write-up or Principal Write-down on more than one occasion.

A Principal Write-up of the Capital Securities shall not be effected in circumstances which (when aggregated together with other distributions of the Issuer of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of law in the Republic of Cyprus transposing or implementing Article 141(2) of the CRD IV Directive)) would cause the Maximum Distributable Amount, if any, to be exceeded, if required to be calculated at such time.

A Principal Write-up of the Capital Securities will not be effected at any time to the extent the sum of (A) the aggregate amount of the relevant Principal Write-up on all the Capital Securities; (B) the aggregate amount of any interest on the Capital Securities that was paid or calculated (but disregarding any such calculated interest which has been cancelled) on the basis of an Outstanding Principal Amount that is lower than the Original Principal Amount at any time after the end of the then previous Financial Year or, if later, the Effective Date (as applicable); (C) the aggregate amount of the increase in principal amount of each AT1 Discretionary Temporary Write-down Instrument to be written up at the time of the relevant Principal Write-up and the increase in principal amount of the Capital Securities or any AT1 Discretionary Temporary Write-down Instruments resulting from any previous write-up since the end of the then previous Financial Year or, if later, the Effective Date (as applicable); and (D) the aggregate amount of any interest payments on each AT1 Loss Absorbing Instrument (other than the Capital Securities) that was paid or calculated (but disregarding any such calculated interest which has been cancelled) on the basis of an outstanding principal amount that is lower than the original principal amount at which such AT1 Loss Absorbing Instrument was issued at any time after the end of the then previous Financial Year or, if later, the Effective Date (as applicable), would exceed the Maximum Write-up Amount.

A Principal Write-up will not be implemented (A) whilst a Trigger Event has occurred and is continuing, or (B) where such Principal Write-up (together with the simultaneous write-up of all other AT1 Discretionary Temporary Write-down Instruments) would cause a Trigger Event to occur. The Issuer has undertaken that it will not write up the principal amount of any AT1 Discretionary Temporary Write-down Instruments capable of being written up in accordance with their terms unless it does so on a *pro rata* basis with a Principal Write-up on the Capital Securities.

A Principal Write-up may be made on one or more occasions until the Outstanding Principal Amounts of the Capital Securities have been reinstated to the Original Principal Amount.

Any decision by the Issuer to effect or not to effect any Principal Write-up on any occasion shall not preclude it from effecting or not effecting any Principal Write-up on any other occasion.

The Issuer's decision to conduct a Principal Write-up and its determination of the relevant Principal Write-up Amount, including the underlying calculations, is, subject as provided in the underlying Conditions, irrevocable and is binding on the holders of the Capital Securities. Neither the Fiscal Agent nor any of the other agents named in the Fiscal Agency Agreement will be responsible for the foregoing decision, determinations and/or calculations.

In the context of the application of any Principal Write-down or Principal Write-up pursuant to Condition 6, the Issuer intends to give due consideration to the capital hierarchy and expects that the Capital Securities will only be Written-down, or Written-up, as the case may be, on a pari passu basis with any other securities issued by it which at such time constitute AT1 Capital of the Issuer and which have substantially identical terms to the Capital Securities in respect of the write-down or write-up of principal and applicable trigger levels.

Maturity:

The Capital Securities are perpetual securities with no scheduled redemption date. The Capital Securities may only be redeemed or repurchased by the Issuer in the limited circumstances described in Condition 7 (*Redemption, Purchase and Options*), as summarised below.

Optional redemption:

Subject to compliance with the Capital Regulations and the Competent Authority having given its prior permission (if required), the Issuer is entitled, on giving not less than 15 nor more than 30 days' irrevocable notice to the Fiscal Agent and the holders of the Capital Securities to redeem all (but not some only) of the Capital Securities on any Optional

Redemption Date. Any such redemption of the Capital Securities will be at their Outstanding Principal Amounts, together with accrued and unpaid interest to the date fixed for redemption insofar as it has not been cancelled in accordance with Condition 5 (*Interest Cancellation*). Following the occurrence of a Principal Write-down, the Issuer is not entitled to redeem the Capital Securities pursuant to Condition 7(c) (*Redemption, Purchase and Options - Redemption at the Option of the Issuer*) unless and until the Outstanding Principal Amount of each Capital Security is increased up to its Original Principal Amount pursuant to Condition 6(b) (*Principal Write-down and Principal Write-Up – Principal Write-Up*) (and any notice of redemption which has been given in such circumstances shall be automatically rescinded and shall have no force and/or effect).

Redemption following a Tax Event or a Capital Event:

Subject to compliance with the Capital Regulations and the Competent Authority having given its prior permission (if required), if a Capital Event or a Tax Event occurs, the Issuer is, at its option, entitled to redeem the Capital Securities in whole, but not in part, at their Outstanding Principal Amounts, together with any accrued and unpaid interest to the date fixed for redemption insofar as it has not been cancelled in accordance with Condition 5 (*Interest Cancellation*), provided that the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Fiscal Agent and the holders of the Capital Securities (such notice being irrevocable) specifying the date scheduled for such redemption.

Prospective investors should note that the Issuer has concluded, judged at the Issue Date, that a Tax Event would be unlikely to occur in the event that the Issuer would not be entitled to claim a deduction in computing taxation liabilities in the Relevant Tax Jurisdiction in respect of any payment of interest to be made on the Capital Securities, or the value of such deduction to the Issuer would be reduced, solely as a result of any change in, or amendment to, the laws or regulations of the Relevant Tax Jurisdiction 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 introduced or implemented for the purposes of ensuring that any such deduction does not constitute aid granted by a Member State or through State resources which falls within Article 107(1) of the Treaty on the Functioning of the European Union. See Condition 7(b) of the Capital Securities.

Substitution and Variation:

Subject as provided in Condition 8, if a Capital Event or a Tax Event occurs and is continuing, or in order to align the Conditions to best practices published from time to time by the European Banking Authority (or any successor), or in order to ensure the effectiveness and enforceability of the

recognition of Statutory Loss Absorption Powers contained in Condition 19, the Issuer may without the consent or approval of the holders of the Capital Securities, upon not less than 30 nor more than 60 days' irrevocable notice to the holders of the Capital Securities, substitute all (but not some only) of the Capital Securities or vary the terms of all (but not some only) of the Capital Securities (including changing the governing law of Condition 19 from English law to Irish law) so that they remain or, as appropriate, become compliant with the Capital Regulations with respect to Additional Tier 1 Capital and (other than in the case of a change to the governing law of Condition 19 to Irish law in order to ensure the effectiveness and enforceability of Condition 19) provided that such substitution or variation shall not result in terms that are materially less favourable to the holders of the Capital Securities (as reasonably determined by the Issuer).

Following such variation or substitution, the resulting securities shall (1) have a ranking at least equal to that of the Capital Securities, (2) have at least the same interest rate as the Capital Securities, (3) have the same interest payment dates as those from time to time applying to the Capital Securities, (4) have the same redemption rights as the Capital Securities, (5) have a trigger level for principal write-down which is no higher than 5.125 per cent. (6) preserve any existing rights under the Capital Securities to any accrued interest which has not been paid or cancelled in respect of the period from (and including) the Interest Payment Date last preceding the date of variation or substitution and (7) be listed on a recognised stock exchange if the Capital Securities were listed immediately prior to such variation or substitution. Any such substitution or variation will be effected without any cost or charge to the holders of the Capital Securities.

Conditions to redemption, substitution or variation, etc.:

The Issuer is entitled to redeem or purchase the Capital Securities (and give notice thereof to the holders of the Capital Securities) only if the following conditions are met:

- (A) the Competent Authority has given its prior written permission to such redemption or purchase (if required);
- (B) the Issuer has demonstrated to the satisfaction of the Competent Authority that the Issuer complies with Article 78 of the CRR (or any equivalent or substitute provision under the Capital Regulations), which may include (a) the replacement of the Capital Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer or (b) that the own funds of the Issuer would, following such

redemption or purchase, exceed its minimum own funds requirements (including any capital buffer requirements) by a margin (calculated in accordance with Article 104(3) of the CRD IV Directive) that the Competent Authority considers necessary at such time; and

- (C) in the case of a redemption as a result of the occurrence a Capital Event or a Tax Event, the Issuer has delivered a certificate signed by two Directors of the Issuer to the Fiscal Agent (and copies thereof being available for inspection by the holders of the Capital Securities at the Fiscal Agent's specified office during its normal business hours) not less than five Business Days prior to the date set for redemption that the relevant Capital Event or Tax Event has occurred or will occur no more than 90 days following the date fixed for redemption, as the case may be.

Any substitution or variation of the Capital Securities is subject to: (i) compliance with any conditions prescribed under the Capital Regulations, including the prior permission of the Competent Authority (if required by the Capital Regulations); and (ii) the Issuer having delivered a certificate signed by two Directors of the Issuer to the Fiscal Agent (and copies thereof being available for inspection by the holders of the Capital Securities at the Fiscal Agent's specified office during its normal business hours) not less than five Business Days prior to the date set for such substitution or variation that the securities resulting from such substitution or variation comply with the requirements set out in Condition 8(a) (*Substitution and Variation – Substitution and variation*).

Purchase of the Capital Securities:

The Issuer and any of its Subsidiaries are entitled to purchase Capital Securities at any price in the open market or otherwise, save that any such purchase may not take place within five years after the Issue Date unless permitted by the Capital Regulations.

Withholding tax and Additional Amounts:

Subject only to customary exceptions, all payments of principal and interest by or on behalf of the Issuer in respect of the Capital Securities will 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 Relevant Tax Jurisdiction or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, in the case of payments of interest only (and, for the avoidance of doubt, only to the extent the Issuer has sufficient Distributable Items to make the relevant payment and the relevant payment would not cause the Maximum Distributable Amount (if any) applicable to the Issuer to be exceeded, all as described more fully in Condition 5 (*Interest Cancellation*)), the Issuer will pay such additional amounts as shall result in receipt by the holders of the Capital Securities of such amounts as would have been received by them had no such withholding or deduction been required.

"Relevant Tax Jurisdiction" means the Republic of Cyprus or if the Issuer is, or becomes, subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax other than Cyprus, such other taxing jurisdiction.

Enforcement:

The Capital Securities provide that any holder of Capital Securities may institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Capital Securities (other than any obligation for payment of any principal or interest in respect of the Capital Securities) provided that the Issuer shall not by virtue of any such proceedings be obliged to pay any sum or sums representing principal or interest in respect of the Capital Securities sooner than the same would otherwise have been payable by it.

In the event of the commencement of the winding-up of the Issuer, any holder of Capital Securities may (A) give notice to the Issuer that the Capital Securities are due and repayable immediately (and the Capital Securities shall thereby become so due and repayable) at their Outstanding Principal Amounts together with accrued interest insofar as it has not been cancelled in accordance with Condition 5 (*Interest Cancellation*) and (B) prove in the winding-up of the Issuer. No other remedy against the Issuer, other than as referred to above, is available to the holders of the Capital Securities, whether for the recovery of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities.

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| Modification: | The Issuer is entitled, without the consent of the holders of the Capital Securities, to make any modification of any of the provisions of the Capital Securities, the Fiscal Agency Agreement and/or the Deed of Covenant that is of a formal, minor or technical nature or which is made to correct a manifest or proven error or to comply with mandatory provisions of law. |
| | The terms and conditions of the Capital Securities are only capable of modification if the Issuer has notified the Competent Authority of such modification and/or obtained the prior permission of the Competent Authority (if such notice and/or permission is then required by the Capital Regulations). |
| Form: | The Capital Securities are represented by a Global Certificate which is registered in the name of a nominee of a common depository for the Clearing Systems. |
| Denomination: | €200,000 and integral multiples of €1,000 in excess thereof. |
| Clearing systems: | Euroclear and Clearstream. |
| ISIN: | XS1865594870 |
| Common code: | 865594870 |
| Listing: | The Capital Securities are admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market. |
| Governing law: | The Capital Securities, the Fiscal Agency Agreement and the Deed of Covenant, and any non-contractual obligations arising out of or in connection therewith, are governed by, and construed in accordance with, English law, except for Conditions 3(a) (<i>Status</i>) and 3(b) (<i>No set-off</i>) which are governed by, and construed in accordance with, the laws of Ireland. |
| Submission to jurisdiction: | The Issuer has irrevocably agreed for the benefit of the Purchasers and the holders from time to time of the Capital Securities, as the case may be, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Capital Securities, the Fiscal Agency Agreement or the Deed of Covenant (including any dispute relating to any non-contractual obligations arising out of or in connection therewith) and, accordingly, the Issuer submits to the jurisdiction of the English courts. |

RISK FACTORS

Investing in the Capital Securities involves significant risks. Potential investors should reach their own investment decision only after consultation with their own legal and other professional advisers about risks associated with an investment in the Capital Securities and the suitability of investing in the Capital Securities in light of the particular characteristics and terms of the Capital Securities and of the investors' particular financial circumstances.

As part of making an investment decision, a potential investor should make sure it thoroughly understands the terms of the Capital Securities, such as the provisions governing a Principal Write-down (including, in particular, the circumstances under which a Trigger Event may occur), that the Issuer may elect, or may be required by the relevant Competent Authority, to cancel the payment of interest on the Capital Securities (in whole or in part) on any Interest Payment Date, and that there is no scheduled repayment date for the principal of the Capital Securities. Further, the Capital Securities may be subject to the application of the Bail-In Tool, as well as the Write-Down and Conversion Tool (as described herein), any of which may result in the Capital Securities being written-down or converted into equity (in whole or in part). Therefore, potential investors should review and consider the risk factors described herein relating to the Bail-In Tool, the Write-Down and Conversion Tool and the contractual write-down provisions of the Capital Securities and the impact these may have on their investment.

A potential investor should also carefully consider the risk factors and the other information incorporated by reference in this document (in particular, the relevant risk factor sub-sections of the Offering Circular dated 15 May 2018 relating to Bank of Cyprus Public Company Limited's €4,000,000,000 Euro Medium Term Note Programme (the "EMTN Offering Circular") as specified in "Documents Incorporated by Reference" herein) before deciding to invest in the Capital Securities and it should evaluate possible scenarios for economic, interest rate and other factors that may affect an investment in the Capital Securities and a potential investor's ability to bear the loss of all or a portion of its investment. If any of the risks set out herein, or in the other risk factors which are incorporated by reference herein, materialises, the Issuer's and/or the Group's business, financial condition and results of operations could suffer, the Capital Securities could be subject to Principal Write-down and the trading price and liquidity of the Capital Securities could decline, in which case an investor could lose some or all of the value of its investment.

The Issuer believes that the factors described below and incorporated by reference herein may affect its ability to fulfil its obligations under the Capital Securities. All of these factors are contingencies that may or may not occur, and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors that the Issuer believes may be material for the purpose of assessing the market risks associated with investing in the Capital Securities are also described below.

The Issuer believes that the factors described below and incorporated by reference herein represent the principal risks inherent in investing in the Capital Securities, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Capital Securities for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Capital Securities are exhaustive. Additional risks not currently known to the Issuer or that the Issuer now may not consider significant risks based on information currently available to it and that the Issuer may not currently be able to anticipate may also have a material adverse effect on the Issuer or the Group's future business, operating results, financial condition and affect an investment in the Capital Securities. Potential investors should also read the detailed information set out elsewhere, or incorporated by reference, in this document and reach their own views prior to making any investment decision.

Words and expressions defined in the Conditions as set out in "Terms and Conditions of the Capital Securities" have the same meanings in this risk factor section and any reference to a numbered Condition should be construed accordingly.

Risks Related to the Capital Securities

The Capital Securities have no scheduled maturity and holders do not have the right to cause the Capital Securities to be redeemed or otherwise accelerate the repayment of the principal amount of the Capital Securities except in very limited circumstances.

The Capital Securities are perpetual securities and have no fixed maturity date or scheduled redemption date. Accordingly, the Issuer is under no obligation to repay all or any part of the principal amount of the Capital Securities, the Issuer has no obligation to redeem the Capital Securities at any time and holders have no right to call for their redemption or otherwise accelerate the repayment of the principal amount of the Capital Securities except in the very limited circumstances following a winding-up of the Issuer, as provided in Condition 12 (*Enforcement*). Any redemption of the Capital Securities and any purchase of any Capital Securities by the Issuer or any of its subsidiaries is subject to the prior approval of the Competent Authority and to compliance with prevailing prudential requirements, and the holders may not be able to sell their Capital Securities in the secondary market (if at all) at a price equal to or higher than the price at which they purchased their Capital Securities. Accordingly, potential investors in the Capital Securities should be prepared to hold their Capital Securities for a significant period of time.

Interest on the Capital Securities is due and payable only at the sole and absolute discretion of the Issuer, and the Issuer is entitled to cancel interest payments (in whole or in part) at any time. Cancelled interest shall not be due and shall not accrue or be payable at any time thereafter and a holder shall have no rights thereto.

Because the Capital Securities are intended to qualify as Additional Tier 1 capital under Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), the Issuer is entitled to cancel (in whole or in part) any interest payment on the Capital Securities at its discretion. In addition, the Issuer is entitled, without restriction, to use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due. The Issuer's ability to make interest payments on the Capital Securities is affected by a number of different factors, many of which are outside of the Issuer's control, including, amongst others, capital and other regulatory requirements and restrictions imposed by the Competent Authority (see "*— CRD IV imposes capital and regulatory requirements that restrict the Issuer's ability to make interest payments under the Capital Securities and the Competent Authority has the ability to require the Issuer to cancel the payment of interest on the Capital Securities*" below) and the Issuer's level of Distributable Items and available funding (see "*— The ability of the Issuer to make interest payments on the Capital Securities depends on the level of the Issuer's Distributable Items and available funding. The level of the Issuer's Distributable Items and available funding is affected by a number of factors, including limitations on its available funding as a result of being a holding company*" below).

If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Cancelled interest shall not be due and shall not accrue or be payable at any time thereafter, and holders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation. Furthermore, no cancellation of interest in accordance with the terms of the Capital Securities will constitute a default in payment or otherwise under the terms

of the Capital Securities. The Issuer will be required to provide notice of any cancellation of interest (in whole or in part) to the holders as soon as reasonably practicable. However, failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give holders any rights as a result of such failure.

In addition to the Issuer's right to cancel (in whole or in part) interest payments at any time, the terms of the Capital Securities also restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case such interest shall be deemed to have been cancelled. Interest that is deemed cancelled shall not be due and shall not accrue or be payable at any time thereafter and holders shall have no rights thereto.

Under Condition 5(b) (*Interest Cancellation – Mandatory cancellation of interest*), the Issuer will be required to cancel (in whole or in part, as applicable) any interest payment otherwise due to be paid to the extent that:

- (a) the payment of such interest, when aggregated with any interest payments or distributions paid or scheduled for payment in the then current Financial Year on the Capital Securities and all other own funds instruments (excluding any instruments which constitute Tier 2 Capital of the Issuer) plus any principal write-ups, where applicable, would cause the amount of Distributable Items (if any) then available to the Issuer to be exceeded;
- (b) the payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of law in the Republic of Cyprus transposing or implementing Article 141(2) of the CRD IV Directive) plus any principal write-ups, where applicable, the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded; or
- (c) the Competent Authority requires the Issuer to cancel the payment of such interest.

Although the Issuer will be entitled, in its sole discretion, to elect to make a partial interest payment on the Capital Securities on any Interest Payment Date, it will only be entitled to do so to the extent that such partial interest payment may be made without breaching the restrictions referred to in paragraphs (a), (b) and (c) above.

Any interest which is deemed cancelled on any relevant Interest Payment Date shall not be due and shall not accrue or be payable at any time thereafter, and holders shall have no rights thereto or to receive any additional interest or compensation as a result of such deemed cancellation. Furthermore, no cancellation of interest in accordance with the terms of the Capital Securities will constitute a default in payment or otherwise under the terms of the Capital Securities. The Issuer will be required to provide notice of any deemed cancellation of interest (in whole or in part) to the holders as soon as reasonably practicable. However, failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give holders any rights as a result of such failure.

The ability of the Issuer to make interest payments on the Capital Securities depends on the level of the Issuer's Distributable Items and available funding. The level of the Issuer's Distributable Items and available funding is affected by a number of factors, including limitations on its available funding as a result of being a holding company.

Under Article 52(1)(l)(i) of the CRR, distributions under Additional Tier 1 instruments (as such term is defined in Article 51 of the CRR and which would include the Capital Securities) must be paid out of Distributable Items. Under Condition 5(b) (*Interest Cancellation – Mandatory cancellation of interest*), the Issuer is restricted from paying any interest amount (in whole or in part) on the Capital Securities

which otherwise fall due on an Interest Payment Date if and to the extent that payment of such interest amount would, when aggregated with other relevant stipulated payments or distributions, exceed the Distributable Items of the Issuer.

Distributable Items are defined under Article 4(1)(128) of the CRR as: *"the amount of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the institution's bye-laws and sums placed to non-distributable reserves in accordance with applicable national law or the statutes of the institution, those losses and reserves being determined on the basis of the individual accounts of the institution and not on the basis of the consolidated accounts"*.

As a holding company, the level of the Issuer's Distributable Items and available funding is affected by a number of factors. In particular, substantially all of the proceeds from the issue of the Capital Securities have been on-lent by the Issuer to its main operating subsidiary, Bank of Cyprus Public Company Limited (the "**Bank**") pursuant to a loan agreement dated 18 December 2018, the terms of which are intended to constitute Additional Tier 1 capital for the Bank and substantially mirror the terms of the Capital Securities (the "**On-Loan**"). Accordingly, the Issuer's ability to fund its payment obligations under the Capital Securities are primarily dependent on the receipt by the Issuer of interest payments on the On-Loan from the Bank and, in turn, the Bank's ability to make such interest payments depends on the level of the Bank's Distributable Items (as defined in the CRR) and Maximum Distributable Amount as required to be calculated under Article 141(2) of the CRD IV Directive (see *"CRD IV imposes capital and regulatory requirements that restrict the Issuer's ability to make interest payments under the Capital Securities and the Competent Authority has the ability to require the Issuer to cancel the payment of interest on the Capital Securities"*). Further, the terms of the On-Loan also provide that payments of interest under the On-Loan may be cancelled at the Bank's discretion. In addition, any revaluation to the market value of the On-Loan to reflect, for example, the market value of the Capital Securities may affect the level of the Issuer's distributable reserves and, in turn, the level of its Distributable Items from time to time. Therefore, any material decrease in the market value of the Capital Securities could result in a material decrease in the Issuer's Distributable Items which would, in turn, negatively impact the Issuer's ability to make interest payments on the Capital Securities. The level of the Issuer's Distributable Items required may also be affected by any future change to the CRR and any other applicable regulations.

Further, the Bank's ability to make distributions to the Issuer, and the Issuer's ability to receive distributions and other payments from the Bank, is subject to applicable local laws and other restrictions, including the applicable tax laws and the Issuer's and the Bank's regulatory, capital and leverage requirements and statutory reserves. The Competent Authority (which is currently the European Central Bank ("**ECB**") in conjunction with the Central Bank of Cyprus ("**CBC**") responsible for the consolidated supervision of the Group in respect of its prudential requirements under CRD IV has imposed capital and other prudential requirements on a Group consolidated and Bank solo basis which both the Issuer and the Bank are required to comply with (see *"CRD IV imposes capital and regulatory requirements that restrict the Issuer's ability to make interest payments under the Capital Securities and the Competent Authority has the ability to require the Issuer to cancel the payment of interest on the Capital Securities"*). In particular, the Competent Authority has currently imposed a prohibition on the Issuer and the Bank from making any distributions to their respective shareholders. Although this prohibition does not apply to the payment of interest on additional tier 1 instruments (including the Capital Securities) or the On-Loan, the Bank will not be able to provide funding to the Issuer for the creation of distributable reserves or the payment of interest on the Capital Securities through the payment of dividends or distributions to the Issuer in its capacity as shareholder of the Bank. Even if the Bank ceases to be subject to a prohibition on distributions to its shareholders, CRD IV imposes capital requirements that may nonetheless restrict the Bank's ability to make discretionary distributions to the Issuer. Similarly, the implementation of the minimum requirement for own funds and eligible

liabilities ("MREL") framework under 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") may increase these requirements (see "*Risk Factors – Regulatory and Legal Risks – The Group will be required to maintain a minimum requirement for own funds and eligible liabilities*" in the EMTN Offering Circular (the "**MREL Risk Factor**"), incorporated by reference herein). Such laws and regulations are limiting and could further limit the payment of dividends, distributions and other payments to the Issuer by the Bank, which restricts the Issuer's available funding for meeting its obligations and the Issuer's ability to maintain or increase its Distributable Items. These factors could, in turn, restrict the Issuer's ability to make interest payments on the Capital Securities. Further, if the Proposals (as defined in the MREL Risk Factor) were to be adopted in their current form, a failure by the Issuer, the Bank and/or Group to comply with MREL requirements could mean that the Issuer itself could become subject to restrictions on payments on additional tier 1 instruments, including the Capital Securities (subject to a potential six-month grace period in case specific conditions are met).

In addition to the regulatory restrictions and limitations on the Bank's ability to fund the Issuer, the Issuer's Distributable Items and its available funding, and therefore its ability to make interest payments on the Capital Securities, could also be adversely affected by the performance of the Group's business in general, factors affecting the Group's financial position (including capital and leverage), the economic environment in which the Group operates and other factors outside of the Bank's and/or the Issuer's control. Further, adjustments to earnings, as determined by the Issuer's Board of Directors, may fluctuate significantly and may materially adversely affect Distributable Items.

Consequently, the level of the Issuer's Distributable Items and available funding, and therefore its ability to make interest payments on the Capital Securities, are a function of its existing Distributable Items, the ability of the Bank to fund the Issuer because of certain regulatory restrictions and limitations and future Group profitability and financial position. In addition, the Issuer's Distributable Items available for making payments to holders of the Capital Securities may also be adversely affected by the servicing of other instruments issued by the Bank, and any future instruments issued by the Issuer. The Issuer will be prohibited from making an interest payment on the Capital Securities on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) if the level of Distributable Items is insufficient to fund that payment (see "*— In addition to the Issuer's right to cancel (in whole or in part) interest payments at any time, the terms of the Capital Securities also restrict the Issuer from making interest payments on the Capital Securities in certain circumstances, in which case such interest shall be deemed to have been cancelled. Interest that is deemed cancelled shall not be due and shall not accrue or be payable at any time thereafter and holders shall have no rights thereto*" above). In addition, if the Issuer's ability to receive distributions from the Bank is restricted and alternative sources of funding are not available, the Issuer may exercise its discretion to cancel interest payments in respect of the Capital Securities (see "*— Interest on the Capital Securities is due and payable only at the sole and absolute discretion of the Issuer, and the Issuer may cancel interest payments (in whole or in part) at any time. Cancelled interest shall not be due and shall not accrue or be payable at any time thereafter and a holder shall have no rights thereto*" above).

The Issuer is a holding company, which means that, in a winding-up of the Bank, the claims of the Issuer in respect of the On-Loan, will be subordinated to the prior claims of the Bank's third party creditors. The Issuer may also suffer losses if any of its loans to, or equity investment in, the Bank are subject to resolution measures as a result of the implementation of the BRRD and the SRM Regulation.

The Issuer is a holding company that has no significant assets other than its loans (including the On-Loan) to, and equity ownership of, the Bank, which means that, if the Bank is subject to winding up, the Issuer's right to participate in the assets of the Bank will depend upon the ranking of the Issuer's

claims according to the ordinary hierarchy of claims in insolvency. The holders of Capital Securities have no right to proceed against the assets of the Bank directly.

As the Capital Securities are structured so as to qualify as capital instruments under CRD IV, the terms of the On-Loan to the Bank are structured to achieve equivalent regulatory capital treatment for the Bank. Accordingly, in the winding up of the Bank, the claims of the Issuer in respect of the On-Loan will be subordinated to the prior claims of the Bank's third party creditors (including holders of €250 million in aggregate principal amount of subordinated Tier 2 Capital notes issued by the Bank in January 2017). The On-Loan also contains contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of the Group or the Bank, would automatically result in a principal write-down of the On-Loan. A principal write-down with respect to the On-Loan would result in the Issuer suffering losses which would in turn be expected to result in a Principal Write-down of the Capital Securities.

The Issuer may also suffer losses if the Capital Securities and/or any of its loans (including the On-Loan) to, or equity investment in, the Bank are subject to resolution measures as a result of the implementation of the BRRD and the Single Resolution Mechanism Regulation No. 806/2014 (the "**SRM Regulation**"). See "*— The BRRD and the SRM Regulation provide for resolution tools that may have a material adverse effect on the Group and the Capital Securities*" below.

CRD IV imposes capital and regulatory requirements that restrict the Issuer's ability to make interest payments under the Capital Securities and the Competent Authority has the ability to require the Issuer to cancel the payment of interest on the Capital Securities.

The capital and regulatory framework to which the Group and the Bank are subject imposes certain requirements for the Group and the Bank to hold sufficient levels of capital as well as requirements with respect to levels of leverage. A failure to comply with such requirements, as may be amended from time to time, may result in restrictions on the Issuer's ability to make discretionary distributions (including on the Capital Securities) in certain circumstances.

In particular, CRD IV imposes certain restrictions on institutions that fail to meet certain additional capital buffer requirements which may result in the Issuer having to reduce or cancel interest payments on the Capital Securities. The CRD IV Directive requires EU member states to impose capital buffer requirements that are additional to the Pillar 1 "own funds" requirement and are required to be met with CET1 Capital (the "**combined buffer requirement**"). The combined buffer requirement, as currently implemented in Cyprus and applicable to the Group and the Bank, includes the aggregate of: (i) the capital conservation buffer of up to 2.5% of risk weighted assets which is being gradually phased-in at 0.625% in 2016, 1.25% in 2017, 1.875% in 2018 and 2.5% in 2019, (ii) the counter-cyclical buffer which is currently set at 0% by the CBC (for exposures in Cyprus) but could amount to 0% to 2.5% of risk weighted assets and (iii) the O-SII buffer which is applicable to the Group and the Bank as an "other systematically important institution" which is currently set at 2.0% of risk weighted assets amount and will be gradually phased-in starting from 1 January 2019 at 0.5% and increasing by 0.5% every year thereafter, until being fully implemented (2.0%) on 1 January 2022.

Furthermore, competent authorities may require additional capital to be held by an institution to cover its idiosyncratic risks which the relevant supervisor assesses are not fully captured by the Pillar 1 "own funds" requirements. These additional capital requirements, referred to as "Pillar 2 add-ons", derive from the Group's individual capital guidance, which is a point in time and confidential assessment that is made by the Competent Authority in the context of the Supervisory Review and Evaluation Process ("**SREP**") and is expected to vary over time. As at 30 September 2018, the Group's "Pillar 2 add-on" requirement was equivalent to 3.0% of risk-weighted assets. In addition, the capital that banks use to meet their minimum requirements (Pillar 1 "own funds" and Pillar 2 "add-ons") cannot be counted towards meeting the combined buffer requirement, meaning that the combined buffer requirement will

effectively be in addition to both the Pillar 1 "own funds" and "Pillar 2 add-on" requirements of the Group and the Bank, as applicable. In addition to Pillar 1 "own funds" and Pillar 2 "add-on" requirements, banks are expected to meet Pillar 2 "guidance" which is set on top of the level of binding capital requirements (i.e. Pillar 1 "own funds" and Pillar 2 "add-on" requirements) and on top of the capital buffer requirements. The Competent Authority has provided non-public Pillar 2 "guidance" for an additional Pillar 2 CET1 buffer for the Group and the Bank. If a bank does not meet its Pillar 2 "guidance", this will not result in automatic action by the relevant competent authority but will be used in fine-tuned measures based on the individual situation of the relevant bank. In order to assess the final measures taken, the ECB will assess every case of a bank not meeting its Pillar 2 "guidance". The final guidelines on the revised common procedures and methodologies for the SREP and supervisor stress testing (the "**EBA Guidelines**") published by the European Banking Authority (the "**EBA**") on 19 July 2018 contemplate Pillar 2 "guidance" in the same way, providing additional description. In other words, own funds held for the purposes of meeting Pillar 2 "guidance" cannot be used twice to meet any other regulatory capital requirements (Pillar 1, Pillar 2 'add-on requirement' or the combined buffer requirements). The EBA Guidelines will apply from 1 January 2019 and therefore the new guidelines are expected to be applied in the 2019 cycle of SREP and joint decisions on institutions-specific prudential requirements, and could lead to increased capital requirements.

Under Article 141 of the CRD IV Directive, member states of the EU must require that institutions that fail to meet the combined buffer requirement will be subject to restrictions on "discretionary payments" (which are defined broadly by CRD IV as payments relating to common equity tier 1, variable remuneration and payments on additional tier 1 instruments). In the event of a breach of the combined buffer requirement, the Article 141 restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the profits of the institution since the last decision on the distribution of profits or "discretionary payment" of the institution. Such calculation will result in the Maximum Distributable Amount in each relevant period. As an example, the scaling is such that in the bottom quartile of the combined buffer requirement, no "discretionary distributions" will be permitted to be paid.

Maximum Distributable Amount restrictions ("**MDA restrictions**") would need to be calculated for each separate level of supervision. It follows that for the Issuer, MDA restrictions should be calculated at both the Group consolidated level as well as at the Bank solo level. For each such level of supervision, the level of restriction under Article 141(2) of the CRD IV Directive will be scaled according to the extent of the breach of the combined buffer requirement applicable at such level and calculated as a percentage of the respective profits calculated at such level. The Maximum Distributable Amount would thus be assessed separately for each level of supervision based on this calculation and distributions would be restricted by the lowest amount.

Consequently, in the event of a breach of the combined buffer requirement it may be necessary for the Bank or the Group to reduce payments that would, but for the breach of the combined buffer requirement, be discretionary, including potentially exercising the Issuer's discretion to cancel (in whole or in part) interest payments in respect of the Capital Securities. As a consequence, in the event of breach of the combined buffer requirement (as applicable at Group consolidated and Bank solo level) the Issuer's discretionary payments will potentially be restricted and the Issuer will potentially be required to cancel (in whole or in part) interest payments in respect of the Capital Securities if the payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of law in Cyprus transposing or implementing Article 141(2) of the CRD IV Directive plus any principal write-ups, where applicable, the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded.

The interaction between "Pillar 2" capital requirements and the MDA restrictions has been the subject of much debate in the EU. Amongst other things, the "*Opinion of the European Banking Authority on*

the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on 16 December 2015 (which does not have the force of law) included an opinion addressed to EEA competent authorities that they should ensure that the CET 1 capital to be taken into account for the Maximum Distributable Amount calculation is limited to the amount not used to meet "Pillar 1" and "Pillar 2" capital requirements of the institution. In effect, this would mean that "Pillar 2" capital requirements would be 'stacked' below the capital buffers, and thus a firm's CET 1 capital resources would only be applied to meeting capital buffer requirements after "Pillar 1" and "Pillar 2" capital requirements have been met in full.

In its publication of the 2016 EU-wide stress test results on 29 July 2016, the EBA recognised a distinction between Pillar 2 "add-on" requirements (stacked below the capital buffers and thus potentially directly affecting the application of a Maximum Distributable Amount) and Pillar 2 "guidance" (stacked above the capital buffers). With respect to Pillar 2 "add on" requirements, the publication stated that, in response to stress test results, competent authorities may (amongst other things) consider setting capital guidance above the combined buffer requirement. Accordingly, the results of the 2018 stress test were finalised in the fourth quarter of 2018 and are expected to be considered by the Competent Authority of the Group as part of the SREP and could result in increased Pillar 2 "guidance" requirements for the Group and/or the Bank. In cases where Pillar 2 "guidance" is provided, that guidance will not be included in calculations of the Maximum Distributable Amount, but competent authorities would expect banks to meet that guidance. Competent authorities have remedial tools if an institution is not able to follow such guidance.

The ECB published a set of "*Frequently asked questions on the 2016 EU-wide stress test*", confirming this distinction between Pillar 2 "add-on" requirements and Pillar 2 "guidance" and noting that under the stacking order, banks facing losses will first fail to fulfil their Pillar 2 "guidance". In case of further losses, they would next breach the combined buffers, then Pillar 2 "add-on" requirements and finally Pillar 1 "own funds" requirements. Pillar 2 "add-on" requirements are binding and breaches can have direct legal consequences for banks, while Pillar 2 "guidance" is not directly binding and a failure to meet Pillar 2 does not automatically trigger legal action, even though the ECB expects banks to meet Pillar 2 "guidance". Following this clarification, it is understood that Pillar 2 "guidance" is not expected to trigger the automatic calculation of the Maximum Distributable Amount. The EBA Guidelines clarify the same stacking order.

Should the ECB or the EBA change the existing, or implement additional, requirements or guidance concerning the capital requirements for banks, including the interaction between "Pillar 2" capital requirements and the MDA restrictions, this could have a material adverse impact on the calculation of the MDA restrictions which, in turn, could restrict the Bank's and the Issuer's ability to make discretionary payments on their respective Tier 1 capital, including interest payments on, in the case of the Bank, the On-Loan and, in the case of the Issuer, the Capital Securities. In addition, even though Pillar 2 "guidance" is non-binding, the Competent Authority has the ability to impose fine-tuned measures on the Group, the Bank and the Issuer (which could include restricting interest payments on the On-Loan or Capital Securities) should the Group or the Bank not be in compliance with such guidance. The Competent Authority has the power (under Condition 5(b)(iii) (*Interest Cancellation – Mandatory cancellation of interest*)) to require the Issuer to cancel the payment of interest on the Capital Securities.

The BRRD and the SRM Regulation provide for resolution tools that may have a material adverse effect on the Group and the Capital Securities.

The Group and the Bank are subject to the supervision of the Resolution Authority. The Resolution Authority has wide resolution powers and tools under the BRRD as implemented in Cyprus and under the SRM Regulation. These powers and tools would be in addition to the operation of the Principal Write-down features of the Capital Securities upon the occurrence of a Trigger Event. For a general

discussion of these resolution powers and the bank recovery and resolution framework under which Resolution Authority operates, see "*Financial Services Regulation and Supervision — Main Banking/Financial Services Regulatory Requirements – Bank Recovery and Resolution*" section of the EMTN Offering Circular, incorporated by reference herein.

In particular, the Resolution Authority has the ability to write down the claims of unsecured creditors of an institution and convert debt to equity (including subordinated securities such as the Capital Securities and/or the On-Loan), with, in broad terms, the first losses being taken by shareholders and thereafter by subordinated and then senior creditors, with the objective of recapitalising the relevant entity in circumstances where the relevant entity (i.e. the Bank or the Issuer) is failing or is likely to fail (the "**Bail-In Tool**"). A relevant entity will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; when its assets are, or are likely in the near future to be, less than its liabilities; when it is, or is likely in the near future to be, unable to pay its debts as they fall due; or when it requires extraordinary public financial support (except in limited circumstances). Although there are guidelines from the European Banking Authority on the determination of whether an institution is failing or likely to fail, it is uncertain how the Resolution Authority would assess such conditions in any particular pre-insolvency scenario affecting the Issuer or the Bank in deciding whether to exercise a resolution power. Where the relevant statutory conditions for use of the Bail-In Tool have been met, the Resolution Authority would be expected to exercise these powers without the consent of the holders of the Capital Securities. Any such exercise of the Bail-In Tool in respect of the Bank or the Issuer may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Capital Securities and/or the conversion of the Capital Securities into shares or other securities or other obligations of the Issuer or another person, or any other modification or variation to the terms of the Capital Securities. The exercise of the Bail-In Tool will be separate to, and thus may result in an outcome that is different from, the Principal Write-down feature contemplated by the Conditions.

In addition, the Resolution Authority has statutory write-down and conversion powers which enable it to write down or to convert into equity a relevant entity's capital instruments (which, in the case of the Issuer and the Bank, could include the Capital Securities and the On-Loan) if certain conditions are met (the "**Write-Down and Conversion Tool**"). The Write-Down and Conversion Tool would be applied, in particular, if the Resolution Authority determines that, unless the Write-Down and Conversion Tool was applied, the relevant entity would no longer be viable or if a decision has been made to provide the relevant entity with extraordinary public financial support without which the relevant entity would no longer be viable (i.e. the point of non-viability may be at a Group CET1 Ratio higher than 5.125%). Potential investors in the Capital Securities should assume that, in a resolution situation, financial public support would only be available to the Issuer or the Bank as a last resort after the Resolution Authority had assessed and used, to the maximum extent practicable, its resolution tools, including the Bail-in Tool.

Where the relevant entity meets the conditions for resolution, the Resolution Authority would be required to apply the Write-Down and Conversion Tool before applying any of its resolution tools (which includes the Bail-in Tool). The write down or conversion would follow the ordinary allocation of losses and ranking in insolvency. Equity holders would be required to absorb losses in full before any debt claim was subject to write-down or conversion. After shares and other similar instruments and any Additional Tier 1 instruments, such as the Capital Securities, has been written down or converted, the write-down or conversion would then, if necessary, impose losses evenly on holders of other subordinated debt which rank *pari passu* according to their terms and then evenly on those senior debt holders which were subject to such write-down or conversion. Any amounts written down or converted in accordance with the Write-Down and Conversion Tool would not constitute an event of default under the terms of the relevant instruments. Consequently, any amounts so written down or converted would be irrevocably lost and the holders of such instruments would cease to have any claims thereunder, regardless whether or not the relevant entity's financial position was restored. As with the Bail-In Tool,

the exercise of the Write-Down and Conversion Tool would be separate to and thus may result in an outcome that is different from the Principal Write-down feature contemplated by the Conditions.

Any exercise of the Write-Down and Conversion Tool or the Bail-In Tool by the Resolution Authority could result in holders of the Capital Securities losing some or all of their investment. The exercise of any such power with respect to the Issuer or the Bank, or any suggestion or anticipation of such exercise, could, therefore, materially adversely affect the rights of the holders of Capital Securities, the price or value of their investment in the Capital Securities and/or the ability of the Issuer to satisfy its obligations under the Capital Securities.

Upon the occurrence of a Trigger Event, holders may lose all or some of the value of their investment in the Capital Securities.

The Capital Securities have been issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Additional Tier 1 Capital of the Issuer. Such eligibility depends upon a number of conditions being satisfied, which are reflected in the Conditions. One of these relates to the ability of the Capital Securities and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, if, at any time, a Trigger Event occurs: (a) the Outstanding Principal Amount of each Capital Security will be immediately and mandatorily Written Down by the Write-Down Amount; and (b) all accrued and unpaid interest up to (and including) the Trigger Event Write-down Date (whether or not the same has become due at such time) will be cancelled.

Although Condition 6(b) (*Principal Write-down and Principal Write-up – Principal Write-up*) permits the Issuer in its sole and full discretion to reinstate Written Down principal amounts if certain conditions (as further described in the Conditions) are met, the Issuer would be under no obligation to do so. Moreover the Issuer would only have the option to increase the Outstanding Principal Amount of the Capital Securities if, at a time when the Outstanding Principal Amount is less than the Original Principal Amount, it records a positive Net Profit and if the Maximum Write-up Amount (if any) (when the amount of any such Principal Write-up is aggregated together with other distributions of the Issuer, of the kind referred to in Article 141(2) of the CRD IV Directive) would not be exceeded as a result of the proposed Principal Write-up.

No assurance can be given that such conditions would ever be met, or that the Issuer would conduct a Principal Write-up following a Principal Write-down. Furthermore, any Principal Write-up would be required to be undertaken on a *pro rata* basis with any other securities of the Issuer that have terms permitting a principal write up to occur on a basis similar to that set out in Condition 6(b) (*Principal Write-down and Principal Write-up – Principal Write-up*).

During the period of any Principal Write-down pursuant to Condition 6(a) (*Principal Write-down and Principal Write-up – Principal Write-down*), interest would accrue on the Outstanding Principal Amount of the Capital Securities, which will be lower than the Original Principal Amount unless and until there is a subsequent Principal Write-up of the Capital Securities in full. Furthermore, in the event that a Principal Write-down occurred during an Interest Period, any interest accrued but not yet paid until the occurrence of such Principal Write-down would be cancelled and, if not cancelled in accordance with Condition 5 (*Interest Cancellation*), the interest amount payable on the Interest Payment Date immediately following such Interest Period would be calculated on the Outstanding Principal Amount resulting from the Principal Write-down in accordance with Condition 4(f) (*Interest and other Calculations – Calculation of amount of interest per Calculation Amount*).

Holders of the Capital Securities may lose all or some of their investment as a result of a Principal Write-down. If any order is made by any competent court for the winding-up of the Issuer, or if the Issuer is liquidated for any other reason prior to a Principal Write-up of the Capital Securities in full, holders' claims for principal and interest would be based on the reduced Outstanding Principal Amount

of the Capital Securities. Holders' claims for principal and interest would also be based on the reduced Outstanding Principal Amount of the Capital Securities in the event that the Issuer exercises its option to redeem the Capital Securities upon the occurrence of a Tax Event or a Capital Event in accordance with Conditions 7(b) (*Redemption, Purchase and Options – Redemption for Taxation Reasons*) or 7(d) (*Redemption, Purchase and Options – Redemption upon the occurrence of a Capital Event*) at a time when the Capital Securities had been Written Down and not subsequently Written Up.

In addition, in certain circumstances the Maximum Distributable Amount would impose a cap on the Issuer's ability to pay interest on the Capital Securities, on the Issuer's ability to reinstate the Original Principal Amount of the Capital Securities following a Principal Write-down and on its ability to redeem or repurchase any of the Capital Securities.

The market price (if any) of the Capital Securities is expected to be affected by fluctuations in the Group CET1 Ratio. Any indication that the Group CET1 Ratio is approaching the level that would result in a Trigger Event would be expected to have an adverse effect on the market price (if any) of the Capital Securities and could increase the risk of the Issuer, the Bank and/or the Group being subject to resolution measures under the BRRD and SRM Regulation (see "*— The BRRD and the SRM Regulation provide for resolution tools that may have a material adverse effect on the Group and the Capital Securities*" above).

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Issuer or the Bank. Accordingly, investors may be unable to accurately predict if and when a Trigger Event may occur. Any occurrence of a Trigger Event would negatively impact the market price (if any) of the Capital Securities. See "*The circumstances surrounding or triggering a Principal Write-down are unpredictable, and there are a number of factors that could affect the Group CET1 Ratio*" below.

The circumstances surrounding or triggering a Principal Write-down are unpredictable, and there are a number of factors that could affect the Group CET1 Ratio.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, which may be outside the control of the Issuer or the Bank. Moreover, because the Competent Authority may instruct the Issuer to calculate the Group CET1 Ratio as at any date, a Trigger Event could occur at any time, including if the Issuer, the Bank and/or the Group was subject to recovery and resolution measures by the Resolution Authority. The Issuer might also determine to calculate the Group CET 1 Ratio at any time in its own discretion. The Resolution Authority is likely to allow a Trigger Event to occur rather than to resort to the use of public funds to provide capital to the Issuer or the Bank. Additionally the Resolution Authority may require the permanent write-down of the Capital Securities at the point of non-viability of the Issuer or the Bank, and this may occur prior to a Trigger Event. See "*The BRRD and the SRM Regulation provide for resolution tools that may have a material adverse effect on the Group and the Capital Securities*" above.

The Group CET1 Ratio may fluctuate. The calculation of such ratios could be affected by one or more factors, including, among other things, changes in the mix of the Group's business, major events affecting Group earnings, regulatory changes (including changes to definitions and calculations of the CET1 Ratio and its components, including Common Equity Tier 1 Capital and risk weighted assets and the unwinding of transitional provisions under CRD IV) and the Group's ability to manage risk weighted assets in both its on-going businesses and those which it may seek to exit.

The calculation of the Group CET1 Ratio may also be affected by changes in applicable accounting rules, including but not limited to IFRS 9, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, were not yet in force as at the

relevant calculation date, the Competent Authority could require the Issuer to reflect such changes in any particular calculation of the Group CET1 Ratio. Accordingly, accounting changes or regulatory changes may have a material adverse impact on the Group's calculations of regulatory capital, including Common Equity Tier 1 Capital and risk weighted assets and the Group CET1 Ratio.

It will be difficult to predict when, if at all, a Trigger Event and subsequent Principal Write-down may occur. Accordingly, the trading behaviour of the Capital Securities is not necessarily expected to follow the trading behaviour of other types of securities. Any indication that a Trigger Event and subsequent Principal Write-down may occur can be expected to have a material adverse effect on the market price (if any) of the Capital Securities.

The Group CET1 Ratio is affected by the Group's business decisions and, in making such decisions, the Group's interests may not be aligned with those of the holders of the Capital Securities.

As discussed in "*The circumstances surrounding or triggering a Principal Write-down are unpredictable, and there are a number of factors that could affect the Group CET1 Ratio*" above, the Group CET1 Ratio could be affected by a number of factors. The Group CET1 Ratio also depends on the Issuer's decisions relating to the Bank's and the Group's businesses and operations, as well as the management of their respective capital positions. None of the Issuer, the Bank and any other member of the Group have any obligation to consider the interests of the holders of the Capital Securities in connection with its strategic decisions, including in respect of its capital management. Holders of the Capital Securities do not and will not have any claim against the Issuer, the Bank or any other member of the Group relating to decisions that affect the business and operations of the Bank or the Group, including the Bank's or the Group's capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause holders of the Capital Securities to lose all or part of the value of their investment in the Capital Securities.

The obligations of the Issuer in respect of the Capital Securities are unsecured and deeply subordinated.

The Capital Securities constitute unsecured and subordinated obligations of the Issuer.

On a winding-up of the Issuer, all claims in respect of the Capital Securities rank junior to the claims of all Unsubordinated Creditors of the Issuer. If, on a winding-up of the Issuer, the assets of the Issuer are insufficient to enable the Issuer to repay the claims of more senior-ranking creditors in full, the holders of the Capital Securities will lose their entire investment in the Capital Securities. If there are sufficient assets to enable the Issuer to pay the claims of senior-ranking creditors in full, but insufficient assets to enable it to pay claims in respect of its obligations in respect of the Capital Securities and all other claims that rank *pari passu* with the Capital Securities, holders of the Capital Securities will lose some (or substantially all) of their investment in the Capital Securities. In addition, any claim in respect of the Capital Securities would be for the Outstanding Principal Amount of the Capital Securities held by a holder, which, if the Capital Securities have been Written Down and have not subsequently been Written Up at the time of claim, will be less than par.

For the avoidance of doubt, the holders of the Capital Securities would, in a winding up of the Issuer, have no claim to share with the ordinary shareholders in respect of the surplus assets (if any) of the Issuer remaining in any winding-up following payment of all amounts due in respect of the liabilities of the Issuer including the Capital Securities.

Although the Capital Securities may pay a higher rate of interest than securities which are not subordinated, there is a substantial risk that investors in the Capital Securities would lose all or some of the value of their investment should the Issuer become insolvent.

There are no events of default under the Capital Securities and rights of enforcement are limited.

The Conditions do not provide for events of default allowing acceleration of the Capital Securities. Accordingly, if the Issuer fails to make a payment that has become due under the Capital Securities, investors would not have the right to accelerate the Outstanding Principal Amount of the Capital Securities. Upon a payment default by the Issuer, the sole remedy against the Issuer available to a holder would be to institute proceedings for the winding-up of the Issuer.

The Capital Securities may be subject to early redemption at their Outstanding Principal Amount upon the occurrence of certain events.

Subject to the prior approval of the Competent Authority and to compliance with prevailing prudential requirements, the Issuer is entitled, at its option, to redeem all (but not some only) of the Capital Securities at any time at their Outstanding Principal Amount plus interest accrued and unpaid from (and including) the immediately preceding Interest Payment Date up to (but excluding) the redemption date, upon the occurrence of a Tax Event or a Capital Event.

An optional redemption feature is likely to limit the market value of the Capital Securities. During any period when the Issuer is entitled to elect to redeem the Capital Securities, the market value of the Capital Securities generally will not rise substantially above the price at which they can be redeemed.

If the Issuer redeems the Capital Securities in any of the circumstances mentioned above, there would be a risk that the Capital Securities might be redeemed at times when the redemption proceeds were less than the current market value of the Capital Securities, or at an amount lower than the initial Outstanding Principal Amount (because of a Principal Write-down) or when prevailing interest rates might be relatively low, in which latter case holders might only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

The interest rate on the Capital Securities will be reset on each Reset Date, which may affect the market value of the Capital Securities.

The Capital Securities currently earn interest at a fixed rate of 12.5 per cent. to, but excluding, the First Call Date. From, and including, the First Call Date and every Reset Date thereafter, the interest rate will be reset to the Reference Rate (as described in Condition 4(d) (*Interest and other Calculations – Determination of Reference Rate in relation to a Reset Interest Period*)). The Reference Rate could be less than the Initial Rate of Interest, which could affect the amount of any interest payments under the Capital Securities and, therefore, the market value of an investment in the Capital Securities.

The Capital Securities allow for substitution and variation of their terms without holder consent.

Subject to Condition 8(b) (*Substitution and Variation – Conditions to substitution and variation*) and 8(c) (*Substitution and Variation – Occurrence of a Trigger Event following notice of substitution or variation*) and without prejudice to the provisions of Condition 13 (*Meetings of holders and Modification*), (i) if a Capital Event or a Tax Event has occurred and is continuing, or (ii) in order to align the Conditions to best practices published from time to time by the EBA (or any successor authority) resulting from its monitoring activities pursuant to Article 80 of the CRR, or (iii) in order to ensure the effectiveness and enforceability of Condition 19, the Issuer may, at its option, and without the consent or approval of the holders, elect either (i) to substitute all (but not some only) of the Capital Securities, or (ii) to vary the terms of all (but not some only) of the Capital Securities (including changing the governing law of Condition 19 from English law to Irish law), so that they become or remain compliant with the Capital Regulations with respect to Additional Tier 1 Capital. Any such substitution or variation of the Capital Securities shall result in terms that (other than in the case of a

change to the governing law of Condition 19 to Irish law in order to ensure the effectiveness and enforceability of Condition 19) are not materially less favourable to the holders of the Capital Securities as a class (as reasonably determined by the Issuer) and the substituted or varied securities shall have the characteristics set out in Condition 8(a) (*Substitution and Variation*).

There can be no assurance that, due to the particular circumstances of each holder, the resulting securities following any substitution or variation pursuant to Condition 8 (*Substitution and Variation*) would be as favourable to each holder in all respects or that, if it were entitled to do so, a particular holder would make the same determination as the Issuer as to whether the terms of the relevant securities are not materially less favourable to holders than the terms of the Capital Securities. The Issuer bears no responsibility towards the holders for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequences suffered by any holder).

No right of set-off.

As provided in Condition 3(b) (*Status – No set-off*) and subject to applicable law, claims in respect of the Capital Securities 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 Issuer 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 the Capital Securities by virtue of any such set-off or counterclaim, it shall hold the same on trust for the Issuer and shall pay the amount thereof to the Issuer or, in the event of the winding-up of the Issuer, to the liquidator of the Issuer.

Limitation on gross-up obligation under the Capital Securities.

The Issuer's obligation to pay additional amounts in respect of any withholding tax or deduction in respect of taxes pursuant to Condition 10 (*Taxation*) applies only to payments of interest due and paid under the Capital Securities and not to payments of principal. Therefore, the Issuer would not be required to pay any additional amounts under the terms of the Capital Securities to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding tax or deduction were to apply to any payments of principal under the Capital Securities, holders may receive less than the full amount due under the Capital Securities, and the market value of the Capital Securities may be adversely affected.

No limitation on issuing senior or pari passu securities.

There is no restriction on the amount of securities which the Issuer may issue, nor on the amount of any other obligations it may assume, which rank senior to, or *pari passu* with, the Capital Securities. The issue of any such securities and/or the assumption of any such other obligations may reduce the amount recoverable by holders on a winding-up of the Issuer and/or may increase the likelihood of a cancellation of interest amounts under the Capital Securities.

Risks Related to Securities in General

The Capital Securities are complex and relatively novel financial instruments that involve a high degree of risk and may not be a suitable investment for all investors.

The Capital Securities are complex financial instruments that involve a high degree of risk. As a result, an investment in the Capital Securities involves certain increased risks. Each potential investor of the Capital Securities must determine the suitability (either alone or with the help of a financial, legal or other professional adviser) of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) be a sophisticated investor and have sufficient knowledge and experience in investment matters (including without limitation, matters involving the purchase of Additional Tier 1 securities and other subordinated liabilities of European financial institutions) to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained or incorporated by reference in this document;
- (ii) conduct its own independent investigation in relation to the Issuer, its subsidiaries and the Capital Securities, the risks involved in an investment in the Capital Securities and reach its own independent conclusions regarding applicable laws and regulations relevant to the Issuer, the Capital Securities and the risks relating thereto, in general and in relation to the Issuer's particular circumstances and strategic plans;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where such potential investor's financial activities are principally denominated in a currency other than euro, and the possibility that the entire principal amount of the Capital Securities could be lost, including following the exercise of any bail-in power by the resolution authority;
- (iv) thoroughly review and understand the Conditions, such as the provisions governing non-cumulative interest cancellation, Principal Write-down (including, in particular, the Group CET1 Ratio, as well as the circumstances under which a Trigger Event may occur) and those relating to the Statutory Loss Absorption Powers; and
- (v) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Sophisticated investors generally do not purchase complex financial instruments that bear a high degree of risk as stand-alone investments. They purchase such financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Capital Securities unless they have the knowledge and expertise (either alone or with a financial, legal and/or other professional adviser) to evaluate how the Capital Securities will perform under changing conditions, the resulting effects on the likelihood of Principal Write-down and the value of the Capital Securities, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this document or incorporated by reference herein.

Because the Capital Securities are held by or on behalf of Euroclear and Clearstream, investors have to rely on the clearing system procedures for transfer, payment and communication with the Issuer.

The Capital Securities are represented by a Global Certificate deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream. Euroclear and Clearstream maintains records of the beneficial interests in the Global Certificate. While the Capital Securities are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, as the case may be.

While the Capital Securities are in global form, the payment obligations of the Issuer under the Capital Securities will be discharged upon such payments being made by or on behalf of the Issuer to or to the order of the nominee for the common depositary. A holder of a beneficial interest in a Capital Security must rely on the procedures of Euroclear and/or Clearstream, as the case may be, to receive payments under the Capital Securities. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Meetings of holders and modification.

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

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 (i) the Capital Securities are legal investments for it, (ii) the Capital Securities could be used as collateral for various types of borrowing and (iii) other restrictions may apply to its purchase or pledge of any Capital Securities. Financial institutions should consult their legal advisers or appropriate regulators to determine the appropriate treatment of the Capital Securities under any applicable risk-based capital or similar rules.

Change of law

The Terms and Conditions of the Capital Securities are based on English law in effect as at the date of issue of the Capital Securities. 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 Capital Securities.

Investors who hold less than the minimum specified denomination may be unable to sell their Capital Securities and may be adversely affected if definitive Capital Securities are subsequently required to be issued.

The Capital Securities have been issued in denominations of €200,000 and integral multiples of €1,000 in excess thereof. Accordingly, it is possible that they may be traded in amounts that are not integral multiples of €200,000. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than €200,000 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 the Capital Securities at or in excess of €200,000 such that its holding amounts to at least equal to €200,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than €200,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Capital Security in respect of such holding (should such Capital Securities be printed) and would need to purchase a principal amount of Capital Securities at or in excess of €200,000 such that its holding amounts to at least equal to €200,000.

A holder's actual yield on the Capital Securities may be reduced from the stated yield by transaction costs.

When securities such as the Capital Securities are purchased or sold, several types of incidental costs (including transaction fees and commissions) are generally incurred in addition to the current price of the security. Such incidental costs may significantly reduce or even exclude the profit potential of the Capital Securities. For instance, credit institutions as a rule charge their clients for commissions which are either fixed minimum commissions or *pro rata* commissions depending on the order value. To the extent that additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, holders must also take into account that they may be charged for the brokerage fees, commissions and other fees and expenses of such parties (i.e., third party costs).

In addition to such costs directly related to the purchase of securities (i.e., direct costs), holders must also take into account any follow-up costs (such as custody fees). Potential investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Capital Securities before investing in the Capital Securities.

Risks Related to the Market Generally

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

The secondary market generally

Investors may not be able to sell their Capital Securities in the secondary market (if one develops at all) easily or at prices that would provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Capital Securities.

If a market for the Capital Securities does develop, the trading price of the Capital Securities may be subject to wide fluctuations in response to many factors, including those referred to in this risk factor, as well as stock market fluctuations and general economic conditions that may adversely affect the market price (if any) of the Capital Securities. Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the entities that have issued them, and such volatility may be increased in an illiquid market. If any market in the Capital Securities did develop, it may become severely restricted, or may disappear, if the financial condition of the Group and/or the Group CET1 Ratio deteriorates such that there was an actual or perceived increased likelihood of the Issuer being unable, or where the Competent Authority elects to direct the Issuer not, to pay interest on the Capital Securities in full, or of the Capital Securities being Written Down or otherwise subject to loss absorption under the Conditions or an applicable statutory loss absorption regime. In addition, the market price (if any) of the Capital Securities may fluctuate significantly in response to a number of factors, some of which would be beyond the Issuer's or the Bank's control, including:

- actual or expected variations in the Bank's or the Group's operating performance;
- any shortfall in revenue or net profit or any increase in losses from levels expected by market commentators;
- increases in capital expenditure compared with expectations;
- any perception that the Group's strategy is or may be less effective than previously assumed or that the Group is not effectively implementing any significant projects, including with respect to the delinquent loan portfolio;
- changes in financial estimates by securities analysts;
- changes in market valuations of similar entities;
- announcements by the Group of significant acquisitions or disposals, strategic alliances, joint ventures, new initiatives, new services or new service ranges;
- regulatory matters, including changes in regulatory regulations or central bank requirements;
- additions or departures of key personnel;

- future issues or sales of Capital Securities or other securities; and
- general economic conditions in Cyprus.

Any or all of these events could result in material fluctuations in the price of the Capital Securities which could lead to investors losing some or all of their investment.

The issue price of the Capital Securities might not be indicative of prices that will prevail in the trading market (if any), and there can be no assurance that an investor would be able to sell its Capital Securities at or near the price which it paid for them, or at a price that would provide it with a yield comparable to more conventional investments that have a developed secondary market.

Moreover, although the Issuer and any subsidiary of the Issuer will be entitled (subject to regulatory approval and compliance with prevailing prudential requirements) to purchase Capital Securities at any time, they will have no obligation to do so. Purchases made by the Issuer or any member of the Group could affect the liquidity of the secondary market of the Capital Securities and thus the price and the conditions under which investors could negotiate their Capital Securities on the secondary market.

In addition, holders should be aware of the prevailing and widely reported global credit market conditions (which continue, to some extent, at the date of this document), whereby there has been a general lack of liquidity in the secondary market which, if it were to continue or worsen in future, could result in investors suffering losses on the Capital Securities in secondary resales even if there were no decline in the performance of the Capital Securities or the assets of the Bank or the Group. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there would be a more liquid market for the Capital Securities and instruments similar to the Capital Securities at that time.

Although the Capital Securities are listed on the Official List and admitted to trading on the Euro MTF Market, there is no assurance that an active trading market will develop.

The Capital Securities may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the relevant Interest Payment Date.

The Capital Securities may trade, and/or the prices for the Capital Securities may appear, in trading systems with accrued interest. If this occurs, purchasers of Capital Securities in the secondary market will pay a price that reflects such accrued interest upon purchase of the Capital Securities. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described in the Conditions and thus is not due and payable, purchasers of such Capital Securities will not be entitled to that interest payment (or, if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Capital Securities in euro. 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 euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or euro may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (i) the Investor's Currency-equivalent yield on the Capital Securities, (ii) the Investor's Currency-equivalent value of the principal payable on the Capital Securities and (iii) the Investor's Currency-equivalent market value of the Capital Securities.

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

Interest rate risks

An investment in the Capital Securities, which bear interest at a fixed rate (reset every five years), involves the risk that subsequent changes in market interest rates may adversely affect their value. The rate of interest will be set every five years, and as such reset rates have not been pre-defined at the Issue Date, they may be different from the initial rate of interest and may adversely affect the yield of the Capital Securities.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be incorporated in, and form part of, this document:

- (a) the Bank of Cyprus Holdings Public Limited Company Annual Financial Report 2017 ("**2017 Annual Report**");
- (b) the Group Financial Results for the nine months ended 30 September 2018 ("**9M 2018 Financial Results**") ;
- (c) the Group's Pillar 3 Disclosures for the year ended 31 December 2017;
- (d) the Group's presentation of the Group Financial Results for the nine months ended 30 September 2018;
- (e) the Bank's announcement issued on 24 July 2018 regarding the appointment of Ms Maria Philippou as a member of the Boards of Directors of the Bank;
- (f) the Bank's announcement issued on 14 August 2018 regarding the appointment of Ms Paula Hadjisotiriou as a member of the Boards of Directors of the Bank;
- (g) the Bank's announcement issued on 28 August 2018 regarding the decision of Dr Josef Ackermann to step down as Chairman of the Bank and the extension of Mr John Hourican's appointment as CEO of the Bank;
- (h) any and all announcements issued by the Bank since 30 September 2018; and
- (i) the following sections and sub-sections of the EMTN Offering Circular:
 - "*Risk Factors – Risks relating to Asset Quality, Provisions and Capital*" on pages 10 to 14;
 - "*Risk Factors - Risks Relating to the Cypriot, European and Global Economies and the Financial Markets*" on pages 14 to 17;
 - "*Risk Factors – Funding and Liquidity Risks*" on pages 18 to 19;
 - "*Risk Factors – Market Risks*" on pages 19 to 20;
 - "*Risk Factors – Business Risks*" on pages 21 to 22;
 - "*Risk Factors – Operational Risks*" on pages 22 to 25;
 - "*Risk Factors – Conduct and Reputational Risks*" on pages 25 to 26;
 - "*Risk Factors – Regulatory and Legal Risks*" on pages 26 to 31;
 - "*Risk Factors – Risk factors relating the structure of a particular issue of Notes – Future discontinuance of certain benchmark rates (for example, LIBOR or EURIBOR) may adversely affect the value of Floating Rate Notes and/or Fixed Rate Reset Notes which are linked to or which reference any such benchmark rate*" on pages 34 to 35; and

- "*Business Description of the Group*" on pages 97 to 113;
- "*The Macroeconomic Environment in Cyprus*" on pages 120 to 123; and
- "*Financial Services Regulation and Supervision*" on pages 124 to 141.

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

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

The table below sets out the relevant page references for the 2017 Annual Report and the 9M 2018 Financial Results. Any information not listed in the cross reference list below 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 below is considered to be additional information to be disclosed to investors rather than information required by the Luxembourg Stock Exchange.

2017 Annual Report

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TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

The following is the text of the terms and conditions that shall be applicable to the Capital Securities in definitive form (if any) issued in exchange for the Global Certificate representing the Capital Securities. These terms and conditions shall be endorsed on the Certificates relating to the Capital Securities.

The wording appearing in italics below is included for disclosure purposes only and does not form part of the terms and conditions of the Capital Securities.

The €20,000,000 in aggregate principal amount of Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities (the "**Capital Securities**") are issued by Bank of Cyprus Holdings Public Limited Company (the "**Issuer**") on the Issue Date.

The Capital Securities are issued subject to, and with the benefit of:

- (i) a Fiscal Agency Agreement dated 28 August 2018 (the "**Fiscal Agency Agreement**") between the Issuer, Citibank Europe plc as initial fiscal agent and registrar and the other agents named in it; and
- (ii) a deed of covenant dated 28 August 2018 (the "**Deed of Covenant**") entered into by the Issuer in favour of the holders (as defined herein) of the Capital Securities.

The fiscal agent, the paying agents, the registrar and the transfer agents for the time being are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**" and the "**Transfer Agents**" (which expression shall include the Registrar). Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during usual business hours at the specified offices of the Paying Agents and the Transfer Agents.

These terms and conditions (together with the Final Terms, these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement. The holders of the Capital Securities are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement and the Deed of Covenant applicable to them.

Unless otherwise defined herein, capitalised terms used in these Conditions have the meanings given to such terms in Condition 20.

1. **Form, Denomination and Title**

The Capital Securities are issued in registered form in the denominations of €200,000 and integral multiples of €1,000 in excess thereof.

The Outstanding Principal Amounts of the Capital Securities may be adjusted as provided in Condition 6 or as otherwise required as a result of the exercise of Statutory Loss Absorption Powers as referred to in Condition 19. Any such adjustment to the Outstanding Principal Amounts of the Capital Securities will not have any effect on the denominations of the Capital Securities.

The Capital Securities are represented by registered certificates ("**Certificates**") and each Certificate shall represent the entire holding of Capital Securities by the same holder.

Title to the Capital Securities shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar (and, for as long as required under Irish law that a register

is held in Ireland, a duplicate register held in Ireland at the order of the Registrar) in accordance with the provisions of the Fiscal 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 Capital Security 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, "**holder**" (in relation to a Capital Security) means the person in whose name a Capital Security is registered.

2. **Transfers of Capital Securities**

(a) *Transfer of Capital Securities*

One or more Capital Securities may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Capital Securities 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 Issuer), 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 Capital Securities 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. In the case of a transfer of Capital Securities to a person who is already a holder of Capital Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Capital Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Capital Securities scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any holder of Capital Securities upon request.

Upon issue, the Capital Securities will be represented by a global certificate (the "Global Certificate"), deposited with, and registered in the name of a nominee for, a common depository for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream").

Except in the limited circumstances described in the Global Certificate, owners of interests in Capital Securities represented by the Global Certificate will not be entitled to receive individual Certificates in respect of their individual holdings of Capital Securities. The Capital Securities are not issuable in bearer form.

So long as the Capital Securities are represented by the Global Certificate and the rules of Euroclear and Clearstream so permit, transfers of interests in the Capital Securities through the relevant clearing systems shall be in principal amounts of at least €200,000 and integral multiples of €1,000 in excess thereof.

(b) *Delivery of New Certificates*

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of the form of transfer and surrender of the relevant Certificate. 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

form of transfer 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 form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate(s) 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(b), "**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).

(c) *Transfer Free of Charge*

Each transfer of Capital Securities and Certificates on transfer shall be effected without charge by or on behalf of the Issuer, 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 reasonably require).

(d) *Closed Periods*

No holder of Capital Securities may require the transfer of a Capital Security to be registered (i) during the period of 15 days prior to any date on which the Capital Securities may be called for redemption by the Issuer at its option pursuant to Condition 7(c), (ii) after the Capital Securities have been called for redemption by the Issuer pursuant to Condition 7(b) or Condition 7(d) or (iii) during the period of seven days ending on (and including) any Record Date.

3. **Status**

(a) *Status*

(i) The Capital Securities constitute unsecured, subordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. Subject to paragraph (ii) below, any amounts payable in respect of principal and interest on the Capital Securities shall be payable only if and to the extent that the Issuer could be considered solvent at the time of payment thereof and still be considered solvent immediately thereafter. The rights of the holders of the Capital Securities are subordinated on a winding-up as provided in paragraph (ii) below.

(ii) If at any time that the Issuer is insolvent an order is made or an effective resolution is passed for the winding-up of the Issuer, the claims of the holders of the Capital Securities shall rank:

(A) senior to (i) any subordinated obligations of the Issuer which by law and/or by their terms, and to the extent permitted by the laws of the Republic of Ireland and the Capital Regulations, rank junior to the Issuer's obligations under the Capital Securities; and (ii) all classes of share capital of the Issuer;

(B) pari passu among themselves and with (i) all other claims for principal in respect of contractually subordinated obligations of the Issuer qualifying (or which at issue qualified) as Additional Tier 1 Capital of the Issuer (or which would so qualify but for any applicable limitation on the amount of such capital under the Capital Regulations); and (ii) any other subordinated obligations of the Issuer which by law and/or by their terms, and to the extent permitted by

the laws of the Republic of Ireland and the Capital Regulations, rank *pari passu* with the Issuer's obligations under the Capital Securities; and

- (C) junior to (i) any Unsubordinated Creditors; (ii) any claim for principal in respect of other contractually subordinated obligations of the Issuer not qualifying as Additional Tier 1 Capital of the Issuer and/or not ranking *pari passu* with the Issuer's obligations under the Capital Securities pursuant to paragraph (B) above (including, for the avoidance of doubt, any contractually subordinated obligations of the Issuer qualifying (or which at issue qualified) as Tier 2 Capital of the Issuer (or which would so qualify but for any applicable limitation on the amount of such capital under the Capital Regulations)) and which by law and/or their terms rank senior to the Issuer's obligations under the Capital Securities and (iii) any other subordinated obligations of the Issuer which by law and/or by their terms, and to the extent permitted by the laws of the Republic of Ireland and the Capital Regulations, rank senior to the Issuer's obligations under the Capital Securities.

- (b) *No set-off*

Subject to applicable law, claims in respect of the Capital Securities 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 Issuer 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 the Capital Securities, against or in respect of any of its obligations to the Issuer 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 the Capital Securities by virtue of any such set-off or counterclaim, it shall hold the same on trust for the Issuer and shall pay the amount thereof to the Issuer or, in the event of the winding-up of the Issuer, to the liquidator of the Issuer.

4. **Interest and other Calculations**

- (a) *Interest Rate*

The Capital Securities bear interest on their Outstanding Principal Amounts at the rate per annum equal to the relevant Rate of Interest from (and including) the Issue Date. Interest shall be payable semi-annually in arrear on each Interest Payment Date, *provided that*, there will be a long first Interest Period with the first payment of interest being made on the First Interest Payment Date, subject in any case as provided in Condition 5 and Condition 9.

- (b) *Accrual of interest*

Interest shall cease to accrue on each Capital Security 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 relevant Rate of Interest in the manner provided in this Condition 4 to the Relevant Date.

- (c) *Interest to (but excluding) the First Call Date*

Unless the Calculation Amount has been adjusted as described in the definition thereof, the Interest Amount per Calculation Amount will be payable on each Interest Payment Date in relation to an Interest Period falling in the Initial Period, *provided that*, there will be a long first

Interest Period and the First Interest Amount per Calculation Amount will be payable on the First Interest Payment Date.

If the Calculation Amount has been adjusted as described in the definition thereof, Condition 4(f) will apply.

(d) *Determination of Reference Rate in relation to a Reset Interest Period*

The Fiscal Agent will, as soon as practicable after 11:00 a.m. (Brussels time) on each Reference Rate Determination Date in relation to a Reset Interest Period, determine the Reference Rate for such Reset Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Dates in relation to each Interest Period falling in such Reset Interest Period (each a "**Reset Interest Amount**").

(e) *Publication of Reference Rate and Reset Interest Amount*

With respect to each Reset Interest Period, the Fiscal Agent will cause the relevant Reference Rate and the relevant Reset Interest Amount determined by it, together with the relevant Interest Payment Dates in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Capital Securities have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the relevant Reset Date. To the extent that the Fiscal Agent is unable to notify such listing authority, stock exchange and/or quotation system (if any), the Fiscal Agent shall promptly notify the Issuer, who shall procure the performance of such obligation. Notice thereof shall also promptly be given to the holders of the Capital Securities in accordance with Condition 16.

(f) *Calculation of amount of interest per Calculation Amount*

Save as specified in Condition 4(c), the amount of interest payable in respect of the Calculation Amount (including, for the avoidance of doubt, the Reset Interest Amount) for any period shall be calculated by:

- (i) applying the relevant Rate of Interest to the Calculation Amount;
- (ii) multiplying the product thereof by the Day Count Fraction; and
- (iii) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

If pursuant to Condition 6 or as otherwise required as a result of the exercise of Statutory Loss Absorption Powers as referred to in Condition 19, the Outstanding Principal Amounts of the Capital Securities are written down and/or written up during an Interest Period, the Calculation Amount will be adjusted by the Fiscal Agent to reflect such Outstanding Principal Amounts from time to time so that the relevant amount of interest is determined by reference to such Calculation Amount as adjusted from time to time, all as determined by the Fiscal Agent in consultation with the Issuer.

(g) *Calculation of amount of interest per Capital Security*

The amount of interest payable in respect of a Capital Security shall be the product of:

- (i) the amount of interest per Calculation Amount; and

- (ii) the number by which the Original Calculation Amount is required to be multiplied to equal the denomination of such Capital Security.

(h) *Notifications to be final*

All notifications, communications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Fiscal Agent shall (in the absence of manifest error) be binding upon all parties and (subject as aforesaid) no liability will attach to the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

5. **Interest Cancellation**

(a) *Optional cancellation of interest*

The Issuer may, in its sole discretion (but subject at all times to the requirements for mandatory cancellation of interest payments pursuant to Condition 5(b)), at any time elect to cancel any interest payment (in whole or in part) which is otherwise due to be paid ("**Optional Cancellation of Interest**").

(b) *Mandatory cancellation of interest*

The Issuer shall cancel (in whole or in part, as applicable) any interest payment otherwise due to be paid to the extent that:

- (i) the payment of such interest, when aggregated with any interest payments or distributions paid or scheduled for payment in the then current Financial Year on the Capital Securities and all other own funds instruments (excluding any instruments which constitute Tier 2 Capital of the Issuer) plus any principal write-ups, where applicable, would cause the amount of Distributable Items (if any) then available to the Issuer to be exceeded;
- (ii) the payment of such interest would cause, when aggregated together with other distributions of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of law in the Republic of Cyprus transposing or implementing Article 141(2) of the CRD IV Directive) plus any principal write-ups, where applicable, the Maximum Distributable Amount (if any) then applicable to the Issuer to be exceeded; or
- (iii) the Competent Authority requires the Issuer to cancel the payment of such interest, together, the "**Mandatory Cancellation of Interest**".

Interest payments may also be cancelled in accordance with Condition 6.

(c) *Notice of cancellation of interest*

Upon the Issuer electing (pursuant to Condition 5(a)) or determining that it shall be required (pursuant to Condition 5(b)) to cancel (in whole or in part) any interest payment, the Issuer shall as soon as reasonably practicable give notice to the holders of the Capital Securities in accordance with Condition 16, specifying the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant interest that will be paid on the relevant Interest Payment Date; provided, however, that any failure to provide such notice will not have any

impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give the holders of the Capital Securities any rights as a result of such failure.

In the absence of such notice being given, if the Issuer does not make an interest payment on the relevant due date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion or obligation to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest (or the portion thereof not paid) shall not be due and payable.

If the Issuer provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest on the relevant interest payment date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of interest, and accordingly such remaining portion of interest shall also not be due and payable.

(d) *Interest non-cumulative; no event of default*

Any interest (or part thereof) not paid by reason of Optional Cancellation of Interest or Mandatory Cancellation of Interest above shall be cancelled and shall not accumulate or be payable at any time thereafter and the holders of the Capital Securities shall have no further rights or claims in respect of any interest (or part thereof) not paid, whether in the case of bankruptcy, liquidation or the dissolution of the Issuer or otherwise. In addition, the cancellation of any such interest shall not:

- (i) constitute an event of default of the Issuer or a breach of the Issuer's other obligations or duties or a failure to perform by the Issuer in any manner whatsoever;
- (ii) entitle the holders of the Capital Securities to any compensation or to take any action to cause the bankruptcy, liquidation, dissolution or winding up of the Issuer; or
- (iii) in any way impose restrictions on the Issuer, including (but not limited to) restricting the Issuer from making any distribution or equivalent payment in connection with Junior Obligations or Parity Obligations.

6. **Principal Write-down and Principal Write-up**

(a) *Principal Write-down*

- (i) *Trigger Event*: Upon the occurrence of a Trigger Event, a Principal Write-down (as defined below) will occur without delay but in any event no later than within one month or such shorter period as may be required by the Competent Authority (such date being a "**Trigger Event Write-down Date**"), all in accordance with this Condition 6(a).
- (ii) *Trigger Event Write-down Notice*: Upon the occurrence of a Trigger Event, the Issuer shall:
 - (A) immediately notify the Competent Authority that a Trigger Event has occurred;
 - (B) determine the relevant Write-down Amount as soon as possible and no later than the relevant Trigger Event Write-down Date;

- (C) give notice to the holders of the Capital Securities (a "**Trigger Event Write-down Notice**") in accordance with Condition 16, which notice shall specify (I) that a Trigger Event has occurred, (II) the relevant Trigger Event Write-down Date and (III) if it has then been determined, the relevant Write-down Amount; and
- (D) no later than the giving of the relevant Trigger Event Write-down Notice, deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that a Trigger Event has occurred.

The determination that a Trigger Event has occurred, including the underlying calculations, and the Issuer's determination of the relevant Write-down Amount, shall be irrevocable and be binding on the holders of the Capital Securities. Neither the Fiscal Agent nor any of the other agents named in the Fiscal Agency Agreement will be responsible for the foregoing determinations or calculations.

If the relevant Write-down Amount has not been determined at the time the Issuer gives the relevant Trigger Event Write-down Notice, the Issuer shall, as soon as reasonably practicable following such determination having been made, give a further notice to the holders of the Capital Securities in accordance with Condition 16, confirming the relevant Write-down Amount. Failure to provide any notice referred to in this Condition 6(a)(ii) will not have any impact on the effectiveness of, or otherwise invalidate, any such Principal Write-down or give the holders of the Capital Securities any rights as a result of such failure.

- (iii) *Cancellation of interest and Principal Write-down:* On a Trigger Event Write-down Date, the Issuer shall:
 - (A) irrevocably cancel all interest accrued on each Capital Security up to (and including) the relevant Trigger Event Write-down Date (whether or not the same has become due at such time); and
 - (B) irrevocably reduce the then Outstanding Principal Amount of each Capital Security by the relevant Write-down Amount (such reduction being referred to as a "**Principal Write-down**", and "**Written Down**" being construed accordingly) with effect from the relevant Trigger Event Write-down Date, such Principal Write-down to be effected, save as may be otherwise required by the Capital Regulations and/or the Competent Authority and subject to Condition 6(a)(v), *pro rata* and concurrently with the Principal Write-down of each other Capital Security and the write-down or conversion into equity (as the case may be) of the then outstanding principal amount of any other AT1 Loss Absorbing Instruments.

Condition 5 shall apply accordingly in respect of interest payments cancelled on a Trigger Event Write-down Date in accordance with Condition 6.

- (iv) *Write-down Amount:* In these Conditions, "**Write-down Amount**" means, on any Trigger Event Write-down Date, the amount by which the then Outstanding Principal Amount of each Capital Security is to be Written Down and which is calculated per Calculation Amount of such Capital Security, being the minimum of:
 - (A) the amount per Calculation Amount (together with, subject to 6(a)(v), the concurrent *pro rata* Principal Write-down of the other Capital Securities and

the write-down or conversion into equity (as the case may be) of the outstanding principal amount of any other AT1 Loss Absorbing Instruments) that would be sufficient to immediately restore the Group CET1 Ratio to not less than 5.125 per cent.; or

- (B) if the amount determined in accordance with (A) above would be insufficient to restore the Group CET1 Ratio to not less than 5.125 per cent., the amount necessary to reduce the Outstanding Principal Amount of such Capital Security to one cent.

The relevant Write-down Amount for each Capital Security will therefore be the product of the amount calculated in accordance with this Condition 6(a)(iv) per Calculation Amount and the Outstanding Principal Amount of each Capital Security divided by the Calculation Amount (in each case immediately prior to the relevant Trigger Event Write-down Date).

- (v) *Other AT1 Loss Absorbing Instruments:* To the extent the write-down or conversion into equity of any AT1 Loss Absorbing Instruments is not effective for any reason (A) the ineffectiveness of any such write-down or conversion into equity shall not prejudice the requirement to effect a Principal Write-down of the Capital Securities pursuant to Condition 6(a) and (B) the write-down or conversion into equity of any AT1 Loss Absorbing Instrument which is not effective shall not be taken into account in determining the relevant Write-down Amount of the Capital Securities.

Any AT1 Loss Absorbing Instruments that may be written down or converted into equity in full (save for any provision for a *de minimis* floor analogous to that provided in Condition 6(a)(iv)(B) above) but not in part only shall be treated for the purposes only of determining the relevant pro rata amounts in Condition 6(a)(iii)(B) and Condition 6(a)(iv)(A) as if their terms permitted partial write-down or partial conversion into equity.

In the event of a concurrent write-down of any other AT1 Loss Absorbing Instrument (if any), the *pro rata* write-down and/or conversion into equity of such AT1 Loss Absorbing Instrument shall only be taken into account to the extent required to restore the Group CET1 Ratio to the lower of (A) such AT1 Loss Absorbing Instrument's trigger level and (B) 5.125 per cent., in each case, in accordance with the terms of such AT1 Loss Absorbing Instrument and the Capital Regulations.

- (vi) *No default:* Any Principal Write-down of the Capital Securities shall not:
 - (A) constitute an event of default of the Issuer or a breach of the Issuer's other obligations or duties or a failure to perform by the Issuer in any manner whatsoever;
 - (B) constitute the occurrence of any event related to the insolvency of the Issuer or entitle the holders of the Capital Securities to any compensation or to take any action to cause the bankruptcy, liquidation, dissolution or winding up of the Issuer.

The holders of the Capital Securities shall have no further rights or claims against the Issuer (whether in the event of bankruptcy, liquidation or the dissolution of the Issuer or otherwise) with respect to any interest cancelled and/or any principal Written Down in accordance with these Conditions (including, but not limited to, any right to receive

accrued but unpaid and future interest or any right of repayment of principal, but without prejudice to their rights in respect of any reinstated principal (and any interest therein) following a Principal Write-up pursuant to Condition 6(b)).

- (vii) *Principal Write-down may occur on one or more occasions:* A Principal Write-down may occur on one or more occasions and accordingly the Capital Securities may be Written Down on one or more occasions (provided, however, that the Outstanding Principal Amount of a Capital Security shall never be reduced to below one cent).

(b) *Principal Write-up*

- (i) *Principal Write-up:* Subject to compliance with the Capital Regulations, if, at any time, the Group records a positive Net Profit at any time while the Outstanding Principal Amounts of the Capital Securities are less than the Original Principal Amount, the Issuer may, at its full discretion but subject to Conditions 6(b)(ii), 6(b)(iii) and 6(b)(iv) increase the Outstanding Principal Amount of each Capital Security (such increase being referred to as a "**Principal Write-up**" and "**Written Up**" being construed accordingly) up to a maximum of its Original Principal Amount on a *pro rata* basis with the other Capital Securities and with any other AT1 Discretionary Temporary Write-down Instruments capable of being written up in accordance with their terms at the time of such Principal Write-up (based on the then outstanding principal amounts thereof), provided that the Maximum Write-up Amount is not exceeded as determined in accordance with Condition 6(b)(iii) below.

Following any such Principal Write-up, the Outstanding Principal Amount of the Capital Securities will be subject to the same terms and conditions as set out in these Conditions.

The Issuer's decision to conduct a Principal Write-up and its determination of the relevant Principal Write-up Amount, including the underlying calculations, will be, subject as provided in these Conditions, irrevocable and be binding on the holders of the Capital Securities. Neither the Fiscal Agent nor any of the other agents named in the Fiscal Agency Agreement will be responsible for the foregoing decision, determinations and/or calculations.

For the avoidance of doubt, the Outstanding Principal Amount of a Capital Security shall never be increased to above its Original Principal Amount and may be subject to a Principal Write-up or Principal Write-down on more than one occasion.

- (ii) *Maximum Distributable Amount:* A Principal Write-up of the Capital Securities shall not be effected in circumstances which (when aggregated together with other distributions of the Issuer of the kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of law in the Republic of Cyprus transposing or implementing Article 141(2) of the CRD IV Directive)) would cause the Maximum Distributable Amount, if any, to be exceeded, if required to be calculated at such time.
- (iii) *Maximum Write-up Amount:* A Principal Write-up of the Capital Securities will not be effected at any time to the extent the sum of:
 - (A) the aggregate amount of the relevant Principal Write-up on all the Capital Securities;

- (B) the aggregate amount of any interest on the Capital Securities that was paid or calculated (but disregarding any such calculated interest which has been cancelled) on the basis of an Outstanding Principal Amount that is lower than the Original Principal Amount at any time after the end of the then previous Financial Year;
- (C) the aggregate amount of the increase in principal amount of each AT1 Discretionary Temporary Write-down Instrument to be written up at the time of the relevant Principal Write-up and the increase in principal amount of the Capital Securities or any AT1 Discretionary Temporary Write-down Instruments resulting from any previous write-up since the end of the then previous Financial Year; and
- (D) the aggregate amount of any interest payments on each AT1 Loss Absorbing Instrument (other than the Capital Securities) that were paid or calculated (but disregarding any such calculated interest which has been cancelled) on the basis of an outstanding principal amount that is lower than the original principal amount at which such AT1 Loss Absorbing Instrument was issued at any time after the end of the then previous Financial Year,

would exceed the Maximum Write-up Amount.

- (iv) *Principal Write-up and Trigger Event:* A Principal Write-up will not be implemented (A) whilst a Trigger Event has occurred and is continuing, or (B) where such Principal Write-up (together with the simultaneous write-up of all other AT1 Discretionary Temporary Write-down Instruments) would cause a Trigger Event to occur.
- (v) *Principal Write-up pro rata with other AT1 Discretionary Temporary Write-down Instruments:* The Issuer undertakes that it will not write up the principal amount of any AT1 Discretionary Temporary Write-down Instruments capable of being written up in accordance with their terms unless it does so on a pro rata basis with a Principal Write-up on the Capital Securities.
- (vi) *Principal Write-up may occur on one or more occasions:* A Principal Write-up may be made on one or more occasions until the Outstanding Principal Amounts of the Capital Securities have been reinstated to the Original Principal Amount.

Any decision by the Issuer to effect or not to effect any Principal Write-up on any occasion shall not preclude it from effecting (in the circumstances permitted by this Condition 6(b)) or not effecting any Principal Write-up on any other occasion.

- (vii) *Notice of Principal Write-up:* The Issuer shall, as soon as reasonably practicable following its formal decision to effect a Principal Write-up in respect of the Capital Securities and in any event not later than five Business Days prior to the date on which the Principal Write-up shall take effect, give notice of such Principal Write-up to the holders of the Capital Securities in accordance with Condition 16. Such notice shall confirm the amount of such Principal Write-up and the date on which such Principal Write-up is to take effect.

(c) *Foreign Currency Instruments*

If, in connection with any Principal Write-down or Principal Write-up of the Capital Securities, any instruments are not denominated in the Accounting Currency at the relevant time ("**Foreign**

Currency Instruments", which may include the Capital Securities and/or any relevant AT1 Loss Absorbing Instruments), the determination of the relevant Write-down Amount or Principal Write-up Amount (as the case may be) in respect of the Capital Securities and the relevant write-down (or conversion into equity) amount or write-up amount (as the case may be) of any AT1 Loss Absorbing Instruments shall be determined by the Issuer based on the relevant foreign currency exchange rate used by the Issuer in the preparation of its regulatory capital returns pursuant to the Capital Regulations.

In the context of the application of any Principal Write-down or Principal Write-up pursuant to Condition 6, the Issuer intends to give due consideration to the capital hierarchy and expects that the Capital Securities will only be Written-down, or Written-up, as the case may be, on a pari passu basis with any other securities issued by it which at such time constitute AT1 Capital of the Issuer and which have substantially identical terms to the Capital Securities in respect of the write-down or write-up of principal and applicable trigger levels.

7. **Redemption, Purchase and Options**

(a) *Scheduled redemption*

The Capital Securities are perpetual securities and have no fixed date for redemption. The Issuer may only redeem the Capital Securities at its discretion in the circumstances described herein. The Capital Securities are not redeemable at the option of the holders of the Capital Securities at any time.

(b) *Redemption for Taxation Reasons*

Subject to Condition 7(g) below, the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the holders of the Capital Securities (which notice shall be irrevocable) at their Outstanding Principal Amounts (together with accrued but unpaid interest to the date fixed for redemption insofar as it has not been cancelled in accordance with Condition 5), if:

- (A) immediately before the giving of such notice, the Issuer receives an opinion of external counsel in the Relevant Tax Jurisdiction experienced in such matters that the Issuer:
 - (1) has or will become obliged to pay additional amounts as described under Condition 10; or
 - (2) would not be entitled to claim a deduction in computing taxation liabilities in the Relevant Tax Jurisdiction in respect of any payment of interest to be made on the next Interest Payment Date or the value of such deduction to the Issuer would be reduced;
- (B) in each case as a result of any change in, or amendment to, the laws or regulations of the Relevant Tax Jurisdiction 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;
- (C) such obligation or loss of entitlement, as the case may be, cannot be avoided by the Issuer taking reasonable measures available to it; and

- (D) the Issuer satisfies the Competent Authority that such change in tax treatment of the Capital Securities is material and was not reasonably foreseeable at the time of their issuance,

(any such early redemption event under this Condition 7(b), a "**Tax Event**"), 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 Issuer would be obliged to pay such additional amounts were a payment in respect of the Capital Securities then due.

Prospective investors should note that the Issuer has concluded, judged at the Issue Date, that a Tax Event would be unlikely to occur in the event that the Issuer would not be entitled to claim a deduction in computing taxation liabilities in the Relevant Tax Jurisdiction in respect of any payment of interest to be made on the Capital Securities, or the value of such deduction to the Issuer would be reduced, solely as a result of any change in, or amendment to, the laws or regulations of the Relevant Tax Jurisdiction 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 introduced or implemented for the purposes of ensuring that any such deduction does not constitute aid granted by a Member State or through State resources which falls within Article 107(1) of the Treaty on the Functioning of the European Union.

(c) *Redemption at the Option of the Issuer*

Subject to Condition 7(g) below, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Fiscal Agent and the holders of the Capital Securities in accordance with Condition 16 redeem all (but not some only) of the Capital Securities on any Optional Redemption Date. Any such redemption of the Capital Securities shall be at their Outstanding Principal Amounts, together with accrued but unpaid interest to the date fixed for redemption insofar as it has not been cancelled in accordance with Condition 5, provided that, following the occurrence of a Principal Write-down, the Issuer shall not be entitled to redeem the Capital Securities pursuant to this Condition 7(c) until the Outstanding Principal Amount of each Capital Security is increased up to its Original Principal Amount pursuant to Condition 6(b) (and any notice of redemption which has been given in such circumstances shall be automatically rescinded and shall have no force and/or effect).

(d) *Redemption upon the occurrence of a Capital Event*

Subject to Condition 7(g) below, if a Capital Event occurs, the Capital Securities may be redeemed at the option of the Issuer in whole, but not in part, at their Outstanding Principal Amounts, together with any accrued but unpaid interest to the date fixed for redemption insofar as it has not been cancelled in accordance with Condition 5, provided that the Issuer provides not less than 30 days' nor more than 60 days' prior notice to the Fiscal Agent and the holders of the Capital Securities in accordance with Condition 16 (such notice being irrevocable) specifying the date fixed for such redemption.

(e) *Purchases*

Subject to Condition 7(g) below, the Issuer and any of its Subsidiaries may purchase Capital Securities at any price in the open market or otherwise, save that any such purchase may not take place within 5 years after the Issue Date unless permitted by the Capital Regulations.

However, the Issuer or any agent on its behalf shall have the right at all times to purchase the Capital Securities for market-making purposes, provided that (a) prior written approval shall be

obtained where required by the Capital Regulations from the Competent Authority and (b) the total principal amount of the Capital Securities so purchased does not exceed the pre-determined amount permitted to be purchased for market-making purposes under the Capital Regulations (such pre-determined amount not to exceed the limits set forth in Article 29(3)(b) of Commission Delegated Regulation (EU) 241/2014).

(f) *Cancellation*

All Capital Securities purchased by or on behalf of the Issuer or any of its Subsidiaries may, at the option of the Issuer, be held, reissued or resold or be surrendered for cancellation. Any cancellation will be effected by the Issuer surrendering the Certificate representing such Capital Securities to the Registrar. In each case, if so surrendered, such Capital Securities shall be cancelled forthwith. Any Capital Securities so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Capital Securities shall be discharged.

(g) *Conditions to Redemption and Purchase*

- (i) Notwithstanding any other provision in this Condition 7, the Issuer may redeem or purchase the Capital Securities (and give notice thereof to the holders of the Capital Securities) only if the following conditions are met:
- (A) the Competent Authority has given its prior written permission to such redemption or purchase (if required);
 - (B) the Issuer has demonstrated to the satisfaction of the Competent Authority that the Issuer complies with Article 78 of the CRR (or any equivalent or substitute provision under the Capital Regulations), which may include (a) the replacement of the Capital Securities with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer or (b) that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum own funds requirements (including any capital buffer requirements) by a margin (calculated in accordance with Article 104(3) of the CRD IV Directive) that the Competent Authority considers necessary at such time; and
 - (C) in the case of a redemption as a result of the occurrence a Capital Event or a Tax Event, the Issuer has delivered a certificate signed by two Directors of the Issuer to the Fiscal Agent (and copies thereof being available for inspection by the holders of the Capital Securities at the Fiscal Agent's specified office during its normal business hours) not less than five Business Days prior to the date set for redemption that the relevant Capital Event or Tax Event has occurred or will occur no more than 90 days following the date fixed for redemption, as the case may be.
- (ii) If the Issuer has given a notice of redemption of the Capital Securities pursuant to Condition 7(b), 7(c) or 7(d) and, after giving such notice but prior to the relevant redemption date, a Trigger Event has occurred, the relevant redemption notice shall be automatically rescinded and shall have no force and/or effect, the Capital Securities will not be redeemed on the scheduled redemption date and, instead, a Principal Write-down shall occur in respect of the Capital Securities as described under Condition 6.

Following the occurrence of a Trigger Event, the Issuer shall not be entitled to give a notice of redemption of the Capital Securities pursuant to Condition 7(b), 7(c) or 7(d) before the relevant Trigger Event Write-down Date.

8. Substitution and Variation

(a) *Substitution and variation*

Subject to Condition 8(b) and 8(c) and without prejudice to the provisions of Condition 13, (i) if a Capital Event or a Tax Event has occurred and is continuing, or (ii) in order to align these Conditions to best practices published from time to time by the European Banking Authority (or any successor) resulting from its monitoring activities pursuant to Article 80 of the CRR, or (iii) in order to ensure the effectiveness and enforceability of Condition 19, the Issuer may at its option but without any requirement for the consent or approval of the holders of the Capital Securities, upon not less than 30 nor more than 60 days' notice to the holders of the Capital Securities in accordance with Condition 16 (which notice shall, subject as provided in Condition 8(c), be irrevocable), substitute all (but not some only) of the Capital Securities or vary the terms of all (but not some only) of the Capital Securities (including changing the governing law of Condition 19 from English law to Irish law) so that they remain or, as appropriate, become compliant with the Capital Regulations with respect to Additional Tier 1 Capital and (other than in the case of a change to the governing law of Condition 19 to Irish law in order to ensure the effectiveness and enforceability of Condition 19) provided that such substitution or variation shall not result in terms that are materially less favourable to the holders of the Capital Securities (as reasonably determined by the Issuer).

Following such variation or substitution in accordance with this Condition 8(a), the resulting securities shall (1) have a ranking at least equal to that of the Capital Securities, (2) have at least the same interest rate as the Capital Securities, (3) have the same interest payment dates as those from time to time applying to the Capital Securities, (4) have the same redemption rights as the Capital Securities, (5) have a trigger level for principal write-down which is no higher than 5.125 per cent. (6) preserve any existing rights under the Capital Securities to any accrued interest which has not been paid or cancelled in respect of the period from (and including) the Interest Payment Date last preceding the date of variation or substitution and (7) be listed on a recognised stock exchange if the Capital Securities were listed immediately prior to such variation or substitution.

Such substitution or variation will be effected without any cost or charge to the holders of the Capital Securities.

(b) *Conditions to substitution and variation*

Any substitution or variation of the Capital Securities pursuant to Condition 8(a) is subject to:

- (i) compliance with any conditions prescribed under the Capital Regulations, including the prior permission of the Competent Authority (if required by the Capital Regulations). For the avoidance of doubt, the Competent Authority has discretion as to whether or not it will approve any such substitution or variation of the Capital Securities; and
- (ii) the Issuer having delivered a certificate signed by two Directors of the Issuer to the Fiscal Agent (and copies thereof being available for inspection by the holders of the Capital Securities at the Fiscal Agent's specified office during its normal business hours) not less than five Business Days prior to the date set for such substitution or

variation that the securities resulting from such substitution or variation comply with the requirements set out in Condition 8(a).

(c) *Occurrence of a Trigger Event following notice of substitution or variation*

If the Issuer has given a notice of substitution or variation of the Capital Securities pursuant to Condition 8(a) and, after giving such notice but prior to the date of such substitution or variation (as the case may be), a Trigger Event occurs, the Issuer shall:

- (i) only be entitled to proceed with the proposed substitution or variation (as the case may be) provided that such substitution or variation will not affect the timely operation of the Principal Write-down arising as a result of such Trigger Event in accordance with Condition 6(a); and
- (ii) as soon as reasonably practicable, give the holders of the Capital Securities notice in accordance with Condition 16 specifying whether or not the proposed substitution or variation (as the case may be) will proceed and, if so, whether any amendments to the substance and/or timing of such substitution or variation (as applicable) will be made.

If the Issuer determines that the proposed substitution or variation (as the case may be) will not proceed, the notice given in accordance with Condition 8(a) shall be rescinded and shall have no force and/or effect.

9. **Payments**

(a) *Payments of principal*

Payments of principal in respect of the Capital Securities 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 Condition 9(b) below.

(b) *Payments of interest*

Interest on the Capital Securities 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 (each a "**Record Date**"). Payments of interest on each Capital Security shall be made in euro by cheque drawn on a bank that processes payments in euro and mailed to the holder (or to the first named of joint holders) of such Capital Security 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 euro maintained by the payee with a bank that processes payments in euro.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream, or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder of the Capital Securities in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(c) *Payments subject to Fiscal Laws*

Save as provided in Condition 10, 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 Issuer agrees to be subject and the Issuer 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 holders of the Capital Securities 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 10) any law, rule or regulation implementing an intergovernmental approach thereto.

(d) *Appointment of Agents*

The Fiscal Agent, the Paying Agents, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder of Capital Securities. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent or Transfer Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) Paying Agents having specified offices in at least two major European cities, and (v) such other agents as may be required by any stock exchange on which the Capital Securities may be listed with the Issuer's consent.

(e) *Non-Business Days*

If any date for payment in respect of any Capital Security 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 and which is a Business Day.

10. **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Capital Securities 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 Relevant Tax Jurisdiction or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, in the case of payments of interest only (and, for the avoidance of doubt, only to the extent the Issuer has sufficient Distributable Items to make the relevant payment and the relevant payment would not cause the Maximum Distributable Amount (if any) applicable to the Issuer to be exceeded, all as described more fully in Condition 5), the Issuer shall pay such additional amounts as shall result in receipt by the holders of the Capital Securities 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 Capital Security:

- (i) *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 Capital Security by reason of such holder having some connection with the Relevant Tax Jurisdiction other than the mere holding of such Capital Security; or

- (ii) *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 relevant holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

Notwithstanding the foregoing provisions of this Condition 10, any payments by the Issuer 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.

11. **Prescription**

Claims against the Issuer for payment in respect of the Capital Securities 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.

12. **Enforcement**

(a) *Enforcement Proceedings*

Without prejudice to Condition 12(b), any holder of Capital Securities may institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Capital Securities (other than any obligation for payment of any principal or interest in respect of the Capital Securities) provided that the Issuer shall not by virtue of any such proceedings be obliged to pay any sum or sums representing principal or interest in respect of the Capital Securities sooner than the same would otherwise have been payable by it.

(b) *Winding-up*

In the event of the commencement of the winding-up of the Issuer, any holder of Capital Securities may (A) give notice to the Issuer that the Capital Securities are due and repayable immediately (and the Capital Securities shall thereby become so due and repayable) at their Outstanding Principal Amounts together with accrued interest insofar as it has not been cancelled in accordance with Condition 5 and (B) prove in the winding-up of the Issuer.

(c) *No other remedies*

No remedy against the Issuer, other than as referred to in this Condition 12, shall be available to the holders of the Capital Securities, whether for the recovery of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities.

13. **Meetings of holders and Modification**

(a) *Meetings of holders of Capital Securities*

The Fiscal Agency Agreement contains provisions for convening meetings of holders of Capital Securities to consider any matter affecting their interests, including the sanctioning by

Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Fiscal Agency Agreement or the Deed of Covenant as the same may apply to the Capital Securities, except that the provisions relating to the Capital Securities (and without prejudice to the provisions of Condition 8) shall only be capable of modification in accordance with Condition 13(c) below. Such a meeting may be convened by holders of Capital Securities holding not less than 10 per cent. of the aggregate Outstanding Principal Amount of the Capital Securities. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority of the aggregate Outstanding Principal Amount of the Capital Securities, or at any adjourned meeting two or more persons being or representing holders of Capital Securities whatever the aggregate Outstanding Principal Amount of the Capital Securities held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates for redemption of the Capital Securities or any date for payment of interest on the Capital Securities, (ii) to reduce or cancel the principal amount of the Capital Securities (otherwise than in accordance with a Principal Write-down), (iii) to reduce the rate or rates of interest in respect of the Capital Securities or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any amount of interest in respect of the Capital Securities, in each case other than as contemplated in these Conditions, (iv) to vary the amount payable on any redemption of the Capital Securities, (v) to vary the currency of payment or denomination of the Capital Securities, (vi) to vary the provisions concerning a Principal Write-down and/or a Principal Write-up, (vii) to take any steps that as specified herein 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 holders of Capital Securities 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. of the aggregate Outstanding Principal Amount of the Capital Securities. Any Extraordinary Resolution duly passed shall be binding on the holders of the Capital Securities (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the aggregate Outstanding Principal Amount of the Capital Securities shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the holders of the Capital Securities 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 holders of Capital Securities.

(b) *Modification of the Capital Securities*

Subject to Condition 13(c) below and without prejudice to the provisions of Condition 2(a), the Issuer may make, without the consent of the holders of the Capital Securities, any modification of any of the provisions of the Capital Securities, these Conditions, the Fiscal Agency Agreement and/or the Deed of Covenant 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 Issuer (at the Issuer's expense) shall have delivered or procured the delivery to the Fiscal Agent of a copy of a legal opinion addressed to the Issuer from a leading law firm experienced in international capital markets relating to such compliance with mandatory provisions of law.

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

The provisions relating to the Capital Securities shall only be capable of modification, if the Issuer has notified the Competent Authority of such modification 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 of the Capital Securities is proposed, or a meeting of the holders of the Capital Securities in respect thereof is proposed, the Issuer shall provide to the Fiscal Agent 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 for, such modification; or (ii) the Issuer is not required to notify the Competent Authority of, and/or obtain the Competent Authority's permission for, such modification. The Fiscal Agent shall be entitled to rely absolutely on such certificate without further enquiry and without liability for so doing.

14. Replacement of Certificates

If a Certificate 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 Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to the holders of the Capital Securities, 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 Certificate is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificates) and otherwise as the Issuer may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the holders of the Capital Securities create and issue further securities either having the same terms and conditions as the Capital Securities 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 Capital Securities.

16. Notices

Notices to the holders of the Capital Securities 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.

So long as the Global Certificate is held on behalf of Euroclear or Clearstream, any notice to the holders of the Capital Securities shall be validly given by the delivery of the relevant notice to Euroclear or Clearstream, rather than by notification as required by the Conditions.

17. Contracts (Rights Of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Capital Securities 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 Capital Securities 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(a) and 3(b) which shall be governed by the laws of the Republic of Ireland.

(b) *Jurisdiction*

The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Capital Securities and accordingly any legal action or proceedings arising out of or in connection with the Capital Securities ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts.

(c) *Service of Process*

The Issuer 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 Capital Securities, or any other agreements, arrangements or understanding between any of the parties thereto or between the Issuer and any holder of Capital Securities (which, for the purposes of this Condition 19, includes each holder of a beneficial interest in the Capital Securities), each holder of Capital Securities by its purchase of the Capital Securities will be deemed to acknowledge, accept, and agree, that any liability arising under the Capital Securities may be subject to the exercise of Statutory Loss Absorption Powers by the 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 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 Capital Securities;
 - (ii) the conversion of all, or a portion, of the Relevant Amounts in respect of the Capital Securities into shares, other securities or other obligations of the Issuer or another person, and the issue to or conferral on the holders of the Capital Securities of such shares, securities or obligations, including by means of an amendment, modification or variation of the terms of the Capital Securities;
 - (iii) the cancellation of the Capital Securities or the Relevant Amounts in respect of the Capital Securities; and
 - (iv) the amendment or alteration of the perpetual nature of the Capital Securities or the amendment of the amount of interest payable on the Capital Securities, 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 Capital Securities, as deemed necessary by the Resolution Authority, to give effect to the exercise of any Statutory Loss Absorption Powers by the Resolution Authority.

20. **Definitions and interpretation**

(a) *Definitions*

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

"5-year Mid-Swap Rate" means, in relation to a Reset Interest Period and the Reference Rate Determination Date in relation to such Reset Interest Period:

- (i) the rate for annual euro swaps with a term of five years which appears on the Screen Page as of 11:00 a.m. (Brussels time) on such Reference Rate Determination Date; or
- (ii) if the 5-year Mid-Swap Rate does not appear on the Screen Page at such time on such Reference Rate Determination Date, the Reset Reference Bank Rate on such Reference Rate Determination Date.

"5-year Mid-Swap Rate Quotations" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap transaction which:

- (i) has a term of five years commencing on the relevant Reset Date;
- (ii) is in an amount that is representative of 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 6-month EURIBOR (calculated on an Actual/360 day count basis) or, if 6-month EURIBOR rate is no longer being calculated or administered as at the relevant Reference Rate Determination Date, any alternative rate which has replaced EURIBOR in customary market usage for the purposes of determining floating rates of interest in respect of euro-denominated securities, as notified by the Fiscal Agent to the Issuer, and promptly thereafter by the Issuer to the holders of the Capital Securities in accordance with Condition 17; provided however that (1) if the Issuer determines, in good faith and following consultation with an independent financial advisor (the "IFA") appointed in the Issuer's sole discretion, that there is no clear market consensus as to whether any rate has replaced EURIBOR in customary market usage, the IFA will determine an appropriate alternative rate, and the decision of the IFA will be binding on the Issuer, the Fiscal Agent and the holders of the Capital Securities; and (2) no such alternative rate as determined by the IFA will be applied to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Capital Securities as Additional Tier 1 Capital of the Issuer.

"Accounting Currency" means euro or such other primary currency used in the presentation of the Issuer's accounts from time to time.

"Additional Tier 1 Capital" means Additional Tier 1 Capital for the purposes of the Capital Regulations.

"AT1 Discretionary Temporary Write-down Instruments" means, at any time, any instrument (other than the Capital Securities and any Junior Obligations) issued directly or indirectly by the Issuer which at such time:

- (i) qualifies as Additional Tier 1 Capital of the Group on a consolidated basis;
- (ii) has had all or some of its principal amount written down; and
- (iii) has terms providing for a write-up or reinstatement of its principal amount, at the relevant issuer's discretion, upon reporting a relevant net profit.

"AT1 Loss Absorbing Instruments" means, at any time, any instrument issued directly or indirectly by the Issuer which qualifies as Additional Tier 1 Capital (or which would so qualify but for any applicable limitation on the amount of such capital under the Capital Regulations) of the Group on a consolidated basis and has terms pursuant to which all or some of its principal amount may be written down (whether on a permanent or temporary basis) or converted into equity (in each case in accordance with its conditions) on the occurrence, or as a result of the Group CET1 Ratio falling below a specified trigger level.

"Auditors" means the auditors for the time being of the Issuer or, if they are unable or unwilling to carry out any action requested of them, such other firm of accountants as may be appointed by the Issuer.

"Bank" means Bank of Cyprus Public Company Limited.

"BRRD" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 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 a day on which the TARGET System is operating.

"Calculation Amount" means €1,000 (the **"Original Calculation Amount"**), provided that if the Outstanding Principal Amount of each Capital Security is adjusted (either by being written down or written up) in accordance with Condition 6 or as otherwise required as a result of the exercise of Statutory Loss Absorption Powers as referred to in Condition 19, the Fiscal Agent shall (i) adjust the Calculation Amount on a *pro rata* basis to account for such write-down or write-up, as the case may be, and (ii) notify the holders of the Capital Securities in accordance with Condition 16 of the details of such adjustment.

"Capital Event" means, at any time on or after the Issue Date, a change in the regulatory classification of the Capital Securities that results or would be likely to result in (A) the exclusion of the Capital Securities in whole or, to the extent not prohibited by the Capital Regulations, in part, from the Additional Tier 1 Capital of the Group on a consolidated basis; or (B) 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 Group on a consolidated basis, in each case (i) 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 (ii) provided that the Issuer satisfies the Competent Authority that such exclusion or regulatory reclassification of the Capital Securities (as applicable) was not reasonably foreseeable at their time of 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 Issuer 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 Issuer and/or the Group).

"CET1 Capital" means the common equity tier 1 capital of the Group, as calculated by the Issuer on a consolidated basis, all in accordance with Chapter 2 (Common Equity Tier 1 capital) of Title I (Elements of own funds) of Part Two (Own Funds) of the CRR, as implemented and/or applicable in the Republic of Cyprus, and/or any such equivalent or substitute calculation or term under the Capital Regulations, including any applicable transitional, phasing in or similar provisions.

"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 Issuer.

"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 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, 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 Group (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Group (on a 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 Capital Security for any period of time (the "**Calculation Period**"), "Actual/Actual (ICMA)", which means the actual number of days in the relevant Calculation Period divided by the product of (1) the actual number of days in the relevant Regular Period and (2) two.

"Distributable Items" means, subject as otherwise defined in the Capital Regulations from time to time:

- (i) the amount of the Issuer's profits at the end of the financial year immediately preceding the financial year in which the relevant Interest Payment Date falls plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments (excluding, for the avoidance of doubt, any instruments which constitute Tier 2 Capital of the Issuer); less
- (ii) any losses brought forward, profits which are non-distributable pursuant to applicable law in the Republic of Ireland or the Issuer's articles of association and sums placed to

non-distributable reserves in accordance with applicable law in the Republic of Ireland or the Issuer's articles of association,

those profits, losses and reserves being determined on the basis of the Issuer's non-consolidated accounts.

"**EURIBOR**" means the Euro Interbank Offered Rate.

"**euro**" and "**€**" mean the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union (as amended from time to time).

"**Extraordinary Resolution**" has the meaning given to such term in the Fiscal Agency Agreement.

"**Financial Year**" means the financial year of the Issuer (being the one-year period in respect of which it prepares annual audited financial statements) from time to time, which as at the Issue Date runs from (and including) 1 January in one calendar year to (but excluding) the same date in the immediately following calendar year.

"**Final Terms**" means the Final Terms of the Capital Securities endorsed on the Certificates.

"**First Call Date**" shall be the date so specified in the Final Terms.

"**First Interest Amount per Calculation Amount**" shall be the amount so specified in the Final Terms.

"**First Interest Payment Date**" shall be the date so specified in the Final Terms.

"**Group**" means the Issuer and its consolidated Subsidiaries.

"**Group CET1 Ratio**" means, at any time, the ratio of CET1 Capital of the Group to the total risk exposure amount (as referred to in Article 92(2)(a) of the CRR) of the Group, expressed as a percentage, all as calculated on a consolidated basis within the meaning of the CRR.

"**Initial Mid-Swap Rate**" shall be the rate so specified in the Final Terms.

"**Initial Period**" means the period from (and including) the Issue Date to (but excluding) the First Call Date.

"**Initial Rate of Interest**" means 12.5 per cent. per annum.

"**Interest Amount per Calculation Amount**" shall be the amount so specified in the Final Terms.

"**Interest Payment Date**" means 15 June and 15 December in each year from (and including) the First Interest Payment Date.

"**Interest Period**" means the period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the First Interest Payment Date or the next succeeding Interest Payment Date, as the case may be.

"**Issue Date**" shall be the date so specified in the Final Terms.

"Junior Obligations" means the Ordinary Shares, all other classes of share capital of the Issuer, and the rights and claims in respect of unsecured, subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the rights and claims of the holders of the Capital Securities in respect of the Capital Securities.

"Mandatory Cancellation of Interest" has the meaning given to such term in Condition 5(b).

"Margin" means 12.603 per cent.

"Maximum Distributable Amount" means any maximum distributable amount relating to the Issuer and/or the Group (as applicable) required to be calculated pursuant to Article 141(2) of the CRD IV Directive (or, as the case may be, any provision of law in the Republic of Cyprus transposing or implementing Article 141(2) of the CRD IV Directive).

"Maximum Write-up Amount" means the Net Profit of the Group (x) multiplied by the aggregate issued original principal amount of all Written-Down Additional Tier 1 Instruments, and (y) divided by the Tier 1 Capital of the Group as at the date when the Principal Write-up is implemented, both (x) and (y) as calculated on a consolidated basis.

"Net Profit" means the net profit of the Group as calculated on a consolidated basis and as set out in the last audited annual consolidated accounts of the Group adopted by the Issuer's general meeting (or such other means of communication as determined by the Issuer).

"Optional Cancellation of Interest" has the meaning given to such term in Condition 5(a).

"Optional Redemption Date" means the First Call Date and each day which falls on the fifth anniversary of the immediately preceding Optional Redemption Date.

"Ordinary Shares" means ordinary shares of the Issuer or depository receipts issued in respect of such ordinary shares, as the context may require.

"Original Calculation Amount" has the meaning given to such term in the definition of Calculation Amount.

"Original Principal Amount" means, in respect of a Capital Security, its original principal amount as at the Issue Date or, in respect of the Capital Securities as a series, the original principal amount of all the Capital Securities.

"outstanding" has the meaning given to such term in the Fiscal Agency Agreement.

"Outstanding Principal Amount" means, in respect of a Capital Security, the outstanding principal amount of such Capital Security, as adjusted from time to time for any Principal Write-down or Principal Write-up in accordance with Condition 6 or as otherwise required as a result of the exercise of Statutory Loss Absorption Powers as referred to in Condition 19, and **"Outstanding Principal Amounts"** means the sum of the Outstanding Principal Amount of each Capital Security.

"Parity Obligations" means the rights and claims in respect of obligations of the Issuer ranking, or which are expressed by their terms to rank, *pari passu* with the rights and claims of the holders of the Capital Securities in respect of the Capital Securities, including obligations qualifying, or expressed to qualify, as Additional Tier 1 Capital of the Issuer.

"**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

"**Principal Write-down**" has the meaning given to such term in Condition 6(a).

"**Principal Write-up**" has the meaning given to such term in Condition 6(b).

"**Principal Write-up Amount**" means, on any Principal Write-up, the amount by which the then Outstanding Principal Amounts are to be Written Up and which is calculated per Calculation Amount.

"**Rate of Interest**" means:

- (i) in the case of each Interest Period falling in the Initial Period, the Initial Rate of Interest; or
- (ii) in the case of each Interest Period thereafter, the sum, converted from an annual basis to a semi-annual basis (such calculation to be determined by the Issuer in conjunction with a leading financial institution selected by it), of (A) the Reference Rate in respect of the Reset Interest Period in which such Interest Period falls and (B) the Margin,

all as determined by the Fiscal Agent (in conjunction with the Issuer, where applicable) in accordance with Condition 4.

"**Record Date**" has the meaning given to such term in Condition 9(b).

"**Reference Rate**" means, in relation to a Reset Interest Period, the 5-year Mid-Swap Rate determined for such Reset Interest Period by the Fiscal Agent in accordance with Condition 4.

"**Reference Rate Determination Date**" means, in relation to a Reset Interest Period, the day falling two Business Days prior to the Reset Date on which such Reset Interest Period commences.

"**Regular Period**" means each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means 15 June and 15 December.

"**Relevant Amounts**" means the Outstanding Principal Amounts of the Capital Securities, together with any accrued but unpaid interest insofar as it has not been cancelled and additional amounts due on the Capital Securities pursuant to Condition 10. 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 Resolution Authority.

"**Relevant Date**" in respect of any Capital Security 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 holders of the Capital Securities that, upon further presentation of the relevant Certificate being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

"**Relevant Tax Jurisdiction**" means the Republic of Cyprus or (save for the purposes of the redemption event described in Condition 7(b)(A)(2)) if the Issuer is, or becomes, subject

generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax other than the Republic of Cyprus, such other taxing jurisdiction.

"Resolution Authority" means the Single Resolution Board or any successor entity or entities with primary responsibility for the exercise of Statutory Loss Absorption Powers in relation to the Issuer, the Bank and/or the Group.

"Reset Date" means the First Call Date and each day which falls on the fifth anniversary of the immediately preceding Reset Date.

"Reset Interest Amount" has the meaning given to such term in Condition 4(d).

"Reset Interest Period" means each period from (and including) the First Call Date or any Reset Date and ending on (but excluding) the next Reset Date.

"Reset Reference Bank Rate" means, in relation to a Reset Interest Period and the Reference Rate Determination Date in relation to such Reset Interest Period, the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reset Reference Banks to the Fiscal Agent at the request of the Issuer at approximately 11:00 a.m. (Brussels time) on such Reference Rate Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Interest Period will be (i) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Call Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Interest Period or (ii) in the case of the Reset Interest Period commencing on the First Call Date, the Initial Mid-Swap Rate.

"Reset Reference Banks" means five leading swap dealers in the interbank market selected by the Issuer in its discretion and notified to the Fiscal Agent.

"Screen Page" means Reuters Screen "ICESWAP2" or such other page as may replace it on Reuters or, as the case may be, on such other information service that may replace Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the 5-year Mid-Swap Rate.

"solvent" means, for the purposes of these Conditions, that the Issuer is not unable to pay its debts within the meaning of Sections 509(3) and 570 of the Irish Companies Act 2014 (as amended) or any analogous provisions under any applicable laws, and references to "solvency" and "insolvency" shall be construed accordingly; a report by the board of directors of the Issuer or the Auditors or, if the Issuer is insolvent or in winding-up, its liquidator, as to whether or not the Issuer is insolvent or in winding-up shall in the absence of proven error be treated and accepted by the Issuer and the holders of the Capital Securities as correct and sufficient evidence thereof.

"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 Issuer, relating to (i) the transposition of the BRRD and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer)

can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period).

"**Subsidiary**" means, at any particular time, in respect of a company or corporation, 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.

"**Tax Event**" has the meaning given to such term in Condition 7(b).

"**Tier 1 Capital**" means Tier 1 Capital for the purposes of the Capital Regulations.

"**Tier 2 Capital**" means Tier 2 Capital for the purposes of the Capital Regulations.

A "**Trigger Event**" will occur if, at any time the Group CET1 Ratio is less than 5.125 per cent, as determined by the Issuer or the Competent Authority.

For the purpose of determining whether a Trigger Event has occurred, the Issuer may calculate the Group CET1 Ratio at any time based on information (whether or not published) available to the management of the Issuer, including information internally reported within the Issuer pursuant to its procedures for monitoring the Group CET1 Ratio.

"**Trigger Event Write-down Date**" has the meaning given to such term in Condition 6(a)(i).

"**Trigger Event Write-down Notice**" has the meaning given to such term in Condition 6(a)(ii).

"**Unsubordinated Creditors**" means creditors of the Issuer who are unsubordinated creditors of the Issuer.

"**Write-down Amount**" has the meaning given to such term in Condition 6(a)(iv).

"**Written-Down Additional Tier 1 Instrument**" means, at any time, any instrument (including the Capital Securities) issued directly or indirectly by the Issuer which qualifies as Additional Tier 1 Capital of the Group on a consolidated basis and which, immediately prior to the relevant Principal Write-up of the Capital Securities at that time, has an outstanding principal amount that, due to it having been written down, is lower than the original principal amount it was issued with.

(b) *Interpretation*

In these Conditions:

- (i) any reference to any legislation, any provision thereof or to any instrument, order or regulation made thereunder shall be construed as a reference to such legislation,

provision, instrument, order or regulation as the same may have been, or may from time to time be, amended, replaced or re-enacted;

- (ii) any reference to "**interest**" shall be deemed to include any additional amounts in respect of interest which may be payable under this Condition 10 and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) the expression "**obligations**" includes any direct or indirect obligations of the Issuer 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; and
- (iv) any reference to "**principal**" shall be deemed to include the Outstanding Principal Amount(s) and any other amount in the nature of principal payable pursuant to these Conditions.

FINAL TERMS OF THE CAPITAL SECURITIES

Set out below is the text of the Final Terms which will be endorsed on the Certificates. For the avoidance of doubt, references below to the terms and conditions of the Capital Securities set out in Schedule 2 to the Agency Agreement (as defined below) are to the Conditions of the Capital Securities set out in "Terms and Conditions of the Capital Securities" above.

BANK OF CYPRUS HOLDINGS PUBLIC LIMITED COMPANY
(the "Issuer")
€20,000,000
in aggregate principal amount of
Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities
(the "Capital Securities")

This document constitutes the Final Terms for the Capital Securities.

Unless otherwise defined herein, terms used herein shall have the same meanings ascribed to them in the terms and conditions of the Capital Securities as set out in Schedule 2 of the fiscal agency agreement dated 28 August 2018 (as amended, supplemented and/or restated, the "**Agency Agreement**") between the Issuer, Citibank Europe plc as fiscal agent and registrar and the other agents named therein.

1. Issue Date: 19 December 2018
2. ISIN: XS1865594870
3. Common Code: 865594870
4. First Interest Payment Date: 15 June 2019
5. First Interest Amount per Calculation Amount: €1.13
6. Interest Amount per Calculation Amount: €2.50
7. Initial Mid-Swap Rate: 0.288 per cent. per annum
8. First Call Date: 19 December 2023

USE OF PROCEEDS

The net proceeds from the issue of the Capital Securities have been on-lent by the Issuer to the Bank pursuant to the On-Loan and will be used by the Bank for its general corporate purposes.

BUSINESS DESCRIPTION OF THE GROUP

The Company

The Company was incorporated in the Republic of Ireland 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. The registered office of the Company is located at 10 Earlsfort Terrace, Dublin 2, Ireland.

On 18 January 2017, the Company became the holding company of the Group. The Company's shares were admitted, on 19 January 2017 (i) to the standard listing segment of the Official List of the FCA and to trading on the London Stock Exchange's main market for listed securities and (ii) to listing on the Cyprus Stock Exchange and to trading on the Main Market of the Cyprus Stock Exchange.

Overview of the Group

The Group was founded in 1899 and is a leading full-service bank and financial services group in Cyprus. The Group provides a wide range of financial products and services which include consumer and SME banking, corporate banking, international banking, wealth management and capital markets services, brokerage and asset management services, life assurance and general insurance. As at 31 October 2018, based on CBC data, the Group was the largest bank in Cyprus based on loans and deposits, with a market share of loans of 45.1% and a market share of deposits of 36.1%. As at 26 November 2018, the Group operated through a total of 122 branches, of which 121 operated in Cyprus and one operated in Romania. Additionally, the Group has representative offices in Russia, Ukraine and China. The Group also provides 24-hour online, mobile and telephone banking to its customers. As at 30 September 2018, the Group employed 4,163 staff worldwide.

The Group's total income for the year ended 31 December 2017 and the nine months ended 30 September 2018 was €07.4 million and €01.5 million, respectively. As at 30 September 2018, the Group's total assets, total liabilities and total equity were €2.1 billion, €1.9 billion and €2.3 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. As at 30 September 2018, gross loans and advances to customers at amortised cost in Cyprus before fair value adjustments on initial recognition was €2.8 billion and accounted for 98.6% 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 September 2018 | 31 December 2017 |
|---|------------------------------|-----------------------------|
| | (€000) | (€000) |
| Gross loans and advances to customers by customer sector | | |
| Corporate | 4,355,766 | 8,699,433 |
| SMEs | 2,449,376 | 3,510,330 |
| Retail | | |
| —housing | 4,042,460 | 4,170,656 |
| —consumer, credit cards and other | 1,815,228 | 2,063,608 |
| International banking..... | 239,775 | 256,554 |
| Wealth & Markets..... | 90,041 | 54,134 |
| Total⁽¹⁾..... | 12,992,646 | 18,754,715 |

(1) Additionally, as at 30 September 2018, there were €2,843,375,000 gross loans and advances to customers classified as held for

sale.

Customer deposits

Customer deposits remain the Group's primary source of funding, with their contribution to the Group's total assets gradually increasing. Customer deposits accounted for 76.4% of total assets at 30 September 2018, compared with 75.6% as at 31 December 2017.

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 September 2018 | 31 December 2017 |
|-------------------------------------|------------------------------|-----------------------------|
| | (€000) | (€000) |
| Customer deposits | | |
| <i>By type of deposit</i> | | |
| Demand ⁽¹⁾ | 6,688,983 | 6,313,244 |
| Savings ⁽²⁾ | 1,270,762 | 1,536,576 |
| Time or notice ⁽³⁾ | 8,890,683 | 10,000,099 |
| Total | 16,850,428 | 17,849,919 |
| <i>By geographical area</i> | | |
| Cyprus | 16,850,428 | 15,982,905 |
| United Kingdom ⁽⁴⁾ | - | 1,867,014 |
| Total | 16,850,428 | 17,849,919 |

- (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) Due to the sale of BOC UK, the Group's UK operations were not consolidated on 30 September 2018. The sale of BOC UK was completed on 23 November 2018.

For a more detailed discussion of the Group's business and operations, see the following sections of the EMTN Offering Circular which are incorporated by reference herein: "*Business Description of the Group*", "*The Macroeconomic Environment in Cyprus*" and "*Financial Services Regulation and Supervision*".

Board of Directors

The board of directors of the Company is currently composed of ten non-executive directors, nine of whom are independent, and two executive directors. The board of directors of the Company is currently composed of the same members as the Bank's board of directors and the intention of the Company is to continue this replication following future appointments and resignations.

The business address of each of the directors in their capacity as directors of the Company is 51 Stassinos Street, Ay. Paraskevi, Strovolos, 2002 Nicosia, Cyprus and their respective positions and date appointed to the Company's board of directors are as follows:

| Name | Position | Committee Membership | Latest Appointment Date |
|--------------------------|--|---|--------------------------------|
| Josef Ackermann | Chairman and Independent Director | Nominations and Corporate Governance Committee | 28 August 2018 |
| Maksim Goldman | Vice-Chairman and Non-Independent Director | Risk Committee Nominations and Corporate Governance Committee | 28 August 2018 |
| Michael Spanos | Senior Independent Director | Human Resources and Remuneration Committee | 28 August 2018 |
| John Patrick Hourican | Group Chief Executive Officer and Non-Independent Executive Director | | 28 August 2018 |
| Christodoulos Patsalides | Non-Independent Deputy Chief Executive Officer, Chief Operating Officer and Executive Director | | 28 August 2018 |
| Arne Berggren | Independent Director | Audit Committee Risk Committee | 28 August 2018 |
| Ioannis Zographakis | Independent Director | Audit Committee Risk Committee Technology Committee | 28 August 2018 |
| Michael Heger | Independent Director | Human Resources and Remuneration Committee Audit Committee Technology Committee | 28 August 2018 |
| Lyn Grobler | Independent Director | Technology Committee Nominations and Corporate Governance Committee | 28 August 2018 |

| Name | Position | Committee Membership | Latest Appointment Date |
|---------------------|----------------------|--|--------------------------------|
| Anat Bar-Gera | Independent Director | Human Resources and Remuneration Committee Technology Committee | 28 August 2018 |
| Maria Philippou | Independent Director | Human Resources and Remuneration Committee | 28 August 2018 |
| Paula Hadjisotiriou | Independent Director | Audit Committee Risk Committee | 28 August 2018 |

Dr. Josef Ackermann. *Chairman and Independent Director.* Dr. Ackermann 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 a member of the board of directors at Investor AB 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 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.

Maksim Goldman. *Vice-Chairman and Non-Independent Director.* Mr. Goldman is a former director of strategic projects of Renova Group where he was responsible for coordinating the business development of various significant assets under management of the Renova Group. 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) and 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 previously 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. He is currently a non-executive member of the board of directors of Atradius N.V. Mr. Hourican started his career at PriceWaterhouse 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 currently serves as 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 Cypralife Insurance Limited) (1995 to 2000) and Coca-Cola İçecek (2012–2016). Mr. Spanos is a former member 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.

Arne Berggren. *Independent Director.* Mr. Berggren 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 also currently serves as a non-executive director of Pireaus Bank. Mr. Berggren 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 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.* 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 is also a member of 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 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.

Ms. Lyn Grobler. *Independent Director.* 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 the board of directors of Hyperion Services Ltd. She is also a member of the board of directors of Howden Broking Group and the Technology Advisory Board at Board Intelligence Ltd. Ms Grobler holds a Higher National Diploma in Computer Systems from Durban University in South Africa and a National Diploma in Electronic Data Processing from Cape Peninsula University (South Africa).

Mrs. Anat Bar-Gera. *Independent Director.* Mrs Bar-Gera is the Chairwoman, since 2015, of Cyverse AG, a leading Switzerland-based cybersecurity company. Mrs Bar-Gera is currently a member of the expert network of the World Economic Forum and a former member of the Global Agenda Council on

the future of the internet, of the World Economic Forum. She is also a non-executive member of the board of directors of Swiss Mobile Data. Prior to this and for more than 20 years, Mrs Bar-Gera co-founded, scaled and exited a number of telecom and internet international companies operating primarily across Europe and Africa. In 1988, she joined UBS in Switzerland as an Associate in the mergers and acquisitions department, where she initiated and executed pan-European deals, especially in the high-tech area. Mrs Bar-Gera graduated from INSEAD, France with an MBA and from the Hebrew University, Israel, with a Bachelor of Laws (LL.B.).

Maria Philippou. *Independent Director.* Ms. Philippou started her career as a human resources ("**HR**") consultant with KPMG Greece, before moving to the Lambrakis Press Group as a HR generalist. Having spent three years with Eurobank Ergasias S.A as Compensation & Benefits Manager, in 2006 she moved to the Coca Cola Company Group in 2006, progressing through various roles such as Rewards Manager and HR Business & Strategic Partner to her current position as Global Talent & Development Director. Ms. Philippou holds a degree in Business Administration, from Nottingham Trent University and a Master of Science in Human Resources Management from Brunel University.

Paula Hadjisotiriou. *Independent Director.* Ms. Hadjisotiriou started her accountancy career at Howard, Wade & Jacob before moving to PricewaterhouseCoopers. Following a six-year tenor at the Latsis Group of Companies as Deputy General Manager of Internal Audit, she embarked on a career in banking between 1988 and 2015, first with Eurobank Ergasias S.A. as Group Chief Financial Officer and then with the National Bank of Greece as Deputy Chief Executive Officer & Chief Financial Officer. Currently, Ms Hadjisotiriou serves as an advisor to the Latsis Group of Companies in the UK. Ms Hadjisotiriou is a Chartered Accountant and a member of the Institute of Chartered Accountants of England and Wales (ICAEW).

Executive Committee

The executive committee consists of the following members:

| Name | Position |
|--------------------------------|--|
| 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, Wealth & Markets |
| Aristos Stylianou | Executive Chairman, Insurance |
| Anna Sofroniou | Director, Real Estate Management Unit |
| Nicholas Scott Smith | Director, Restructuring and Recoveries |

DISTRIBUTION RESTRICTIONS

Selling Restrictions

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Capital Securities may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Capital Securities in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

The Capital Securities may not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United States

The Capital Securities have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States or to or for the account or benefit of a U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Capital Securities have only been offered and sold outside of the United States to persons other than U.S. persons as defined in Regulation S in offshore transactions, in reliance on, and in compliance with, Regulation S.

TAXATION

*The following is a summary of certain Cypriot and Irish tax consequences of the purchase, ownership and disposal of Capital Securities. It applies to you if you are the absolute beneficial owner of Capital Securities (including all amounts payable by the Issuer in respect of your Capital Securities). However, it does not apply to certain classes of persons such as dealers in securities, trustees, companies connected with the Issuer, insurance companies, etc. The summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of Capital Securities. The summary is based upon Cypriot and Irish laws, and the practice of the Cyprus Commissioner of Taxation (the "**Commissioner**") and the Commissioners of Ireland ("**Revenue**"), in effect on the date of this document. The summary does not constitute tax or legal advice and is of a general nature only. Any potential investor should consult its own tax adviser with respect to the applicable tax consequences of the purchase, ownership, redemption and disposal of Capital Securities and the receipt of interest or dividends thereon under the laws of its country of residence, citizenship or domicile.*

Cyprus Taxation

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 or 60 days, as the case may be, subject to applicable law 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

Cyprus does not levy any withholding tax on interests paid to non-Cyprus tax resident persons (natural and legal) or to individuals who are not considered (for the purposes of the SDC (as defined below)) to be domiciled in Cyprus.

Cyprus tax resident individuals

Under the provisions of the Income Tax Law, an individual who is tax resident in 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 will 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 Cypriot 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 kinship 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 Capital Securities may be liable to stamp duty. If so chargeable, stamp duty of €20,000.00 will be payable by the Issuer. So long as the Capital Securities are cleared through Euroclear and Clearstream, sales or transfers of the Capital Securities (whether effected by residents or non-residents of Cyprus) will not attract stamp duty in Cyprus.

Profit from the Disposal of the Capital Securities

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

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

Irish Taxation

Withholding Tax

Tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Capital Securities so long as such payments do not constitute Irish source income. Interest paid on the Capital Securities may be treated as having an Irish source if:

- (a) the Issuer is resident in Ireland for tax purposes; or
- (b) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which are used to fund the payments on the Capital Securities; or
- (c) the Issuer is not resident in Ireland for tax purposes but the register for the Capital Securities is maintained in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes, and (ii) the Issuer does not and will not have a branch or permanent establishment in Ireland.

However, if the interest on the Capital Securities is treated as having an Irish source, pursuant to section 845C of the Taxes Consolidation Act, 1997 ("**TCA**") additional tier 1 instruments issued by financial institutions to meet the regulatory capital requirements imposed by CRD IV are treated as debt instruments. Provided the Capital Securities continue to be (i) quoted Eurobonds i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange for the purposes of Section 64 of the TCA (such as the Euro MTF Market of the Luxembourg Stock Exchange) and which carry a right to interest and (ii) held in a clearing system recognised by the Revenue Commissioners of Ireland (such as Euroclear and/or Clearstream), interest on the Capital Securities can be paid by any paying agent acting on behalf of the Issuer without any withholding or deduction for or on account of Irish income tax. If the Capital Securities continue to be quoted on a recognised stock exchange but cease to be held in a recognised clearing system, interest on the Capital Securities may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a paying agent outside Ireland.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) on any interest, dividends or annual payments payable out of or in respect of the stocks, funds, shares or securities of a company not resident in Ireland, where such interest, dividends or annual payments are collected or realised by a bank or encashment agent in Ireland.

Encashment tax will not apply where the holder of the Capital Securities is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

Taxation of Receipts

Notwithstanding that a holder of the Capital Securities may receive payments of interest, premium or discount on the Capital Securities free of Irish withholding tax, the holder of the Capital Securities may still be liable to pay Irish income or corporation tax (and in the case of individuals, the universal social charge) on such interest, premium or discount if (i) such interest, premium or discount has an Irish source, (ii) the holder of the Capital Securities is resident or (in the case of a person other than a body corporate) ordinarily resident in Ireland for tax purposes (in which case there may also be a pay related social insurance (PRSI) liability for an individual in receipt of interest, premium or discount on the Capital Securities), or (iii) the Capital Securities are attributed to a branch or agency of the holder of the Capital Securities in Ireland. Ireland operates a self-assessment system in respect of income and corporation tax, and each person must assess their own liability to Irish tax.

Relief from Irish income tax may be available under the specific provisions of a double taxation agreement between Ireland and the country of residence of the recipient.

Tax on Capital Gains

A holder of the Capital Securities will not be subject to Irish tax on capital gains realised on a disposal of Capital Securities unless (i) such holder is either resident or ordinarily resident in Ireland; or (ii) such holder carries on a business or a trade in Ireland through a branch or agency in respect of which the Capital Securities were used or held or acquired; or (iii) the Capital Securities cease to be listed on a stock exchange in circumstances where such Capital Securities derive their value or more than 50% of their value from Irish real estate, mineral rights or exploration rights.

Capital Acquisitions Tax

A gift or inheritance comprising of Capital Securities will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs is currently levied at 33 per cent.) if either (i) the donor or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or in certain circumstances, if the donor is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Capital Securities are regarded as property situate in Ireland. A foreign domiciled individual will not be regarded as being resident or ordinarily resident in Ireland at the date of the gift or inheritance unless that individual (i) has been resident in Ireland for the five consecutive tax years immediately preceding the tax year in which the gift or inheritance is taken, and (ii) is either resident or ordinarily resident in Ireland on that date.

Capital Securities will be regarded as property situate in Ireland if the register of the Capital Securities is in Ireland. The Capital Securities may, however, be regarded as situated in Ireland regardless of their physical location if they secure a debt due by an Irish resident debtor and/or are secured over Irish property. Accordingly, if Irish situate Capital Securities are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the donor or the donee/successor.

Issuance of Capital Securities

No Irish stamp duty arises on the issue of the Capital Securities.

Transfer of the Capital Securities

The transfer on sale or gift of Capital Securities by written document is liable to Irish stamp duty at the rate of 1 per cent. of the consideration passing or market value, if higher. There is an exemption from stamp duty on the transfer of loan capital of a company provided the loan capital meets all of the

following conditions: it is not issued at a discount of more than 10 per cent., it does not carry rights akin to share rights, it is not convertible into shares and it does not carry a right to a payment linked wholly or partly, and directly or indirectly, to an equity index or equity indices. The Issuer has received confirmation that such exemption is available with respect to the Capital Securities.

GENERAL INFORMATION

Authorisation

1. The issue of the Capital Securities was duly authorised by a resolution of the board of directors of the Issuer dated 3 August 2018.

Listing

2. The Capital Securities have been admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market and listed on the Official List of the Luxembourg Stock Exchange.

Clearing Systems

3. The Capital Securities have been accepted for clearance through Euroclear and Clearstream. The ISIN for this issue is XS1865594870 and the Common Code is 86559487.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg

No significant change

4. There has been no significant change in the financial or trading position of the Issuer or of the Group since 30 September 2018 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2017.

Litigation

5. 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 document which may have or have had in the recent past significant effects on the financial position or profitability of the Group.

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 restructuring of the Bank in 2013 as a result of the Bailing-in of Bank of Cyprus Public Company Limited Decrees of 2013 issued by the CBC in its capacity as resolution authority (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. 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.

Documents available

6. For as long as the Capital Securities remain outstanding, copies of the following documents will be available upon request from the Issuer and at the office of the Listing Agent during normal business hours on any weekday:
 - (i) the 2017 Annual Report;
 - (ii) the 9M 2018 Financial Results;
 - (iii) the Memorandum and Articles of Association of the Issuer;
 - (iv) the Fiscal Agency Agreement (which will include the form of the Global Certificate and the Individual Certificates); and
 - (v) the Deed of Covenant.

This document will be published on the website of the Luxembourg Stock Exchange (<http://www.bourse.lu>).

Accountants

7. 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 an an unqualified audit report on the accounts of the Group for the year ended 31 December 2017. The 9M 2018 Financial Results are unaudited.

Registered address of the Issuer

8. The registered office of the Issuer is at 10 Earlsfort Terrace, Dublin 2,Ireland.

REGISTERED OFFICE OF THE BANK

**Bank of Cyprus
Public Company Limited**

51 Stassinos Street
Ayia Paraskevi
Strovolos
2002 Nicosia
Cyprus

FISCAL AGENT, PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Citibank Europe PLC

1 North Wall Quay
Dublin 1
Ireland

LUXEMBOURG LISTING AGENT

Banque Internationale à Luxembourg SA

69, route d'Esch
L-2953 Luxembourg

AUDITORS

Ernst & Young Cyprus Limited

Jean Nouvel Tower
6 Stassinos Avenue
1060 Nicosia
Cyprus