IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON (WITHIN THE MEANING OF REGULATION S OF THE UNITED STATES ("U.S.") SECURITIES ACT OF 1933 (AS AMENDED) (THE "SECURITIES ACT") OR TO ANY PERSON OR ADDRESS IN THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the "**Offering Circular**") following these pages, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF BANK OF CYPRUS HOLDINGS PUBLIC LIMITED COMPANY (THE "**ISSUER**"). THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON (WITHIN THE MEANING OF REGULATION S OF THE SECURITIES ACT OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

The Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By accessing the Offering Circular, you shall be deemed to have confirmed and represented to us that: (a) you have understood and agree to the terms set out herein; (b) you consent to delivery of the Offering Circular by electronic transmission; (c) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person (within the meaning of Regulation S under the Securities Act) and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the U.S., its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia; and (d) if you are a person in the United Kingdom (the "**UK**"), then you are a person who: (i) has professional experience in matters relating to investments; or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005.

PROHIBITION ON MARKETING AND SALES TO RETAIL INVESTORS

1. The Fixed Rate Reset Perpetual Additional Tier 1 Capital Securities discussed in the Offering Circular (the "**Capital Securities**") are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Capital Securities. Potential investors in the Capital Securities should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Capital Securities (or any beneficial interests therein).

2. (a) In the UK, the Financial Conduct Authority ("**FCA**") Conduct of Business Sourcebook ("**COBS**") requires, in summary, that the Capital Securities should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**retail client**") in the UK.

   (b) By purchasing, or making or accepting an offer to purchase, any Capital Securities (or a beneficial interest in such Capital Securities) from the Issuer and/or any of BNP Paribas, BofA Securities Europe SA, Goldman Sachs Bank Europe SE and J.P. Morgan SE (together, the "**Joint Lead Managers**"), each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

      (i) it is not a retail client in the UK; and

      (ii) it will not sell or offer the Capital Securities (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of the Offering Circular) or approve

an invitation or inducement to participate in, acquire or underwrite the Capital Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.

(c) In selling or offering the Capital Securities or making or approving communications relating to the Capital Securities you may not rely on the limited exemptions set out in COBS.

3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area or the UK) relating to the promotion, offering, distribution and/or sale of the Capital Securities (or any beneficial interests therein), whether or not specifically mentioned in the Offering Circular, including (without limitation) any requirements under Directive 2014/65/EU (as amended) ("**MiFID II**") or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Capital Securities (or any beneficial interests therein) for investors in any relevant jurisdiction.

4. Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Capital Securities (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

IMPORTANT – EEA RETAIL INVESTORS – The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to, any retail investor in the European Economic Area ("**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) (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.

IMPORTANT – UK RETAIL INVESTORS – The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended) ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of domestic law in the UK by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law in the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and eligible counterparties only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Capital

Securities has led to the conclusion that: (i) the target market for the Capital Securities is only eligible counterparties, as defined in COBS, and professional clients, as defined in Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of domestic law in the UK by virtue of the EUWA; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

NOTIFICATION UNDER SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA")

Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all persons, including all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in Monetary Authority of Singapore ("**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by any Joint Lead Manager or the Issuer that would, or is intended to, permit a public offering of the Capital Securities, or possession or distribution of the offering circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Capital Securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of that Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer nor any of the Joint Lead Managers, or any person who controls any of them, or any director, officer, employee or agent of any of them, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

OFFERING CIRCULAR DATED 19 JUNE 2023

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: XS2638438510

Issue price: 100 per cent.

On 21 June 2023 (the "**Issue Date**"), Bank of Cyprus Holdings Public Limited Company (the "**Issuer**" or the "**Company**") will issue €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*" (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 will be denominated in euro and will bear interest on their Outstanding Principal Amounts from (and including) the Issue Date to (but excluding) the First Reset Date, at a fixed rate of 11.875 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. 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 or other date (see Condition 5 (*Interest Cancellation*)). As a result, holders of Capital Securities may not receive interest on any Interest Payment Date or other 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 (at the option of the holders of the Capital Securities) 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 the Capital Securities in whole, but not in part, (i) upon the occurrence of a Tax Event or a Capital Event, (ii) subject to the Outstanding Principal Amount of each Capital Security being equal to its Original Principal Amount, on any day falling in the period commencing on (and including) 21 June 2028 and ending on (and including) the First Reset Date, or on any Interest Payment Date thereafter and

(iii) subject to the Outstanding Principal Amount of each Capital Security being equal to its Original Principal Amount, if 75 per cent. of the initial aggregate principal amount of the Capital Securities have been purchased by, or on behalf of, the Issuer and cancelled, 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 25 to 65. 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 48 of this document), as well as the Write-Down and Conversion Tool (as defined on page 49 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 subject to the Principal Write-down provisions described above and 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 Principal Write-down provisions 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 (as defined below) 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 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 will be in registered form and will be available and transferable in minimum amounts of €200,000 and integral multiples of €1,000 in excess thereof. The Capital Securities will be represented by a global certificate in registered form (the "**Global Certificate**") and will be registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**").

Application has been made to the Luxembourg Stock Exchange for the Capital Securities to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange (the "**Euro MTF Market**") and to be listed on the Official List of the Luxembourg Stock Exchange (the "**Official List**"). This Offering Circular constitutes a prospectus for the purpose of Part IV of the Luxembourg law on prospectuses for securities dated 16 July 2019. References in this Offering Circular to the Capital Securities being "listed" (and all related references) shall mean that the Capital Securities have been admitted to trading on the Euro MTF Market and have been admitted to the Official List. The Euro MTF Market is not a regulated market for the purposes of Directive 2014/65/EU (as amended) ("**MiFID II**").

The Issuer is not (and will not be) 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.

The Capital Securities are expected to be rated B3 by Moody's Investors Service Cyprus Limited ("**Moody's**").

Moody's is established in the European Union (the "**EU**") and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**")

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Structuring Advisers

BofA Securities **Goldman Sachs Bank Europe SE**

Joint Lead Managers

BNP PARIBAS **BofA Securities**

Goldman Sachs Bank Europe SE **J.P. Morgan**

The date of this Offering Circular is 19 June 2023.

IMPORTANT INFORMATION

This Offering Circular does not comprise a prospectus for the purposes of Article 8 of the Prospectus Regulation. When used in this Offering Circular, "**Prospectus Regulation**" means Regulation (EU) 2017/1129 (as amended). This Offering Circular has been prepared for the purpose of giving information with regard to the Group and the Capital Securities which, according to the particular nature of the Issuer and the Capital Securities is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

Other than in respect of the Conditions, references in this Offering Circular to the "**Group**" shall mean the Issuer and its consolidated subsidiaries.

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.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*" below), the information on the websites to which this Offering Circular refers does not form part of this Offering Circular.

None of the Joint Lead Managers (as defined in "*Subscription and Sale*" below) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Joint Lead Managers as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Capital Securities or their distribution.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information provided in connection with the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

Neither this document nor any other financial statements nor any further information supplied in relation to the Issuer, the Group 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, the Joint Lead Managers 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 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, the Group 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.

PROHIBITION ON MARKETING AND SALES TO RETAIL INVESTORS

1. The Capital Securities are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Capital Securities. Potential investors in the Capital Securities should inform themselves

of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Capital Securities (or any beneficial interests therein).

2. (a) In the United Kingdom ("**UK**"), the Financial Conduct Authority ("**FCA**") Conduct of Business Sourcebook ("**COBS**") requires, in summary, that the Capital Securities should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "**retail client**") in the UK.

   (b) By purchasing, or making or accepting an offer to purchase, any Capital Securities (or a beneficial interest in such Capital Securities) from the Issuer and/or any of the Joint Lead Managers each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Joint Lead Managers that:

      (i) it is not a retail client in the UK; and

      (ii) it will not sell or offer the Capital Securities (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of this Offering Circular) or approve an invitation or inducement to participate in, acquire or underwrite the Capital Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.

   (c) In selling or offering the Capital Securities or making or approving communications relating to the Capital Securities you may not rely on the limited exemptions set out in COBS.

3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area (the "**EEA**") or the UK) relating to the promotion, offering, distribution and/or sale of the Capital Securities (or any beneficial interests therein), whether or not specifically mentioned in this Offering Circular, including (without limitation) any requirements under MiFID II or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Capital Securities (or any beneficial interests therein) for investors in any relevant jurisdiction.

4. Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Capital Securities (or any beneficial interests therein) from the Issuer and/or the Joint Lead Managers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

IMPORTANT – EEA RETAIL INVESTORS

The Capital Securities are not intended to be 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) (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.

IMPORTANT – UK RETAIL INVESTORS

The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal)

Act 2018 (as amended) (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of domestic law in the UK by virtue of the EUWA ("**UK MiFIR**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law in the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is only eligible counterparties, as defined in COBS, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

NOTIFICATION UNDER SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE "SFA")

Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all persons, including all relevant persons (as defined in Section 309A(1) of the SFA), that the Capital Securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in Monetary Authority of Singapore ("**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

STABILISATION

In connection with the issue of the Capital Securities, BofA Securities Europe SA (the "Stabilisation Manager") (or persons acting on behalf of the Stabilisation Manager) may over-allot Capital Securities or effect transactions with a view to supporting the market price of the Capital Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Capital Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Capital Securities. Any stabilisation action or overallotment must be conducted by the Stabilisation Manager

(or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND THE OFFER OF THE CAPITAL SECURITIES

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Capital Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Offering Circular and the offer or sale of the Capital Securities may be restricted by law in certain jurisdictions. Neither the Issuer nor any of the Joint Lead Managers represents that this Offering Circular may be lawfully distributed, or that the Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of the Capital Securities or distribution of this Offering Circular 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 Offering Circular 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. Persons into whose possession this Offering Circular or the Capital Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Capital Securities. For details of certain restrictions on the distribution of this Offering Circular and the offer or sale of the Capital Securities in the United States, the EEA (including Ireland and Cyprus), the UK, Switzerland and Singapore. See "*Subscription and Sale*" below.

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 persons who are not U.S. persons (as defined below) in reliance on Regulation S under the Securities Act ("**Regulation S**"), see "*Subscription and Sale*" below.

This Offering Circular shall only be used for the purposes for which it has been published.

PRESENTATION OF CERTAIN FINANCIAL INFORMATION AND OTHER INFORMATION

General

The Issuer's audited consolidated financial statements as at and for the year ended 31 December 2022 (the "**Consolidated 2022 Audited Financial Statements**") and the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2021 (the "**Consolidated 2021 Audited Financial Statements**" and, together with the Consolidated 2022 Audited Financial Statements, the "**Consolidated Audited Financial Statements**") were prepared in accordance with International Financial Reporting Standards as adopted by the EU ("**IFRS**") and with those parts of the Irish Companies Act 2014 (as amended) (the "**Companies Act**") applicable to companies reporting under IFRS.

The unaudited consolidated condensed interim financial results of the Group for the quarter ended 31 March 2023 (the "**Group Financial Results for the quarter ended 31 March 2023**") are contained in the Announcement of the Group Financial Results for the quarter ended 31 March 2023 (as defined in the "*Documents Incorporated by Reference*" section of this Offering Circular). The financial information for the first three months of 2022 and 2023 contained within 'Section E – Statutory Basis' of the Group Financial Results for the quarter ended 31 March 2023 corresponds to the condensed consolidated financial statements prepared in accordance with IFRS.

The Consolidated Audited Financial Statements, together with their accompanying notes and independent auditors' report, and the Group Financial Results for the quarter ended 31 March 2023, together with their

accompanying notes, are incorporated by reference into this Offering Circular and should, in each case, be read in conjunction with their accompanying notes.

The Consolidated Audited Financial Statements were audited by PricewaterhouseCoopers ("**PwC Ireland**"). The Group Financial Results for the quarter ended 31 March 2023 have been neither audited nor reviewed by PwC Ireland or any other independent audit firm.

Unless otherwise stated in this Offering Circular, financial information in relation to the Group referred to in, or incorporated by reference in, this Offering Circular has been extracted or derived without material adjustment from the Consolidated Audited Financial Statements or the Group Financial Results for the quarter ended 31 March 2023, or has been extracted or derived from those of the Group's accounting records and its financial reporting and management systems that have been used to prepare that financial information.

Non-IFRS information and other statistics

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

In this Offering Circular and the information incorporated by reference herein, these non-IFRS performance measures have the definitions as set out in the "*Alternative Performance Measures Disclosures*" section of the Group Annual Financial Report 2022 (as defined in the "*Documents Incorporated by Reference*" section of this Offering Circular), and in the "*Definitions & Explanations*" and in the "*Alternative Performance Measures*" sections of the Announcement of the Group Financial Results for the quarter ended 31 March 2023, which are incorporated by reference into this Offering Circular.

Comparability of Financial Information

In the Announcement of the Group Financial Results for the quarter ended 31 March 2023, reclassifications to and restatements of 2022 comparative information were made to the primary financial statements and respective notes, following the adoption of IFRS 17 'Insurance Contracts' which was applied retrospectively ("**IFRS 17**"). On 1 January 2023, the Group adopted IFRS 17 and, as required by the standard, applied the requirements retrospectively with comparative information restated from the transition date of 1 January 2022. Upon transition on 1 January 2022, the Group's total equity and equity attributable to the owners of the Issuer was reduced by €37,563 thousand, reflecting the aggregate impact of the present value of in-force life insurance contracts (PVIF) elimination and remeasurement of insurance assets and liabilities, net of associated tax impact. Similarly, adjusting for the impact of IFRS 17 on the profit for the year ended 31 December 2022, the impact on the Group's total equity and equity attributable to the owners of the Issuer as at 31 December 2022 as reported under IFRS 4 has reduced by €52,104 thousand, as restated under IFRS 17.

For a full description of the reclassifications and restatements as a result of IFRS 17, please refer to *Section F.9* "*IFRS 17 'Insurance Contracts'*" within the Announcement of the Group Financial Results for the quarter ended 31 March 2023, which is incorporated by reference in this Offering Circular.

In addition, the impact of such restatements on certain key performance ratios of the Group is presented on page 54 of the 2023 Financial Results Presentation (as defined in the "*Documents Incorporated by Reference*" section of this Offering Circular), which is incorporated by reference in this Offering Circular.

All 31 March 2022 comparative information has been restated to account for the impact of adoption of IFRS 17 as described above. In addition, where applicable 31 March 2022 information was restated for the changes in the segmental results presentation for the impact of the internal re-organisation effected in the last quarter of 2022, as described in the "*Overview of the Group*" – "*Business Lines*" section of this Offering Circular. Such restatement has impacted the presentation of segmental analysis.

In the Consolidated 2022 Audited Financial Statements, reclassifications to and restatements of 2021 comparative information were made to the primary financial statements and respective notes to conform to the presentation of financial information for 2022. Such reclassifications and restatements did not have an impact on the financial results for the years ended 31 December 2022 and 31 December 2021 or the equity of the Group.

For a full description of the reclassifications and restatements, please refer to note "*Summary of significant accounting policies - Basis of preparation - Comparative information*", in the accompanying notes to the Consolidated 2022 Audited Financial Statements included in the Group Annual Financial Report 2022, which is incorporated by reference in this Offering Circular.

In the Consolidated 2021 Audited Financial Statements, reclassifications to and restatements of 2020 comparative information were made to certain of the notes to conform to the presentation of financial information for 2021 as set out in the Consolidated 2021 Audited Financial Statements. Such reclassifications and restatements did not have an impact on the financial results for the years ended 31 December 2021 and 31 December 2020 or the equity of the Group. For a full description of the reclassifications and restatements please refer to note "*Summary of significant accounting policies - Comparative information*" in the accompanying notes to the Consolidated 2021 Audited Financial Statements included in the Group Annual Financial Report 2021 (as defined in the "*Documents Incorporated by Reference*" section of this Offering Circular), which is incorporated by reference in this Offering Circular.

Rounding and negative amounts

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

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

Market and Industry Information and Other Data

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

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

Although the Group believes these sources to be reliable, the Group does not have access to the information, methodology and other bases for such information and has not independently verified the information. Where third-party information has been sourced in this Offering Circular or in information incorporated by reference

herein, the source of such information has been identified. The information in, or incorporated by reference in, this Offering Circular that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Group is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

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

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

References to Laws, Rules and Regulations

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

In this Offering Circular, unless otherwise specified or the context otherwise requires, references 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 and those to "**Cyprus**" refer to the Republic of Cyprus.

FORWARD LOOKING STATEMENTS

This Offering Circular (including any documents incorporated by reference herein) contains certain forward-looking statements which can usually be identified by terms used such as 'expect', 'should be', 'will be' and similar expressions or variations thereof or their negative variations, but their absence does not mean that a statement is not forward-looking. Examples of forward-looking statements include, but are not limited to, statements relating to the Group's near term and longer term future capital requirements and ratios, intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, expected impairment charges, the level of the Group's assets, liquidity, performance, prospects, anticipated growth, provisions, impairments, business strategies and opportunities. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend upon circumstances, that will or may occur in the future. Factors that could cause actual business, strategy and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements made by the Group include, but are not limited to: general economic and political conditions in Cyprus and other EU Member States, interest rate and foreign exchange fluctuations, legislative, fiscal and regulatory developments and information technology, litigation and other operational risks. Should any one or more of these or other factors materialise, or should any underlying assumptions prove to be incorrect, the actual results or events could differ materially from those currently being anticipated as reflected in such forward looking statements. The forward-looking statements made in this Offering Circular (including any documents incorporated by reference herein) are only applicable as from the date of publication of this Offering Circular. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this Offering Circular (including any documents incorporated by reference herein) to reflect any change in the Group's expectations or any change in events, conditions or

circumstances on which any statement is based. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

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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". 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.

Issuer:	Bank of Cyprus Holdings Public Limited Company
Legal Entity Identifier (LEI):	635400L14KNHZXPUZM19
Structuring Advisers:	BofA Securities Europe SA Goldman Sachs Bank Europe SE
Joint Lead Managers:	BNP Paribas BofA Securities Europe SA Goldman Sachs Bank Europe SE J.P. Morgan SE
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
Issue Date:	21 June 2023
First Interest Payment Date:	21 December 2023
Interest Amount per Calculation Amount:	€59.375
First Reset Date:	21 December 2028
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:	The Capital Securities and any related interest therein constitute unsecured, subordinated obligations of the Issuer and at all times rank *pari passu* and without any preference among themselves. Subject to Condition 3(a)(ii) (*Status*), 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 "**Solvency Condition**").

The rights of the holders of the Capital Securities are subordinated on a winding-up as provided in Condition 3(a)(ii) (*Status*).

Interest:

The Capital Securities bear interest on their Outstanding Principal Amounts:

(a) from (and including) the Issue Date to (but excluding) the First Reset Date, at a fixed rate of 11.875 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*).

Benchmark Replacement:

If the Issuer determines that a Benchmark Event has occurred when any Rate of Interest (or component thereof) remains to be determined by reference to an Original Reference Rate, the provisions of Condition 4(i) (*Benchmark replacement*) will apply to the determination of the Rate of Interest for the Capital Securities.

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 or other 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 applicable provision of law transposing or implementing Article 141(2) of the CRD IV Directive), Article 16a of the BRRD, Article 10a of the SRM Regulation or, as the case may be, any provision amending or replacing such Articles, or any equivalent requirement in the Capital Regulations to calculate a maximum distributable amount, plus any principal write-ups, where applicable, the Maximum Distributable Amount, if any, to be exceeded, if required to be calculated at such time; 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*).

Interest payments shall also be cancelled in accordance with Condition 6(a)(iii) (*Interest Cancellation – Cancellation of interest and Principal Write-down*) or if the Solvency Condition is not satisfied in respect of such interest (in accordance with Condition 3(a)(i) (*Status*)).

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) 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; 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 Liabilities 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) 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). In calculating any amount in accordance with Condition 6(a)(iv) (*Principal Write-down and Principal Write-up – Write-down Amount*), the CET1 Capital (if any) generated as a result of the cancellation of interest pursuant to Condition 5(b) (*Interest Cancellation – Mandatory cancellation of interest*) shall not be taken into account.

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 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.

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 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 applicable provision of law transposing or implementing Article 141(2) of the CRD IV Directive), Article 16a of the BRRD, Article 10a of the SRM Regulation or, as the case may be, any provision amending or replacing such Articles, or any equivalent requirement in the Capital Regulations to calculate a maximum distributable amount, plus any principal write-ups, where applicable, 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.
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 15 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.
Clean up redemption at the option of the Issuer:	Subject to compliance with the Capital Regulations and the Competent Authority having given its prior permission (if required), if 75 per cent. of the initial aggregate principal amount of the Capital Securities have been purchased by, or on behalf of, the Issuer, and cancelled, the Issuer may, at any time, at its option, and having given not less than 15 days' nor more than 60 days' notice to the Fiscal Agent and the holders of the Capital Securities, redeem the outstanding

Capital Securities, in whole, but not in part, 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 (*Interest Cancellation*), provided that, following the occurrence of a Principal Write-down, the Issuer shall not be entitled to redeem the Capital Securities pursuant to Condition 7(e) (*Redemption, Purchase and Options - Clean-up redemption at the option of the Issuer*) 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).

Substitution and Variation:

Subject as provided in Condition 8 (*Substitution and Variation*), if an Alignment Event, 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 20 (*Acknowledgement of Statutory Loss Absorption Powers*), the Issuer may without the consent or approval of the holders of the Capital Securities, upon not less than 15 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, without limitation, changing the governing law of Condition 20 (*Acknowledgement of Statutory Loss Absorption Powers*)) so that they remain or, as appropriate, become compliant with the Capital Regulations with respect to Additional Tier 1 Capital and provided that (i) 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) and (ii) such substitution or variation does not itself give rise to any right of the Issuer to redeem the substituted or varied Capital Securities.

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) 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 (6) 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.

Substitution of the Issuer:

Condition 14 (*Substitution of the Issuer*) provides that the Issuer may, without the consent of the holders of the Capital Securities and subject to the conditions (which permit certain amendments to be made) described in Condition 14 (*Substitution of the Issuer*), substitute for itself any Substituted Obligor (as defined in the Conditions) in place of the Issuer as the principal debtor in respect of the Capital Securities and as a party to the Fiscal Agency Agreement upon notice by the Issuer and the Substituted Obligor.

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). For the avoidance of doubt, any refusal by the Competent Authority to grant such permission shall not constitute a default for any purpose;

(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 capital and eligible liabilities requirements (including any applicable buffer requirements) by a margin 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:

Subject to compliance with the Capital Regulations and the Competent Authority having given its prior permission (if required), 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.

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 will be represented by a Global Certificate which will be registered in the name of a nominee of a common depositary for Euroclear and Clearstream.

Denomination: €200,000 and integral multiples of €1,000 in excess thereof.

Clearing systems: Euroclear and Clearstream.

ISIN: XS2638438510

Common code: 263843851

Listing: Application has been made for the Capital Securities to be listed on the Official List and admitted to trading on the Euro MTF Market.

Such listing and admission to trading are expected to occur as of the Issue Date or as soon as practicable thereafter.

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, will be governed by, and construed in accordance with, English law, except for Conditions 3 (*Status*) and 20 (*Acknowledgement of*

Statutory Loss Absorption Powers) which will be, in each case governed by, and construed in accordance with, the laws of Ireland.

Ratings:	The Capital Securities are expected to be rated B3 by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Submission to jurisdiction:	The Issuer will irrevocably agree for the benefit of the holders from time to time of the Capital Securities 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 will submit to the jurisdiction of the English courts.

RISK FACTORS

*Investing in the Capital Securities involves risk. You should carefully consider the risk factors set out below and all other information contained in this Offering Circular, including the Group's financial statements and the related notes, and the risks set out in the Risk and Capital Management Report and the ESG Disclosures contained in the Group Annual Financial Report 2022 and in the Additional Risk and Capital Management Disclosures contained in the Announcement of the Group Financial Results for the quarter ended 31 March 2023, each of which are incorporated by reference in this Offering Circular, before making any investment decision regarding the Capital Securities. The risks and uncertainties described below are those currently known and specific to the Group or the banking industry that the Group believes are relevant to an investment in the Capital Securities. If any of these risks or uncertainties materialises, the Group's financial condition or results of operations could suffer. Some of the risks described below would, in the event that they were to materialise, specifically affect Bank of Cyprus Public Company Limited (the "**Bank**"). However, events that would materially and adversely affect the Bank will likely also materially and adversely affect the Group as a whole. Moreover, the risks and uncertainties described below may not be the only ones faced by the Group. Additional risks not currently known to the Group or that the Group now deems immaterial may also adversely affect the Group and any investment in the Capital Securities.*

THE CAPITAL SECURITIES INVOLVE A HIGH DEGREE OF RISK AND YOU SHOULD BE PREPARED TO SUSTAIN A LOSS OF ALL OR PART OF YOUR INVESTMENT.

Words and expressions defined in "Terms and Conditions of the Capital Securities" below (or elsewhere in this Offering Circular) have the same meanings in this section.

Financial information disclosed as at and for the years ended 31 December 2022 and 31 December 2021 and as at and for the three months ended March 31 2023 and March 31 2022 relates to the Group. Financial information disclosed as at and for the years ended 31 December 2022 and 31 December 2021 and as at and for the three months ended March 31 2023 is incorporated by reference in this Offering Circular. The information as at and for the three months ended 31 March 2022 has been extracted from the comparative information set out in the Announcement of the Group Financial Results for the quarter ended 31 March 2023, which is incorporated by reference in this Offering Circular. The information as at and for the year ended 31 December 2022 has been extracted from (i) the comparative information (as restated) set out in the Announcement of the Group Financial Results for the quarter ended 31 March 2023 or (ii) the 2022 Consolidated Audited Financial Statements, which are each incorporated by reference in this Offering Circular.

Risks Relating to Asset Quality, Provisions and Capital

The Group may not be able to reduce and maintain its NPE levels in line with its targets, which may materially impact its financial condition, capital adequacy or results of operations

As at 31 March 2023, the Group's net loans and advances to customers totalled €10.0 billion (compared to €10.0 billion as at 31 December 2022 and €9.8 billion as at 31 December 2021, excluding those classified as held for sale). The Group's Non-Performing Exposure ("**NPE**") ratio was 3.8[1] per cent. of gross loans[2] as at 31 March 2023. The Group continues to work towards decreasing the NPEs on the balance sheet.

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1 The NPE ratio is calculated as: the NPEs (as defined in the sections entitled "*Alternative Performance Measures*" and "*Definitions and Explanations*" of the Announcement of the Group Financial Results for the quarter ended 31 March 2023, which are incorporated by reference in this Offering Circular) *divided* by gross loans (as defined below).

2 Gross loans are comprised of: (i) gross loans and advances to customers measured at amortised cost before the residual fair value adjustment on initial recognition (including loans and advances to customers classified as non-current assets held for sale) and (ii) loans and advances to customers classified and measured at fair value through profit or loss adjusted for the aggregate fair value adjustment, as defined in the sections entitled "*Alternative Performance Measures*" and "*Definitions and Explanations*" of the

Overall, since their peak in 2014, the total of the Group's NPEs has been reduced by €14.6 billion or 97 per cent. to €0.4 billion and the NPE ratio has reduced by 59 percentage points, from 63 per cent. to 3.8 per cent. See "*Loan portfolio quality*" set out in the Announcement of the Group Financial Results for the quarter ended 31 March 2023, which are incorporated by reference in this Offering Circular.

Notwithstanding the significant reduction in the total of the Group's NPEs since their peak in 2014, as well as significant improvement across the Cypriot banking sector more generally, Cyprus still has a relatively high number of non-performing loans compared with European peers. Whilst the Group's reduction in NPEs up to the date of this Offering Circular has been effected by portfolio sales and organic reductions, there can be no assurance that the Group will be able to continue to reduce the level of its NPEs and reach the desired levels. In particular, the Group's ability to reduce the level of its NPEs is significantly dependent on its ability to restructure, collect and/or rehabilitate these loans. In addition, the Group may not be able to proceed with foreclosure of certain real estate collateral, as there is no assurance that no foreclosure suspensions or amendments to the law will be enacted by the Cyprus Parliament, as was the case in the past.

High inflation rates, combined with the rising interest rate environment, are each expected to weigh on the purchasing power of the Bank's customers. Despite these persisting pressures, up to the date of this Offering Circular, there have been no signs of asset quality deterioration. While defaults have been limited, the additional monitoring and provisioning for sectors and individuals vulnerable to the deteriorated macroeconomic environment remain in place to ensure that potential difficulties in the repayment ability are identified at an early stage, and appropriate solutions are provided to viable customers. While the Group closely monitors the effect of the inflationary pressures and rising interest rates on its asset quality, any deterioration in the Group's ability to maintain its NPE levels in line with its targets may have a material adverse effect on its financial condition, capital adequacy or results of operations.

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

The Group has substantial exposure to the Cypriot real estate market as all of its NPE portfolio is secured by mortgages over real estate in Cyprus. As at 31 March 2023, mortgages over real estate collateral accounted for 85.4[3] per cent. of the total collateral held by the Group with respect to its on-balance sheet exposure. The total carrying value of the Group's Cypriot real estate assets managed by the Real Estate Management Unit ("**REMU**") amounted to €1 billion as at 31 March 2023 and is mainly the result of the enforcement of loan collateral or from debt-for-asset swaps (total real estate assets managed by REMU amounted to €1.05 billion as at 31 March 2023). As at 31 March 2023, 6.1 per cent. of the Group's real estate assets managed by REMU were residential buildings in Cyprus, 19.2 per cent. were commercial and industrial buildings in Cyprus, 44.8 per cent. were land located in Cyprus and another 22.4 per cent. were concentrated in golf resort properties in Cyprus. Accordingly, the Group's business, financial condition, results of operations and prospects would be materially affected by changes in the demand for, and prices of, Cypriot real estate.

In the years following the 2013 recession, the real estate market in Cyprus stabilised and has experienced signs of positive recovery since 2015. In particular, in 2016 and 2017, the value of sales

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Announcement of the Group Financial Results for the quarter ended 31 March 2023, which are incorporated by reference in this Offering Circular.

[3] Fair value of property collaterals (based on uncapped market value) divided by total fair value of collaterals on loans and advances to customers.

contracts increased significantly across all districts in Cyprus, stabilising at high levels in 2018 and 2019. The depth of this increase in real estate transactions is mostly evident in the number of sale contracts filed at the Department of Lands and Surveys, which has seen year-on-year increases between 2013 and 2019 inclusive (cumulatively to over 150 per cent.). The impact of the novel coronavirus ("**COVID-19**") was evident in 2020 with decreased transaction volume and sale contracts, with these then recovering sharply in 2021. During 2022 property sales in Cyprus reached record levels, increasing even beyond pre-COVID-19 levels. Specifically, in 2022 the market recorded an annual increase of 27 per cent. in transaction value and 12 per cent. in sales contracts volume compared to 2021.

In the event that the performance of the Cypriot real estate market stalls and/or real estate prices decline, the Group's ability to restructure NPEs secured by Cypriot real estate would likely be adversely affected and the corresponding decline in the recovery value of real estate assets held as collateral could lead to higher impairment provisions for the Group. In relation to real estate over which the Group has obtained control, the Group could also incur ongoing costs to maintain the value of its real estate portfolio in Cyprus. Any material failure by the Group to sell its real estate assets could result in the continuation of all ongoing operational and maintenance costs. More importantly, any material decline in Cypriot real estate prices could result in a write-down in the carrying value of the Group's real estate assets. Any such write-down in value of, and/or material failure to sell, the Group's real estate assets could have a material adverse effect on the profitability and capitalisation of the Group. In particular, the Group may have to increase its impairment/write-down in value on its real estate assets as a result of any deteriorations in asset valuations and/or requests by the European Central Bank (the "**ECB**") to do so or increase capital held against such properties.

The Group's ability to realise the value of its real estate portfolio is dependent on a number of external factors over which the Group has no control, such as foreign investor demand (which has historically been a material source of demand for Cypriot real estate), the availability of capital gains tax relief in Cyprus for purchases of real estate in connection with debt restructurings and government policies with respect to real estate investment requirements for Cypriot citizenship and residency. Accordingly, any slowing of foreign financing, any reduction or termination of tax and other incentives by the Government and/or an oversupply of new properties resulting from the growth in housing construction could result in a decline in the prices or demand for Cypriot real estate and any declines in the prices or demand for Cypriot real estate could have a material adverse effect on the Group's business, financial condition, results of operations, prospects and capital position.

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

In connection with its lending activities, the Group provides for losses on loans and advances to customers, which are recorded in its profit and loss account. As at 31 March 2023, the Group's provision for expected credit losses of loans and advances to customers at amortised cost was €0.2 billion, excluding residual fair value adjustment on initial recognition and provision for off-balance sheet exposures. The Group's overall level of provisions is based on its assessment of expected credit losses which are calculated using exposures at default (which represents the expected exposure in the event of a default), loss given default (which takes into account historical losses, collateral realisation and cash recovery rates, collateral value and the time value of money) and probability of default. The calculation of expected credit losses is based on three-weighted scenarios measuring the expected cash flow shortfalls, discounted at an approximation to the effective interest rate as calculated at initial recognition. See "*Calculation of expected credit losses*" in the notes accompanying the Consolidated 2022 Audited Financial Statements, which are incorporated by reference in this Offering Circular.

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

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

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

As described in "*Regulatory Framework and Supervision – Supervision of the Group*", the Bank and the Group are subject to joint supervision by the ECB and the Central Bank of Cyprus ("**CBC**") for the purposes of their prudential requirements. The Bank is further regulated and supervised by the CBC with respect to matters not within the ECB's supervisory remit under the SSM Regulation. Accordingly, the Group's compliance with prudential requirements is significantly dependent on the ECB's and CBC's interpretations and decisions in relation to these requirements.

The ECB, as the Group's competent authority, has power, among others, to request changes in the provisioning policy, impairment methodology of stock of properties, or treatment of items in terms of own funds requirements, for the purposes of CRD IV and CRD V, as well as requirements in relation to capital and liquidity. Accordingly, loan provisioning, impairment on stock of properties, additional capital and other requirements, whether based on an interpretation of current rules or the application of new rules or guidance, could be imposed on the Group as a result of these supervisory processes. Any such requirements could lead to, amongst other things, increased costs for the Group, limitations on the Bank's capacity to lend and further restructuring of the Group which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

The Group may not be allowed to continue to recognise certain deferred tax assets as regulatory capital or as an asset, which may have an adverse effect on its operating results and financial condition

The Bank has deferred tax assets ("**DTAs**") that meet the requirements of the Cyprus Income Tax Law Amendment (218(I)/2002) (the "**DTA Law Amendments**"), which allows for the conversion of specific DTAs into deferred tax credits ("**DTCs**") and was adopted in Cyprus in March 2019. As at 31 March 2023, the Group had DTAs satisfying the requirements of the DTA Law Amendments in an amount equal to €0.2 billion (compared to €0.2 billion as at 31 December 2022 and €0.3 billion as at 31 December 2021). The Group currently includes DTAs in calculating the Group's capital and capital adequacy ratios. This legislation permits credit institutions, including the Bank, to treat such eligible DTAs as not "relying on future profitability" for the purpose of applicable capital requirements regulations. As a result, such DTAs are not deducted from an entity's Common Equity Tier 1 ("**CET 1**") capital but are rather assigned a risk weight of 100 per cent., thereby improving an institution's capital position. Under applicable capital requirements regulations, DTAs recognised for IFRS purposes and which rely on future profitability and arise from taxable and deductible temporary differences between the tax base and the carrying amount of an asset or a liability of a credit institution and that exceed certain thresholds must be deducted from an entity's CET 1 capital.

If the regulations governing the use of DTCs as part of the Group's regulatory capital change, the Group's capital base, and consequently its capital ratios, may be adversely affected. There can be no assurance that any final interpretation of the DTA Law Amendments described above will not change.

In addition, the European Commission has raised concerns that, amongst other things, the treatment of tax losses pursuant to the DTA Law Amendments could amount to state aid. In response to such concerns raised by the European Commission, the Cyprus Government adopted certain modifications to the DTA Law Amendments[4] (the "**Further DTA Law Amendments**"), including requirements for an additional annual fee over and above the 1.5 per cent. annual guarantee fee already provided for by

[4] Amending law 77(I)/2022, which was published in the Cyprus Official Gazette on 8 June 2022.

the DTA Law Amendments, to maintain the conversion of such DTAs into DTCs. As prescribed by the Further DTA Law Amendments, the annual fee is to be determined by the Cypriot Government on an annual basis, providing however, for such fee charge to be set at a minimum fee of 1.5 per cent. of the annual instalment which can range up to a maximum amount of €10 million per year, and also allowing for a higher amount to be charged in the year the amendments are effective (i.e. in 2022).

In prior years, in anticipation of modifications to the DTA Law Amendments, the Group has acknowledged that such increased annual fee may be required to be recorded on an annual basis until expiration of such losses in 2028, estimating that such increased fees could fluctuate annually and could amount to up to approximately €5.3 million per year (for each applicable tax year in scope, i.e. since 2018). The Group has recognised nothing in this regard during the three months ended 31 March 2023. An amount of €4.8 million was recorded during the year ended 31 December 2022 relating to the fee for the year 2022 (compared to €5.3 million during the year ended 21 December 2021). In the third quarter of 2022, the Bank was levied an amount for the years 2018-2021 within the provisions level maintained for such fees.

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

Macroeconomic Risks and the External Environment

Cyprus is a small and open economy, highly dependent on its export services, particularly tourism and business services. As such, Cyprus remains vulnerable to its external environment and susceptible to exogenous shocks. This vulnerability is compounded by a relatively undiversified goods export base and high reliance on external demand. Cyprus' risk profile has been improving as evidenced by upgrades of its sovereign credit rating and improved economic fundamentals. However, higher inflation and tightening monetary policy are expected to have a negative impact on fixed investment and domestic consumption and therefore will weigh negatively on the overall risk profile of the country. This is partly offset by improvements in various fiscal indicators. For example, the budget deficit narrowed in 2021 and turned into a substantial surplus in 2022. As a result, the ratio of debt to GDP dropped steeply from its COVID-19-driven elevated levels of 2020. Financial conditions will however tighten further as the ECB will likely continue raising rates in order to tame inflation, but that will only affect overall debt service costs gradually.

The external environment harbours additional risks

Geopolitical tensions remain high as the war in Ukraine continues without a prospect of a ceasefire or resolution, at least in the near term. Despite the recent drop in energy prices and the easing of global supply chain bottlenecks, uncertainty remains high and there are a number of prominent risks remaining: the effects of the war in Ukraine may be even greater than initially assumed; Europe's energy crisis may escalate again; inflation may remain higher for longer; monetary policy may tighten further than expected and interest rates may stay higher for longer; the war may continue longer than expected and sanctions on Russia may have broader implications than the West had originally anticipated; the risk of a debt crisis in Europe may rise; and social and political risks in Europe are elevated. Financial sector uncertainty and pervasive inflation continue to raise questions among households and businesses about the future of the global economy. An escalation in the Ukraine war that induces a significant Chinese intervention in support of Russia, could increase the possibility of EU economic and political sanctions, which would be expected to further fragment the global economy.

Should the external environment in which the Group operates deteriorate as a result of any of the above or other factors, this could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Additional risks facing the Group following the war in Ukraine and the imposition of sanctions against Russia and Belarus

The economic environment has evolved rapidly since February 2022 following Russia's invasion of Ukraine. In response to the war in Ukraine, the EU, the United Kingdom and the United States, in a coordinated effort joined by several other countries imposed a variety of financial sanctions and export controls on Russia, Belarus and certain regions of Ukraine as well as various related entities and individuals. As the war is prolonged, geopolitical tension persists and inflation accelerates, impacted by the soaring energy prices and disruptions in supply chains. Escalating inflation weighs on business confidence and consumers' purchasing power. In this context the Group is closely monitoring developments, utilising dedicated governance structures including a crisis management committee as required and has assessed the impact it has on the Group's operations and financial performance.

The Group does not have any banking operations in Russia or Ukraine, following the sale of its operations in Ukraine in 2014 and in Russia in 2015. Through write-offs and provisions, the Group has run down its legacy net exposure in Russia to less than €1 million as at 31 March 2023. The Group has no exposure to Russian bonds or banks which are subject to sanctions. The Group has a direct lending exposure to Russia and Belarus of a gross book value of approximately €88.8 million across its business divisions as at 31 March 2023, of which €79.8 million were classified as performing and secured mainly with residential collateral located in Cyprus. The net book value of these loans stood at €87.1 million as at 31 March 2023, of which €79.7 million were classified as performing, representing approximately 1 per cent. of the total Group's net loans as at 31 March 2023.

Customer deposits related to Russian and Belarusian customers account for only 4 per cent. of total customer deposits as at 31 March 2023. This exposure is not material, given the Group's strong liquidity position. The Group operates with a significant surplus liquidity of €7.4 billion (liquidity coverage ratio ("**LCR**") of 303 per cent.) as at 31 March 2023.

Although the Group's direct exposure to Ukraine, Russia or Belarus is limited, the crisis in Ukraine has had a negative impact on the Cypriot economy, such negative impact being principally highlighted by the negative impact on the tourism and professional services sectors, increasing energy prices fuelling inflation, and disruptions to global supply chains.

The principal impact on the Cypriot economy is expected to come from higher inflation and a consequential slowdown in economic activity. The Group continues to monitor exposures in sectors likely impacted by the prolonged geopolitical uncertainty and persistent inflationary pressures and remains in close contact with customers to offer solutions as necessary.

While the Group expects limited impact from its direct exposures, the extent of any indirect impact will depend on the duration and severity of the crisis and its impact on the Cypriot economy, which remains uncertain at this stage, and there can be no assurance that these events will not have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

The Group's business and performance are materially dependent on the economic conditions in, and future economic prospects of, Cyprus where the Group's operations and earnings are predominantly based and generated. As at 31 March 2023, 99.7 per cent. and 99.9 per cent. of the Group's total assets and total liabilities, respectively, and 99.9 per cent. of the Group's total revenue[5], were derived from operations in Cyprus. As one of the largest deposit-taking institutions and providers of loans in Cyprus,

[5] Total revenue includes net interest income, net fee and commission income, net foreign exchange gains, net gains/(losses) on financial instruments, net gains/(losses) on derecognition of financial assets measured at amortised cost, net insurance result, net gains/(losses) from revaluation and disposal of investment properties, net gains/(losses) on disposal of stock of property and other income.

the Group's assets and liabilities are mostly comprised of loans to, and deposits from, Cypriot businesses and households which, in turn, are materially affected by economic conditions in Cyprus.

The outlook on credit assessment over the medium term (1-2 years) is stable to positive, under a baseline scenario. Economic recovery is expected to be moderate given uncertainties in relation to the war in Ukraine, the energy crisis in Europe, high inflation, and monetary tightening. In the public sector, the budget turned into a substantial surplus in 2022. The Cypriot government's budget is expected to remain in balance or in surplus in the medium term according to the Stability Program 2023-2026 of the Ministry of Finance. Funding costs can also be expected to increase as the ECB's monetary tightening persists. However, given the long maturity of the Group's debt structure, average funding costs will rise only slowly.

Political uncertainty in Cyprus remains elevated because of the continued de facto division of the island and because of tensions in the eastern Mediterranean over conflict with Turkey regarding the delimiting of economic zones and off-shore exploration activities.

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

Funding and Liquidity Risks

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

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

Currently, the Group's two principal sources of funds are customer deposits, particularly retail deposits, and central bank funding. As at 31 March 2023, customer deposits and ECB funding represented 86 per cent. and 9 per cent., respectively, of the Group's funding.[6]

The availability of ongoing funding from customer deposits is subject to factors such as depositors' concerns relating to the economy in general, the financial services industry and the Group specifically, and any significant deterioration in economic conditions in Cyprus (including as a result of the war in Ukraine, sanctions on Russia, the disruption in global financial markets as a result of the collapse of certain regional US banks and the rescue of Credit Suisse, the growing threat from cyberattacks and the higher inflation driven by higher energy and food prices internationally). Any of these factors separately or in combination could lead to a sustained reduction in the Group's ability to access customer deposit funding on appropriate terms and cost in the future.

[6] Group funding constitutes deposits by banks, funding from central banks, customer deposits, debt securities in issue and subordinated loan stock.

In addition, the low interest rate environment over the last few years resulted in deposits becoming progressively more short-term, increasing liquidity risk.

Access to central bank funding may not always be available. In the event that there is a significant reduction or elimination in the liquidity support provided by central banks, the Group may encounter increased difficulties in procuring liquidity in the market and/or higher costs for procurement of such liquidity, thereby adversely affecting its business, financial condition or results of operations. In addition, such funding is subject to funding provision rules. The amount of available funding is tied to the value of the collateral the Group provides, including the market value of retained covered bonds, as well as the value of the Group's loan and bond portfolios, which may also decline in value. If the value of the Group's assets declines, then the amount of funding the Bank can obtain from these facilities may be reduced. If securities or other assets that are currently used by the Bank as collateral were no longer eligible to serve as collateral for central bank funding, this may negatively impact the Bank's ability to raise funding as well as funding costs. The Bank currently participates in the Targeted Longer-Term Refinancing Operations III ("**TLTRO III**") by having borrowed €2 billion. Any change in the terms of this operation could affect the Bank's liquidity position.

If there is a material decrease in the Group's customer deposits and/or the Group is unable to obtain the necessary liquidity from central banks, the Group may not be able to maintain its current levels of funding without disposing of a number of the Group's assets at a discount or having to raise additional funding through other sources at high cost.

In addition, in such circumstances the Bank may become subject to restrictive measures and capital controls by the Cypriot Government and/or other measures taken with respect to the Bank under the Bank Recovery and Resolution Directive regime pursuant to Directive 2014/59/EU, as amended by Directive (EU) 2019/879 ("**BRRD II**", and together with Directive 2014/59/EU, "**BRRD**") and Regulation 806/2014/EU (the "**SRM Regulation**") (see "*Regulatory Framework and Supervision – Principal Financial Services Regulatory Requirements – Bank Recovery and Resolution*"), which, individually or together, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's ability to enter into transactions with other financial institutions and access the international capital markets may be limited depending on its credit rating and risk profile

The Bank routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. It also occasionally accesses the international capital markets by way of debt issuances. In addition to the quality of their own credit ratings, sovereign credit pressures may also weigh on Cypriot financial institutions, limiting their funding operations and weakening their capital adequacy by reducing the market value of their sovereign and other fixed income holdings. These liquidity and capital concerns may potentially adversely affect inter-institutional financial transactions in general. In particular, as a Cypriot financial institution, in such circumstances the Bank's ability to enter into what would have been routine transactions with international counterparties may be adversely affected as a result of such counterparties' concerns as to the credit risk they would be taking with respect to the Bank. In the event of a deterioration of credit markets as a result of any future deterioration in the sovereign credit outlook and the credit outlook for Cypriot financial institutions, the Group's credit rating and risk profile may require higher amounts of collateral, particularly cash collateral, to secure its transactions with international counterparties or adversely affect the Group's ability to enter into transactions or access the international capital markets for funding. An increase in the costs of such transactions may have an adverse effect on the Group's ability to hedge its foreign currency and other market risk exposures and to manage its funding needs and liquidity reserves. Furthermore, while the international capital markets have been readily accessible over the last few years, there are concerns that the ongoing impact of current economic conditions , the war in Ukraine, the rising energy prices and the inflationary pressures

and the disruption in the global financial markets from the collapse of certain regional US banks and the rescue of Credit Suisse may restrict the Group's ability to obtain funding in the international capital markets in the medium term or increase the cost of such funding, which may have an adverse impact on the Group.

Market Risks

Risk of fluctuation of prevailing securities prices

The Group can be adversely affected by changes in the market price of securities (mainly debt securities) and funds that it holds. As at 31 March 2023, the Group had a €2.9 billion portfolio of investments in debt securities, treasury bills, mutual funds and equity investments. This portfolio is subject to the risk of negative price adjustments in the value of debt and equity securities and funds held as investments in the portfolio. Changes in the price of securities that are classified as investments at fair value through profit and loss affect the profit of the Group whereas changes in the value of securities classified as "held to collect and sell" affect the equity of the Group. The Group maintains significant holdings of Cyprus government bonds classified as "held to collect and sell", thus any tightening or widening of the spread on these bonds will positively or negatively impact the Group's reserves, respectively. As at 31 March 2023, the Group held €0.8 billion of Cyprus government bonds of which €0.3 billion are classified as "held to collect and sell". The rest are classified as "held to collect".

Risk that ECB actions intended to support liquidity and the economy overall may be insufficient or be discontinued.

In the past, the ECB and the European Council have taken actions with the aim of reducing the risk of contagion in the Eurozone and beyond and improving economic and financial stability. Notwithstanding these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by Eurozone (and other) nations, which may be under financial stress. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions.

During 2020 the ECB put in place a set of monetary policy and banking supervision measures to mitigate the impact of the COVID-19 pandemic on the euro area economy and to support all European citizens. The €1,850 billion pandemic emergency purchase programme ("**PEPP**") that was initiated in March 2020 aiming to lower borrowing costs and increase lending in the euro area was discontinued at the end of March 2022, while the maturing principal payments from securities purchased under the PEPP will be reinvested until at least the end of 2024. In March 2022, the ECB announced the steps for the gradual phasing out of the temporary pandemic collateral easing measures, with such phasing out scheduled to be concluded in three steps and completing by March 2024, so as to give banks time to adapt to the adjustments to the collateral framework.

In September 2019, the ECB introduced TLTRO III to provide financing to credit institutions. Banks could borrow via these operations at beneficial rates if lending thresholds were met. Each operation had a maturity of three years and these operations started maturing in September 2022. The ECB, in its October 2022 meeting, announced changes in the applicable borrowing rate effective from the 23rd of November 2022 onwards. Given the Bank's strong liquidity position and the change in the TLTRO III terms, the Bank made early repayments of €1 billion of TLTRO III funding in December 2022. Any change in the terms of this operation could affect the Bank's liquidity position.

The ECB also discontinued net asset purchases under asset purchase programmes as of 1 July 2022 but announced the continuation of reinvestments, in full, of the principal payments from maturing securities purchased under the programmes until February 2023 and partially from the beginning of March 2023. The decline of the asset purchase programme portfolio will amount to €15 billion per month on average until the end of the second quarter of 2023 and its subsequent pace will be determined over time.

On 21 July 2020, the EU agreed on a €750 billion recovery effort to help the EU tackle the crisis caused by the pandemic. Alongside the recovery package, the EU agreed on a €1,074.3 billion long-term EU budget for 2021-2027. Among other things, the budget will support investment in the digital and green transitions.

The ECB introduced a new instrument in their July 2022 monetary policy meeting, the Transmission Protection Instrument, intended to be used for country specific discretionary asset purchases, to prevent market fragmentation. The new instrument requires specific fiscal and macroeconomic criteria to be met before it can be used, which include compliance with the EU fiscal framework, absence of severe macroeconomic imbalances, fiscal sustainability, and sound and sustainable macroeconomic policies.

The risk of returning to a fragile and volatile environment exists if, for example, current ECB policies in place are quickly reversed, or reforms aimed at improving productivity and competition do not progress. There could also be an adverse impact on the price of securities the Group holds, as a result of reduced demand/increase in supply.

Volatility in interest rates may negatively affect the Group's net interest income and have other adverse consequences

Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies and domestic and international economic and political conditions. As such, there can be no assurance that further domestic and international events will not alter the interest rate environment in which the Group operates.

Rising or falling interest rates may, in either case, have a material impact on the Group's income and balance sheet. Changes in market interest rates may affect the interest rates the Group charges on its interest-earning assets differently from the way that it may affect the interest rates it pays on its interest-bearing liabilities, which could affect the Group's net interest income. In addition, different types of assets and liabilities may be linked to different interest reference rates which may expose the Group to basis risk. Accordingly, changes in interest rates or a failure to manage its basis risk effectively may have a material adverse effect on the business, financial condition and results of operations of the Group. An increase in interest rates and competitive pressures and/or fixed rates in existing loan commitments or facilities (despite being limited) may restrict the Group's ability to increase lending rates in a rising interest rate environment. Rising interest rates may also result in an increase in the Group's allowance for the impairment of loans and advances to customers if customers cannot refinance in a higher interest rate environment, thereby potentially increasing the Group's NPEs. Conversely, decreasing interest rates may affect the income the Group receives on its floating rate assets. See also "*Macroeconomic Risks and the External Environment*" above.

Business Risks

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

The Group faces significant competition from domestic banks, international banks and financial technology (fintech) companies operating in Cyprus and in other parts of Europe, particularly in relation to its lending and wealth management businesses.

The Group continues to invest in its digital transformation strategy in order to safeguard its market position from the competition and at the same time remains ready to explore opportunities that may arise to form strategic alliances that complement its strategy.

Some of the foreign banks operating in Cyprus may have more resources than the Bank and have focused their operations to cater for domestic retail, SME and corporate clients, as well as international

clients. Moreover, with respect to international clients, Cyprus as a country competes with other low tax jurisdictions focused on the provision of financial services. If the Bank is unable to successfully compete with other institutions, these competitive pressures may have an adverse effect on the Group's business, financial condition and results of operations.

The Group's ability to grow its business and maintain its competitive position depends, in part, on the success of new operations, products and services and the implementation of its digital transformation strategy

The Group intends to continue to explore and pursue opportunities to strengthen and grow its business generally. This includes the implementation of its digital transformation strategy.

The success of the Group's business, financial condition, results of operations, prospects and competitive position in general depends, in part, on the success of new products and services offered to clients, including the shifts to digitalisation pursuant to the Group's implementation of its digital transformation strategy. For more detail on the Group's digital transformation strategy, see "*Description of the Group–Information Technology*". However, the Group cannot guarantee that these new platforms and systems and the new products and services to be provided and supported by them will be successful once they are offered or that they will be successful in the future. In addition, clients' needs or desires may change over time, and such changes may render these products and services obsolete, outdated or unattractive.

The Group's success is also dependent on its ability to anticipate and leverage new and existing technologies for new products and services. The pace of technological change is rapid and, if the Group fails to employ technologies desired by clients before its competitors (particularly international competitors) do so, or if it fails to execute targeted strategic technology initiatives on time or on budget, its business, financial condition, results of operations and prospects could be materially adversely affected. In addition, if the Group cannot respond in a timely fashion to the changing needs of its clients, it may lose clients, which could in turn materially adversely affect its financial condition, results of operations, prospects and competitive position.

Furthermore, the Group intends to employ new and existing technology to optimise its operations in order to effect cost reductions and thus increase its profit margins. If the Group cannot execute these changes in a timely fashion it could materially adversely affect its financial condition, results of operations, prospects and competitive position.

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

The Group is exposed to insurance and reinsurance risks

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

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

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

The Group is also exposed to insurance risk through its loan collateral: customers assign their life policies to the Bank and thus the Bank has a risk of reduced collateral in case the insurance company fails to fulfil its obligations. Moreover, collateral is insured for fire and other risks and there is again a risk of reduced collateral value in case an adverse event occurs and the insurance company cannot pay according to its contract cover.

The Group is exposed to risks related to climate change, either directly through its physical assets, costs and operations, or indirectly, through its financial relationships with its customers

There are two main types of risks related to climate change:

(i) transition risks, which can arise from the process of adjustment towards a low-carbon economy in response to the implementation of energy policies or technological changes; and

(ii) physical risks, which result from the direct impact of climate change on people and property driven by changes in the frequency and severity of extreme weather events, as well as chronic climate factors such as temperature, precipitation and sea level rise.

In addition, liability risks may arise from both categories of risk. They stem from legal claims the Group may face from parties who have suffered climate change related losses and seek to recover those losses from banks they deem responsible.

Climate related risks are varied and include, but are not limited to, the risk of declines in asset values, including real estate, credit risk associated with loans and other credit exposures to customers, risks related to the disruption of business activity, for both the Group and its customers, as well as regulatory risk.

The Group has a working plan in place to address the expectations of the ECB on climate risk including the identification and assessment of climate related risks. Failure to embed these risks into its risk management framework so that they can be appropriately measured, managed, and disclosed or failure to adapt its strategy and business model to the changing regulatory requirements, could have an adverse impact on the Group's results of operations, financial condition and prospects. Furthermore, inadequately managing or disclosing climate-related risk, could also result in potential reputational damage, customer dissatisfaction or loss of investor confidence.

Operational Risks

Conduct and Reputational Risks

Potential attacks on the Group's systems or failures or deficiencies in the Group's procedures, systems and security or those of third parties to which the Group is exposed could have a significant adverse impact on the Group's business, financial condition and results of operations, and could be detrimental for its reputation

The Group's activities depend to a large extent on its ability to process and report effectively and precisely on a high volume of highly complex operations with numerous and diverse products and services (by their nature, generally ephemeral), in different currencies and subject to different regulatory regimes. Therefore, it relies on highly sophisticated information technology ("**IT**") systems for data transmission, processing and storage. However, IT systems are susceptible to various potential issues, such as hardware and software malfunctions, cyberattacks and physical damage to IT centres. The Group's exposure to these risks (in particular, cyber security risks) has increased significantly in recent years due to the Group's implementation of its digital strategy. Any attack, failure or deficiency in the Group's systems could, among other things, lead to the misappropriation of funds of the Group's clients or the Group itself and to the unauthorised disclosure, destruction or use of confidential information, as well as preventing the normal operation of the Group, and impairing its ability to provide services and carry out its internal management. In addition, any attack, failure or deficiency, or failure to detect and react to such attacks in a timely manner, could result in the loss of customers and business opportunities, damage to computers and systems, violation of regulations regarding data protection and/or other regulations, exposure to litigation, fines, sanctions or interventions, loss of confidence in the Group's security measures, damage to its reputation, reimbursements and compensation, and additional regulatory compliance expenses, which could have a significant adverse impact on the Group's business, financial condition and results of operations. The Group is required to continuously spend significant additional resources to keep enhancing its detection and prevention technologies, procedures and controls framework. Even so, the Group may not be able to anticipate or prevent all possible malicious attacks, nor to implement preventive measures that are effective or sufficient, as cyberattacks have been rising in volume as well as in intensity and sophistication.

Customers and other third parties to which the Group is significantly exposed, including the Group's service providers (such as data processing companies to which the Group has outsourced certain services), face similar risks. Any attack, failure or deficiency that may affect such third parties could, among other things, adversely affect the Group's ability to carry out operations or provide services to its clients or result in the unauthorised disclosure, destruction or use of confidential information. Furthermore, the Group may not be aware of such an attack, failure or deficiency in time, which could limit its ability to react. Moreover, as a result of the increasing consolidation, interdependence and complexity of financial institutions and technological systems, an attack, failure or deficiency that significantly degrades, eliminates or compromises the systems or data of one or more financial institutions could have a significant impact on its counterparts or other market participants, including the Group.

The Group is exposed to conduct risk

Conduct risk corresponds to risks arising from the way in which the Group and its employees conduct themselves and includes matters such as how customers are treated, organisational culture (in particular, the way in which the Group's senior management affects the ethical conduct of employees), corporate governance, employee remuneration and conflicts of interest. The Group is also required to comply with certain conduct-of-business rules and certain corporate governance rules issued by the Cyprus Stock Exchange ("**CSE**"), Cyprus Securities and Exchange Commission ("**CySEC**"), the ECB, the CBC and the UK Financial Conduct Authority (the "**FCA**") and any failure to comply with these rules could result in significant penalties.

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

The Group is subject to reputational risk

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

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

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

Regulatory and Legal Risks

The Group is exposed to various forms of legal risk

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

In the ordinary course of business, the Group is subject to enquiries and examinations, requests for information, disclosure orders, audits, investigations by police authorities, regulators, supervising authorities and legal proceedings, 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. Other matters include, *inter alia*, the provision of warranties and indemnities relating to the disposal of certain operations of the Group. As part of the process of disposing of certain of its operations the Group has provided various representations, warranties and indemnities to buyers. These relate to, *inter alia*, the ownership of assets (including loans) being sold, the validity of collateral arrangements, tax exposures and other matters agreed with each buyer. As a result, the Group may be obliged to compensate buyers in the event of a valid claim with respect to any such representations, warranties and indemnities.

In addition, the Bank, 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 Cypriot bail-in decrees, 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.

For a description of material proceedings in which the Group is involved see "*Pending Litigation, claims, regulatory and other matters*" contained in the notes accompanying the Consolidated 2022 Financial Statements, which are incorporated by reference in this Offering Circular.

If the Group is unsuccessful in defending itself against these claims or appealing against the fines and penalties being imposed on it, or it has failed to take sufficient provisions against legal proceedings that are decided unfavourably with respect to the Group, these claims or legal proceedings could have a material adverse effect on its financial position and reputation. Furthermore, in the event that legal issues are not properly dealt with by the Group, these may give rise to the unenforceability of contracts with customers, legal actions against the Group, adverse judgments and an adverse impact on the reputation of the Group. All these events may disrupt the operations of the Group, possibly reducing the Group's equity and profits.

Given the systemic status of the Group's business and operations, it is subject to extensive regulation and supervision and can be negatively affected by its non-compliance with regulatory requirements and by regulatory, taxation and governmental developments

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

The Group's activities are also subject to tax at various rates in the jurisdictions in which it operates, computed in accordance with local legislation and practice. Revisions to tax legislation, including as a result of the so-called "Pillar 2" rules published by the Organisation for Economic Co-operation and Development which are designed to ensure large multinationals pay a minimum 15 per cent. tax on profits made in each jurisdiction in which they operate, may have an adverse effect on the Group's financial condition.

The Group's operations are contingent upon licences issued by financial authorities in the countries in which the Group operates. Violations of rules and regulations, whether intentional or unintentional, may lead to the withdrawal of some of the Group's licences or the imposition of financial or other penalties. The imposition of significant penalties, the revocation of licences for any member of the Group or the taking of any other significant regulatory measure against any member of the Group could have a material adverse effect on the Group's reputation, business, results of operations, financial condition and prospects.

The Group is subject to supervision by the ECB and the CBC regarding, among other things, capital adequacy, liquidity, and solvency. Certain of the Group's subsidiaries and operations are subject to the supervision of other local supervisory authorities. Increased regulatory intervention involves additional requests from regulators to carry out wide-ranging reviews. The Group is unable to predict what regulatory changes may be imposed in the future as a result of regulatory initiatives in the EU and elsewhere or by the ECB, the CBC and other supervisory authorities including the Central Bank of Ireland and/or the FCA (as a result of the listing of the Issuer's shares on the London Stock Exchange). If the Group is required to make additional provisions or to increase its reserves as a result of potential regulatory changes, this could adversely affect the results of operations of the Group.

For a summary of some of the key financial services regulations that most significantly affect the Group, see "*Regulatory Framework and Supervision—Principal Financial Services Regulatory Requirements*" below.

The Bank is required to maintain a minimum level of own funds and eligible liabilities and the relevant resolution authorities have wide powers to impose resolution measures on members of the Group, which could materially adversely affect the Group and its unsecured creditors

The BRRD has been fully implemented in Ireland and in Cyprus (see "*Regulatory Framework and Supervision—Principal Financial Services Regulatory Requirements***—***Bank Recovery and Resolution*"). Under the BRRD regime, certain authorities in the EU are provided with wide resolution powers and tools intended to manage the failure of an institution in an orderly way and ensure the continuity of essential services.

In addition to the bail-in tool which is available for an institution in resolution, the BRRD provides the relevant resolution authority with pre-resolution powers to permanently write down or convert into equity capital instruments and other eligible liabilities of the financial institution (including CET 1 instruments (which includes ordinary shares), Additional Tier 1 Capital instruments (such as the Capital Securities), Tier 2 instruments, senior preferred notes, senior non-preferred notes and other senior liabilities), at the point of non-viability of the institution and before any other resolution action is taken, with losses taken in accordance with the priority of claims under normal insolvency proceedings (non-viability loss absorption), as further described under "*Regulatory Framework and Supervision—Principal Financial Services Regulatory Requirements***—***Bank Recovery and Resolution*" below. Any such measures could have a material adverse effect on the Issuer and/or the Bank, including their respective shareholders and unsecured creditors.

Additionally, as described in "*Regulatory Framework and Supervision – Principal Financial Services Regulatory Requirements – Minimum requirement for own funds and eligible liabilities*", the Bank, as a Cypriot credit institution, must maintain a minimum level of own funds and eligible liabilities (the "**MREL requirement**") in relation to risk weighted assets and "total exposure measure". The MREL requirement was set at (i) 24.35 per cent. of risk weighted assets and (ii) 5.91 per cent of the Bank's "total exposure measure", as determined in accordance with Articles 429 and 429a of the CRR for purposes of the calculation of its leverage ratio (the "**Leverage Ratio Exposure**" or "**LRE**"). The MREL requirement must be met by 31 December 2025. Furthermore, the Bank is required to continue to comply with a binding interim requirement of 14.94 per cent. of risk weighted assets and 5.91 per cent. of LRE. The own funds used by the Bank to meet the combined buffer requirement are not eligible to meet its MREL requirements expressed in terms of risk weighted assets. The MREL requirement for the Bank is subject to annual review and potential changes by the resolution authorities. Such changes may include, among other things, the determination of the length of the final compliance period, the level of interim targets and subordination requirements. The Bank must comply with the MREL requirement at the consolidated level, comprising the Bank and its subsidiaries.

If the Bank is required to meet a particular MREL requirement within a short timeframe or a time frame shorter than the one expected and/or its MREL requirement is high or higher than expected, this could adversely affect the Bank's ability to comply with the Single Resolution Board's ("**SRB**") requirements or could result in the Bank issuing instruments that count towards its MREL requirement at high costs, which could adversely affect the Bank's business, financial condition, results of operations and prospects. Furthermore, where economic conditions are such that the Bank's access to the international capital markets is limited, the Bank might not be able to issue instruments that count towards its MREL requirement and, as a result, might not be able to comply with the SRB's requirements.

Breaches of MREL requirements are dealt with by the relevant competent authorities in consultation with each other through their powers to address or remove obstacles to resolution, the exercise of their supervisory powers and their power to impose early action measures, administrative sanctions and other administrative measures, including restrictions on certain discretionary payments. See "*Regulatory Framework and Supervision – Principal Financial Services Regulatory Requirements – Minimum requirement for own funds and eligible liabilities*".

Additionally, failure to comply with the capital requirements may result in the implementation of early action measures or, ultimately, resolution measures by the relevant resolution authorities.

See also "*— 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.

Certain actions of the Group are restricted by its regulators

Following the 2022 Supervisory Review and Evaluation Process ("**SREP**") decision, which has been in effect from 1 January 2023, the equity dividend distribution prohibition that had been in place was lifted for both the Issuer and the Bank, with any dividend distribution being subject to regulatory approval. Notwithstanding the ECB's SREP decisions, the distribution of dividends by the Bank and/or the payment by the Bank or the Issuer (as applicable) of coupons on outstanding Additional Tier 1 capital securities (such as the Capital Securities), may also be restricted by applicable law or regulation, for example due to the requirement to maintain adequate regulatory capital, including the requirement to have available sufficient distributable items and remain in compliance with the applicable capital buffers under the prudential capital adequacy framework. See "*Regulatory Framework and Supervision*" below. If the ECB or CBC imposes additional requirements or restrictions, or reimposes its prior restriction on the distribution of dividends, the Group's business, financial condition, results of operations or prospects could be adversely affected.

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

The Group is required to comply with the laws and regulations of various jurisdictions where it conducts operations. In particular, the Group's operations are subject to various anti-corruption laws, as well as economic sanction programmes, including those administered by the United Nations and the EU, as well as those of the United States Department of Treasury's Office for Foreign Assets Control. The anti-corruption laws generally prohibit providing anything of value for the purposes of obtaining or retaining business or securing any improper business advantage. As part of its business, the Group may deal with entities whose employees are considered government officials. In addition, economic sanctions programmes restrict the Group's business dealings with respect to certain sanctioned countries, designated individuals and entities. Moreover, the Group's operations may be adversely affected by export / import controls, equity restrictions, deposit restrictions, prohibited services, etc.

Although the Group has internal policies and procedures and several monitoring measures designed to ensure compliance with applicable anti-corruption laws and sanctions regulations, these policies and procedures cannot provide complete assurance that the Group's employees, directors, officers, partners, agents, service providers or introducers will not take actions in violation of its policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which the Bank or they may be ultimately held responsible. Litigation or investigations relating to alleged or suspected violations of anti-corruption laws and sanctions regulations could lead to financial penalties being imposed on the Group, limits being placed on the Group's activities, the Group's authorisations and licenses being revoked, damage to the Group's reputation and other consequences that could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. Further, violations of anti-corruption laws and sanctions regulations could be costly.

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, as amended or replaced from time to time (including by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019) (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 Directive 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, cancellation of interest in accordance with the terms of the Capital Securities will not 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 applicable provision of law transposing or implementing Article 141(2) of the CRD IV Directive), Article 16a of the BRRD, Article 10a of the SRM Regulation or, as the case may be, any provision amending or replacing such Articles, or any equivalent requirement in the Capital Regulations to calculate a maximum distributable amount, plus any principal write-ups, where applicable, the Maximum Distributable Amount, if any, to be exceeded, if required to be calculated at such time; 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 or other 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 or other 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, amongst other conditions, 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, any profits which are non-distributable pursuant to EU or national law or the institution's bye-laws and sums placed in non- distributable reserves in accordance with national law or the statutes of the institution, in each case with respect to the specific category of own funds instruments to which EU or national law, institutions' by-laws, or statutes relate; such profits, 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, the Bank, pursuant to a loan agreement dated the Issue Date (or around the Issue Date), 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 ECB in conjunction with the CBC) responsible for the consolidated supervision of the Group in respect of its prudential requirements under CRD IV may, from time to time, impose capital and other prudential requirements on a Group consolidated and Bank solo basis which both the Issuer and the Bank would be required to comply with and, if such requirements are imposed, this may restrict the Bank’s ability to make discretionary distributions to the Issuer (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*"). Similarly, the implementation of the minimum requirement for own funds and eligible liabilities ("**MREL**") framework under the BRRD may increase these requirements (see "*Regulatory Framework and Supervision – Principal Financial Services Regulatory Requirements – Minimum requirement for own funds and eligible liabilities*"). 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, 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.

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 that may apply from time to time 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 by the Issuer. The Issuer will be prohibited from making an interest payment on the Capital Securities on any Interest Payment Date or other 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’s Distributable Items (as these are defined per CRR) as at 31 December 2022 amounted to €952 million.

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 requirements 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 from time to time. 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 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.

The CRD IV Directive 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, the CRD IV Directive 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 2.5 per cent. of risk weighted assets, (ii) an institution-specific counter-cyclical buffer which is currently set at 0.0 per cent. by the CBC (for exposures in Cyprus) and will increase to 0.5 per cent. from 30 November 2023 and to 1.00 per cent from 2 June 2024 [7](for exposures in Cyprus), (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 1.5 per cent. of risk weighted assets amount and (iv) a systemic risk buffer, which is currently set at 0.0 per cent.

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. The SREP assesses and measures risks not covered, or not fully covered, under Pillar 1 and determines additional capital and liquidity requirements (Pillar 2 requirements). The SREP is conducted under the lead of the ECB. The SREP decision is tailored to each bank's individual profile. As at 31 December 2022, the Group's "Pillar 2 add-on" requirement was equivalent to 3.26 per cent.[8] 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 requires capital to be held in addition to the capital used to satisfy 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" ("**P2G**”). P2G is a bank-specific recommendation, determined as part of the SREP, that indicates the level of capital which the relevant competent authority expects the bank to maintain on top of the binding capital requirements (i.e. Pillar 1 "own funds" and Pillar 2 "add-on" requirements) and on top of the capital buffer requirements. P2G serves as a buffer for banks to withstand a period of financial stress and, as such, is determined based on the results of supervisory stress testing. 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 P2G, it is expected to notify the relevant competent authority which is in turn required to assess the appropriate action to take, which may include the relevant competent authority

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[7] On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the countercyclical buffer rate from 0.0 per cent. to 0.5 per cent. of the total risk exposure amount in Cyprus of each licensed credit institution incorporated in Cyprus. The new rate of 0.5 per cent. must be observed as from 30 November 2023. Further, on 2 June 2023, the CBC, decided to further increase the countercyclical buffer rate to 1.00 per cent. of the total risk exposure amount in Cyprus of each licensed credit institution incorporated in Cyprus. The new rate of 1.00 per cent. must be observed as from 2 June 2024. Based on the above, the countercyclical buffer rate for the Group and the Bank is expected to increase.

[8] As of 1 January 2023, the Group’s "Pillar 2 add-on" requirement became 3.08 per cent. of risk weighted assets.

applying additional supervisory measures or, in cases of repeated failure to meet the P2G, imposing additional own funds requirements, as detailed in 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 18 March 2022 (which have applied since 1 January 2023). This could lead to increased capital requirements for the Group.

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 certain actions (in particular, distributions in connection with common equity tier 1, creation of an obligation to pay variable remuneration or discretionary pension benefits (or payment of such an obligation where it was created at a time the institution failed to meet its combined buffer requirement) and payments on additional tier 1 instruments). In the event of a breach of the combined buffer requirement, the institution must calculate its Maximum Distributable Amount in accordance with the methodology prescribed in Article 141 of CRD V and may not distribute more than its Maximum Distributable Amount through any of the aforementioned actions. The Maximum Distributable Amount is calculated by multiplying the sum of interim and year-end profits not yet included in CET 1, calculated in accordance with Article 141(5), by the factor (0, 0.2, 0.4 or 0.6) determined by a quartile of the combined buffer requirement, considering the CET 1 capital of the credit institution that is not used to meet the Pillar 1 capital requirements. The effect of Article 141(5) is that, when the sum of interim or year-end profits not yet included in CET 1 is zero, any breach of the combined buffers will entail an MDA of zero no matter how much CET 1 capital the institution holds in excess of its Pillar 1 capital requirement.

Maximum Distributable Amount ("**MDA**") and M-MDA (as described below) restrictions (together, "**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 application of under Article 141(2) of the CRD IV Directive (in the case of the Maximum Distributable Amount) or Article 16a of the BRRD (in the case of the M-MDA) will be assessed by reference to the combined buffer requirement applicable at such level and the MDA restrictions 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.

According to Article 16a of the BRRD, where the Issuer meets the combined buffer requirement for the purposes of Article 141 CRD V in addition to its own funds requirements, but fails to meet the combined buffer requirement when considered in addition to the MREL requirement, the resolution authority of the Issuer could impose restrictions on the Issuer making certain types of distribution, including payments on Additional Tier 1 Capital instruments (such as the Capital Securities). The resolution authority has discretion as to whether to exercise its powers to prohibit such distributions for the first nine months, which assessment is required to be repeated at least every month for as long as the Issuer remains in breach. If the Issuer (at both the Group consolidated level as well as at the Bank solo level) is in breach for more than nine months, the resolution authority is required to exercise its powers to prohibit distributions, which may include restricting payments on Additional Tier 1 Capital instruments (such as the Capital Securities), except where the resolution authority assesses certain conditions to be satisfied, such as the failure being due to a serious disturbance to the functioning of financial markets which leads to broad-based financial market stress across several segments of financial markets. The restrictions include, among other things, an obligation to calculate a "maximum distributable amount" related to the MREL requirement (the "**M-MDA**"). The principles of the calculation of the M-MDA are similar to the principles that apply for the calculation of the "maximum distributable amount" pursuant to Article 141(2) of the CRD IV Directive as described above. The M-MDA will, among other things, set the level for payments on Additional Tier 1 Capital instruments (such as the Capital Securities).

Consequently, in the event of a breach of the combined buffer requirement, or of the combined buffer requirement when considered in addition to the MREL requirement, it may be necessary for the Bank or the Group to reduce payments that would, but for such breach, 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), Article 16a of the BRRD, Article 10a of the SRM Regulation or, as the case may be, any provision amending or replacing such Articles, or any equivalent requirement in the Capital Regulations to calculate a maximum distributable amount, 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 is guidance rather than binding 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.

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 P2G 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 P2G. 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 "*Regulatory Framework and Supervision — Principal Financial Services Regulatory Requirements – Bank Recovery and Resolution*" below.

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, in circumstances where certain specified conditions for resolution are satisfied, including that 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 (including where the institution has incurred or is likely to incur losses that will deplete all or a

significant amount of its own funds); 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 EBA 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 or its group 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 (for the purposes of the BRRD) 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 are being 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.

In the context of the application of any Principal Write-down or Principal Write-up pursuant to Condition 6 (*Principal Write-down and Principal Write-up*), the Issuer 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.

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 kind referred to in Article 141(2) of the CRD IV Directive (or, as the case may be, any applicable provision of law transposing or implementing Article 141(2) of the CRD IV Directive), Article 16a(1) of the BRRD, Article 10a(1) of the SRM Regulation or, as the case may be, any provision amending or replacing such Articles, or any equivalent requirement in the Capital Regulations to calculate a maximum distributable amount, plus any principal write-ups, where applicable) 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 and/or the M-MDA, as the case may be, 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 Bank 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 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 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 and any related interest therein 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 Senior Creditors (to Additional Tier 1 Capital) 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. 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.

In addition, Article 48(7) of the BRRD has been implemented in Ireland under a new subsection 1A of Section 1428A of the Companies Act, which requires that claims resulting from an instrument the whole or part of which is recognised as an own funds item shall rank lower than any claim that does not result from such an instrument. This could, in certain circumstances, affect the ranking of the Capital Securities. If the Capital Securities cease in full to be eligible to qualify for inclusion as Additional Tier 1 Capital of the Issuer ("**No Longer Eligible Capital Securities**") the ranking would likely be adjusted under this new subsection, such that they rank ahead of other Additional Tier 1 Capital securities of the Issuer the whole or part of which continue to qualify as Additional Tier 1 Capital of the Issuer. In such case, in a winding-up of the Issuer, the claims of holders may be subordinated to claims of holders of its No Longer Eligible Capital Securities (if any), and accordingly any recovery of amounts in respect of the Capital Securities in a winding-up or resolution of the Issuer may be adversely affected.

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 (i) upon the occurrence of a Tax Event or a Capital Event or (ii) subject to the Outstanding Principal Amount of each Capital Security being equal to its Original Principal Amount, if less than 25 per cent. of the Capital Securities originally issued are outstanding (the "**Clean-up Call**"). In addition, subject as aforesaid and subject to the Outstanding Principal Amount of each Capital Security being equal to its Original Principal Amount, the Issuer may, at its option, redeem all (but not some only) of the Capital Securities on any day falling in the period commencing on (and including) 21 June 2028 and ending on (and including) the First Reset Date, or on any Interest Payment Date thereafter.

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. This also may be true prior to any redemption period.

Whilst this should not be construed as an indication that any Capital Securities would or might be redeemed or repurchased by the Issuer otherwise than in accordance with their contractual terms and, in any event, in compliance with applicable regulatory requirements, 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.

In respect of the Clean-up Call referred to above, there is no obligation on the Issuer to inform holders if and when the 25 per cent. threshold referred to above has been reach or is about to be reached, and the Issuer’s right to redeem will exist notwithstanding that, immediately prior to the serving of a notice in respect of the exercise of the Clean-up Call, the Capital Securities may have been trading significantly above par, thus potentially resulting in a loss of capital investment.

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 will initially earn interest at a fixed rate of 11.875 per cent. to, but excluding, the First Reset Date. From, and including, the First Reset 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 an Alignment Event, 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 20 (*Acknowledgement of Statutory Loss Absorption Powers*), 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, without limitation, changing the governing law of Condition 20 (*Acknowledgement of Statutory Loss Absorption Powers*)), 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 (i) result in terms that are not materially less favourable to the holders of the Capital Securities as a class (as reasonably determined by the Issuer) and (ii) not give rise to any right of the Issuer to redeem the substituted or varied Capital Securities. 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).

The Conditions contain provisions which permit the substitution of the Issuer for a Substituted Obligor and certain changes to the Conditions in the circumstances set out therein.

Condition 14 (*Substitution of the Issuer*) provides that the Issuer may, without the consent of the holders of the Capital Securities and subject to the conditions (which permit certain amendments to be made) described in Condition 14 (*Substitution of the Issuer*), substitute for itself any Substituted Obligor in place of the Issuer as the principal debtor in respect of the Capital Securities and as a party to the Fiscal Agency Agreement upon notice by the Issuer and the Substituted Obligor. No assurance can be given as to the impact of any substitution of the Issuer as described above and any such substitution could materially adversely impact the value of the Capital Securities.

In particular, following such a substitution, the Documents may (at the option of the Issuer and the Substituted Obligor) contain such amendments to the Conditions that the Issuer and the Substituted Obligor may (in their sole discretion) determine are necessary solely for the purposes of ensuring that the Capital Securities would have been eligible to count as Additional Tier 1 Capital of the Substituted Obligor on a solo basis as well as the Group on a consolidated basis in accordance with the Capital

Regulations as at the Issue Date (assuming for such purposes that the Issuer had a solo capital requirement on the Issue Date).

Such amendments may include amendments to the operation of the Principal Write-down provisions in Condition 6 (*Principal Write-down and Principal Write-up*) such that the Common Equity Tier 1 Ratio of the Substituted Obligor on a solo basis is also taken into account for the purposes of a Principal Write-down. This may result in an increased likelihood that a Principal Write-down would occur under the Conditions if the Common Equity Tier 1 Ratio of the Substituted Obligor on a solo basis is lower than the Group CET1 Ratio.

Furthermore, in respect of a Principal Write-up, such amendments may include changes to the definition and provisions relating to the Maximum Distributable Amount such that any applicable Maximum Distributable Amount relating to the Substituted Obligor on a solo basis and the unconsolidated net profit after tax of the Substituted Obligor is taken into account. Such changes may further limit the Substituted Obligor's ability to undertake a Principal Write-up in the event the Maximum Distribution Amount applicable to the Substituted Obligor on a solo basis is lower than that which is applicable to it on a consolidated basis and/or the unconsolidated net profit after tax of the Substituted Obligor is lower than its consolidated net profit after tax.

In addition, such changes to the definition and provisions relating to the Maximum Distributable Amount may result in an increased risk of the cancellation of interest pursuant to Condition 5 (*Interest Cancellation*) in the event the Maximum Distribution Amount applicable to the Substituted Obligor on a solo basis is lower than which is applicable to it on a consolidated basis.

Any changes permitted by Condition 14 (*Substitution of the Issuer*) may potentially have a material adverse effect on the market price of the Capital Securities.

No right of set-off.

The Conditions provide that each holder unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of its holding of the Capital Securities. To the extent that any set-off takes place, holders are required under the Conditions immediately to transfer the relevant amount to 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.

The regulation and reform of "benchmarks" may adversely affect the value of the Capital Securities

Interest rates and indices which are deemed to be "benchmarks" (including the 5-year Mid-Swap Rate and EURIBOR, which is a component of the 5-year Mid-Swap Rate) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Capital Securities. Regulation (EU) 2016/1011 (as amended) (the "**Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. The Benchmarks Regulation, as it forms part of domestic law in the UK by virtue of the EUWA (the "**UK BMR**"), applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the UK.

The Benchmarks Regulation and the UK BMR could have a material impact on the Capital Securities, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation or UK BMR. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on the "benchmarks" applicable to the Capital Securities (i.e. the 5-year Mid-Swap Rate and EURIBOR): (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark"; or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Capital Securities.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation and UK BMR reforms in making any investment decision with respect to the Capital Securities.

Future discontinuance of a benchmark may adversely affect the value of the Capital Securities

Investors should be aware that, if an Original Reference Rate was discontinued or otherwise unavailable, the rate of interest on the Capital Securities will be determined for the relevant period by the fallback provisions applicable to the Capital Securities. The Conditions provide for certain fallback arrangements in the event that an Original Reference Rate (including any page on which such Original Reference Rate may be published (or any successor service)) ceases to be available.

If the circumstances described in the preceding paragraph occur, such fallback arrangements will include the possibility that the Rate of Interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a Successor Reference Rate or an Alternative Reference Rate (as applicable) determined by an Independent Adviser or, if the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by the Issuer fails to make such determination, the Issuer. An Adjustment Spread shall be determined by the relevant Independent Adviser or the Issuer (as applicable) and shall be applied to such Successor Reference Rate or Alternative Reference Rate, as the case may be.

In addition, the relevant Independent Adviser or the Issuer (as applicable) may also determine (acting in good faith and in a commercially reasonable manner) that other amendments to the Conditions are necessary in order to follow market practice in relation to the relevant Successor Reference Rate or

Alternative Reference Rate (as applicable) and to ensure the proper operation of the relevant Successor Reference Rate or Alternative Reference Rate (as applicable).

No consent of the holders shall be required in connection with effecting any relevant Successor Reference Rate or Alternative Reference Rate (as applicable) or any other related adjustments and/or amendments described above.

In certain circumstances, the ultimate fallback rate of interest for a particular Reset Interest Period may result in the effective application of a fixed rate based on the rate which was last observed on the Screen Page for the purposes of determining the rate of interest in respect of a Reset Interest Period. In addition, due to the uncertainty concerning the availability of Successor Reference Rates and Alternative Reference Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on the Capital Securities. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant rate could affect the ability of the Issuer to meet its obligations under the Capital Securities or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Capital Securities. Investors should note that the relevant Independent Adviser or the Issuer (as applicable) will have discretion to adjust the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) in the circumstances described above by the application of an Adjustment Spread. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each holder, any such adjustment will be favourable to each holder.

In addition, potential investors should also note that:

(i) no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Capital Securities will be made if and 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 and/or eligible liabilities (as that term is used in the Capital Regulations); and/or

(ii) if applicable, result in the Resolution Authority treating the next Interest Payment Date or the next Reset Date, as the case may be, as the effective maturity date of the Capital Securities.

Investors should consider all of these matters when making their investment decision with respect to 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.

Risks relating to the UK's withdrawal from the EU

The UK left the EU on 31 January 2020. Pursuant to a withdrawal agreement entered into between the UK and the EU, a transitional period applied from the date of the withdrawal of the UK from the EU to 31 December 2020, during which EU law continued to apply to the UK (the "**Brexit Transition Period**").

The Capital Securities are subject to the jurisdiction of English courts. The position in respect of the enforcement of English court judgments in Ireland and Cyprus has been impacted by the UK's departure from the EU and presents a potential risk. The Recast Brussels Regulation (Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 (the "**Recast Regulation**")) no longer applies to the UK (and to English court judgments). Further, the UK is no longer a party to the Lugano Convention under which judgments from the courts of contracting states (currently the EU Member States, plus Switzerland, Iceland and Norway) are recognised and enforced in other contracting states.

The withdrawal agreement provides that judgments (including money judgments and costs orders, but also injunctions and some interim orders) issued by English courts in proceedings instituted before the end of the Brexit Transition Period will continue to be recognised and enforced in the EU pursuant to the Recast Regulation, subject to the provisions of the Recast Regulation.

The Recast Regulation will not apply to judgments issued by English courts in proceedings instituted after the end of the Brexit Transition Period. The Hague Convention on Choice of Court Agreements

(the "**2005 Hague Convention**") still applies to the enforcement of English judgments issued by English courts in proceedings instituted after the end of the Brexit Transition Period in EU states. The 2005 Hague Convention only applies to judgments of courts of contracting states designated in exclusive choice of court agreements and there are limitations and uncertainties as to its scope. Unlike the Recast Regulation, it does not apply to certain protective measures. If the 2005 Hague Convention does not apply enforcement of an English court judgment would be determined in accordance with the relevant member state's domestic law and subject to any limitations under that law.

The UK has applied to accede to the Lugano Convention, but the EU notified the parties to the Lugano Convention that it is not in a position to consent to the UK's accession to the Lugano Convention. Switzerland, Iceland and Norway agreed to the UK's accession, but, unless and until the EU does so, the Lugano Convention will not apply to English court judgments.

The EU (excluding Denmark) and Ukraine have acceded to the 2019 Hague Convention on the Recognition and Enforcement of Foreign Judgments (the "**2019 Hague Convention**"). The 2019 Hague Convention will come into force in the EU (excluding Denmark) and Ukraine on 1 September 2023. The 2019 Hague Convention is broader in some respects than the 2005 Hague Convention and it may cover the enforcement of judgements pursuant to non-exclusive jurisdiction clauses. However, the UK has not yet acceded to the 2019 Hague Convention.

As a consequence of this, two situations must be distinguished in terms of enforcing a civil or commercial judgment of an English court (an "**English Judgment**") in Cyprus or Ireland:

The first situation is where the 2005 Hague Convention applies. In this situation a final English Judgment against the Issuer will be enforceable in Ireland or, as applicable, Cyprus subject to the terms of the 2005 Hague Convention.

The second situation is where the 2005 Hague Convention does not apply. In this situation the position in relation to enforcement of a final English Judgment against the Issuer in Ireland and Cyprus is as follows.

In the case of Cyprus, the judgment against the Issuer will be enforceable in Cyprus subject to the rules on recognition and enforcement of judgments in Cyprus as laid down in The Foreign Judgments (Reciprocal Enforcement) Law Cap.10 (as amended) ("**Cap.10**"). Pursuant to the provisions of Cap.10, courts will authorise the enforcement in Cyprus of the judgment of the English court, unless the Cypriot court considers that any of the following apply (in which case, enforcement may be refused):

- the English Judgment has been wholly satisfied;
- the English Judgment cannot be enforced by execution in England;
- the enforcement of the English Judgment would be contrary to public policy in Cyprus;
- the judgment debtor had not received notice of the original proceedings in England in sufficient time to enable him to defend the proceedings and did not appear;
- the English court had no jurisdiction in the circumstances of the case;
- the English Judgment was obtained by fraud;
- the rights under the English judgment are not attributable to the person who is seeking its registration and enforcement; or

- the matter in dispute in the proceedings in England had previously to the date of the English Judgment been the subject of a final and conclusive judgment by a court having jurisdiction in the matter.

In the case of Ireland, an English Judgment against the Issuer will be enforced by the courts of Ireland if the following general requirements are met:

- the judgment is for a definite sum;
- the English court must have had jurisdiction in relation to the particular defendant (i.e. the Issuer) according to Irish conflict of law rules (the submission to jurisdiction by the Issuer would satisfy this rule); and
- the judgment must be final and conclusive and the decree must be final.

In addition, the courts of Ireland may refuse to enforce an English Judgment if:

- the judgment was obtained by fraud;
- the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice;
- the judgment is contrary to Irish public policy or involves certain foreign laws which will not be enforced in Ireland; or
- jurisdiction cannot be obtained by the courts of Ireland over the judgment debtors in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Superior Courts Rules.

Accordingly, enforcing an English Judgment against the Issuer in Cyprus or Ireland will require the completion of potentially more burdensome proceedings (with a less certain outcome) compared to the situation prior to the end of the Brexit Transition Period.

Cyprus has introduced a withholding tax on payments of interest to persons in non-cooperative jurisdictions and may do so for low-tax jurisdictions.

Non-Cooperative Jurisdictions

Pursuant to an amendment to the Special Defence Contribution Law, Cyprus has introduced, with effect from 31 December 2022, a withholding tax at the rate of 30 per cent on interest paid or credited from sources within Cyprus to companies (a) resident in a country which is included in Annex I of the EU list of non-cooperative jurisdictions on tax matters ("**Annex I**"), or (b) incorporated or registered in a country included in Annex I and which are not tax resident in another jurisdiction that is not included in Annex I. Companies incorporated or registered in a country which is included in Annex I but tax resident in a country not listed in Annex I are exempt from these provisions.

The above withholding tax in relation to the non-cooperative jurisdictions will not apply in cases where the interest is paid or credited to a non-Cyprus tax resident company in relation to securities listed on any recognised stock exchange.

Low-tax Jurisdictions

As at the date of this Offering Circular, it is expected that a withholding tax will be introduced by Cyprus on interest paid to recipients who are resident or incorporated in a low-tax jurisdiction. A withholding tax rate of 30 per cent. has been suggested but has not yet been confirmed or approved by

the Cyprus Parliament and the final applicable rate (if such withholding tax is introduced) may be higher or lower.

As at the date of this Offering Circular, it is expected that the above withholding in relation to the low-tax jurisdictions may not apply in cases where the interest is paid or credited to a non-Cyprus tax resident company in relation to securities listed on any recognised stock exchange. This exemption has not yet been confirmed or approved by the Cyprus Parliament.

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 will be 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 (including meetings held by way of video or audio conference call) of holders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all holders including holders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those holders who voted in a manner contrary to the majority.

Credit ratings assigned to the Capital Securities may not reflect all the risks associated with an investment in the Capital Securities.

Moody's is expected to assign a credit rating to the Capital Securities. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Capital Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the relevant rating agency at any time.

In addition, rating agencies may assign unsolicited ratings to the Capital Securities. In such circumstances, there can be no assurance that the unsolicited rating(s) will not be lower than the comparable solicited ratings assigned to the Capital Securities, which could adversely affect the market value and liquidity of the Capital Securities.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject

to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the CRA Regulation as it forms part of domestic law in the UK by virtue of the EUWA (the "**UK CRA Regulation**"). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Capital Securities changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Capital Securities may have a different regulatory treatment, which may impact the value of the Capital Securities and their liquidity in the secondary market.

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 Conditions (other than Condition 3 (*Status*) and Condition 20 (*Acknowledgement of Statutory Loss Absorption Powers*)) are based on English law and, in the case of Condition 3 (*Status*) and Condition 20 (*Acknowledgement of Statutory Loss Absorption Powers*) only, Irish law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, Irish law or, in either case, administrative practice after the date of this Offering Circular.

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 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 its 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 its 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 will be 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 or other 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 or other 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 or other 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

This Offering Circular should be read and construed in conjunction with (which are together the "**Documents Incorporated by Reference**"):

(a) the announcement dated 16 May 2023 (which can be accessed from the following hyperlink: https://bankofcyprus.com/globalassets/group/investor-relations/press-releases/eng/20230516-1q2023-group-press-release_eng_final3.pdf) which includes, *inter alia*, the Group Financial Results for the quarter ended 31 March 2023 ("**the Announcement of the Group Financial Results for the quarter ended 31 March 2023**");

(b) the following sections contained in the Group's 2022 Annual Financial Report (the "**Group Annual Financial Report 2022**"):

  (i) the Directors' Report on pages 3 to 48 inclusive;

  (ii) the Consolidated Financial Statements together with their accompanying notes and the independent auditors' report thereon on pages 124 to 326 inclusive;

  (iii) the Risk and Capital Management Report on pages 49 to 82 inclusive;

  (iv) the ESG Disclosures on pages 83 to 123 inclusive; and

  (v) the Alternative Performance Measures Disclosures on pages 412 to 425 inclusive;

(c) the following sections contained in the Group's 2021 Annual Financial Report (the "**Group Annual Financial Report 2021**", and, together with the Group Annual Financial Report 2022, the "**Group Annual Financial Reports**"):

  (i) the Directors' Report on pages 3 to 51 inclusive;

  (ii) the Consolidated Financial Statements together with their accompanying notes and the independent auditors' report thereon on pages 52 to 253 inclusive;

  (iii) the Additional Risk and Capital Management Disclosures on pages 330 to 355 inclusive; and

  (iv) the Definitions and explanations on Alternative Performance Measures Disclosures on pages 356 to 370 inclusive;

(d) the Group's Interim Pillar 3 disclosures for the three months ended 31 March 2023;

(e) the Group's Pillar 3 disclosures for the year ended 31 December 2022;

(f) the Group's Pillar 3 disclosures for the year ended 31 December 2021; and

(g) the following information contained on the following pages of the Group's presentation of the group financial results for the three months ended 31 March 2023 (the "**2023 Financial Results Presentation**"):

  (i) the slide "*NII up 127% yoy, supported by interest rate rises and well-managed deposit pass-through*" as set out on page 9;

  (ii) the slide "*Fixed income portfolio up 10% qoq; careful expansion to continue*" as set out on page 14;

  (iii) the slide "*Profitable Life Insurance business - valuable and sustainable contribution to the Group*" as set out on page 17;

(iv) the slide "*Profitable Non–Life Insurance business – valuable and sustainable contribution to the Group*" as set out on page 18;

(v) the slide "*Leading card processing and payment solutions business in Cyprus*" as set out on page 19;

(vi) the slide "*NPE ratio decreased at 3.8%; limited NPE inflows*" as set out on page 25;

(vii) the slide "*REMU: Asset disposals steady qoq*" as set out on page 27;

(viii) the slide "*Net interest income positively geared to further interest rate rises*" as set out on page 47;

(ix) the slide "*IFRS 17 implementation; adjusted FY2022 Key Performance Ratios*" as set out on page 54;

(x) the slide "*Well diversified loan portfolio with high quality collateral*" as set out on page 56;

(xi) the slide "*Stage 2 exposures well collateralised with low migration history*" as set out on page 60;

(xii) the slide "*Asset quality - NPE analysis*" as set out on page 61;

Each of the above documents has been previously published or is being published simultaneously with this Offering Circular and has been filed with the Luxembourg Stock Exchange. Such documents shall be incorporated by reference in and form part of this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular may be obtained from (i) the registered office of each Issuer, and/or (ii) the website of the Luxembourg Stock Exchange (www.luxse.com).

The table below sets out the relevant page references for the Consolidated Audited Financial Statements contained in the Group Annual Financial Reports and the Group Financial Results for the quarter ended 31 March 2023 set out in the Announcement of the Group Financial Results for the quarter ended 31 March 2023.

Any other information incorporated by reference in this Offering Circular 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.

Consolidated Financial Results for the quarter ended 31 March 2023	**Reference**
	Announcement of the Group Financial Results for the quarter ended 31 March 2023
	Page(s)
Interim Consolidated Income Statement	31
Interim Consolidated Statement of Comprehensive Income	32
Interim Consolidated Balance Sheet	33
Interim Consolidated Statement of Changes in Equity	34-35
Notes	36-56

Consolidated Audited Financial Statements	**Reference**	
	Group Annual Financial Report 2022	**Group Annual Financial Report 2021**
	Page	**Page**
Consolidated Income Statement............................	126	54
Consolidated Statement of Comprehensive Income	127	55
Consolidated Balance Sheet..................................	128	56
Consolidated Statement of Changes in Equity.......	129-130	57-58
Consolidated Statement of Cash Flows	131-132	59
Notes to the Audited Financial Statements...........	133-314	60-242

Consolidated Audited Financial Statements	**Reference**	
	Group Annual Financial Report 2022	**Group Annual Financial Report 2021**
Independent Auditors' Report on the Audited Financial Statements	315-326	243-253

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 (as defined below) which shall be endorsed on the Certificates (as defined below) relating to the Capital Securities.

The €220,000,000 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 21 June 2023 (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 21 June 2023 (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 (the "**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 21.

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 20. 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) or a "**holder of 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 relevant 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.

(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(b), 7(c), 7(d) or 7(e) (ii) after the Capital Securities have been called for redemption by the Issuer pursuant to Condition 7(b), 7(c), 7(d) or 7(e) or (iii) during the period of seven days ending on (and including) any Record Date.

3. Status

(a) *Status*

(i) The Capital Securities and any related interest therein 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 "**Solvency Condition**"). The rights of the holders of the Capital Securities are subordinated on a winding-up as provided in paragraph (ii) below.

(ii) Subject to any mandatory provisions of law (including Article 48(7) of the BRRD as implemented in Ireland), 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 Junior Liabilities;

(B) *pari passu* with all other AT1 Capital Liabilities; and

(C) junior to present and future obligations in respect of the Senior Creditors (to Additional Tier 1 Capital).

(b) *No set-off*

Subject to applicable law, no holder of Capital Securities may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Capital Securities, and each holder shall, by virtue of its subscription, purchase or holding of any Capital Security, be deemed to have waived irrevocably all such rights of set-off. To the extent that any set-off takes place, whether by operation of law or otherwise, between (x) any amount owed by the Issuer to a holder arising under or in connection with the Capital Securities and (y) any amount owed to the Issuer by such holder, such holder shall hold such amounts on trust for the Issuer and will immediately transfer such amount which is set off to the Issuer or, in the event of its winding-up or dissolution, the administrator or other relevant insolvency official of the Issuer to be held on trust for or on behalf of the Senior Creditors (to Additional Tier 1 Capital).

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, 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 Reset 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.

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 by the Issuer to the holders of the Capital Securities in accordance with Condition 17.

(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 20, 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.

(i) *Benchmark replacement*

If the Issuer determines that a Benchmark Event has occurred when any Rate of Interest (or component thereof) remains to be determined by reference to an Original Reference Rate, then the following provisions of this Condition 4(i) shall apply to the Capital Securities.

(i) The Issuer shall use reasonable endeavours, as soon as reasonably practicable, to appoint an Independent Adviser to determine:

(A) a Successor Reference Rate; or

(B) if such Independent Adviser fails so to determine a Successor Reference Rate, an Alternative Reference Rate,

and, in each case, an Adjustment Spread (in any such case, acting in good faith and in a commercially reasonable manner) no later than the relevant IA Determination Cut-off Date for the purposes of determining the Rate of Interest (or the relevant component part thereof) for all relevant future payments of interest on the Capital Securities (in respect of periods beginning after the end of the then current Reset Interest Period or, if the Issuer determines on or prior to the first Reference Rate Determination Date that a Benchmark Event has occurred, in respect of periods beginning from the First Reset Date onwards) for which the Rate of Interest (or the relevant component part thereof) was otherwise to be determined by reference to such Original Reference Rate (subject to the subsequent operation of, and adjustment as provided in, this Condition 4(i)).

(ii) If the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by the Issuer fails to determine a Successor Reference Rate or an Alternative Reference Rate (as applicable) prior to the relevant IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine:

(A) a Successor Reference Rate; or

(B) if the Issuer fails so to determine a Successor Reference Rate, an Alternative Reference Rate,

and, in each case, an Adjustment Spread no later than the relevant Issuer Determination Cut-off Date for the purposes of determining the Rate of Interest (or the relevant component part thereof) for all relevant future payments of interest on the Capital Securities (in respect of periods as described above) for which the Rate of Interest (or the relevant component part thereof) was otherwise to be determined by reference to the relevant Original Reference Rate (subject to the subsequent operation of, and adjustment as provided in, this Condition 4(i)). Without prejudice to the definitions thereof, for the purposes of determining any Alternative Reference Rate and the relevant Adjustment Spread, the Issuer will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets.

(iii) If a Successor Reference Rate or, failing which, an Alternative Reference Rate (as applicable) and, in either case, an Adjustment Spread is determined by the relevant Independent Adviser or the Issuer (as applicable) in accordance with this Condition 4(i):

(A) such Successor Reference Rate or Alternative Reference Rate (as applicable) shall subsequently be used in place of the relevant Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all relevant future payments of interest on the Capital Securities (in respect of periods as described above) for which the Rate of Interest (or the relevant component part thereof) was otherwise to be determined by reference to the relevant Original Reference Rate (subject to the subsequent operation of, and adjustment as provided in, this Condition 4(i));

(B) such Adjustment Spread shall be applied to such Successor Reference Rate or Alternative Reference Rate (as the case may be) for all such relevant future payments of interest on the Capital Securities (in respect of periods as described above) (subject to the subsequent operation of, and adjustment as provided in, this Condition 4(i));

(C) the relevant Independent Adviser or the Issuer (as applicable) (acting in good faith and in a commercially reasonable manner) may in its discretion specify:

(1) changes to these Conditions and the Fiscal Agency Agreement in order to follow market practice in relation to such Successor Reference Rate or Alternative Reference Rate (as applicable), including, but not limited to, (1) the definitions of "Day Count Fraction", "Reference Rate Determination Date" and "Screen Page" and/or the Interest Payment Dates applicable to the Capital Securities and (2) the method for determining the fallback to the Rate of Interest in relation to the Capital Securities if such Successor Reference Rate or Alternative Reference Rate (as applicable) is not available; and

(2) any other changes which the relevant Independent Adviser or the Issuer (as applicable) determines are reasonably necessary to ensure the proper operation and comparability to the relevant Original Reference Rate of such Successor Reference Rate or Alternative Reference Rate (as applicable),

which changes shall apply to the Capital Securities for all relevant future payments of interest on the Capital Securities (in respect of periods as described above) for which the Rate of Interest (or the relevant component part thereof) was otherwise to be determined by reference to the relevant Original Reference Rate (subject to the subsequent operation of, and adjustment as provided in, this Condition 4(i)); and

(D) promptly following the determination of any Successor Reference Rate or Alternative Reference Rate (as applicable) and the relevant Adjustment Spread, the Issuer shall give notice thereof and of any changes (and the effective date thereof) pursuant to Condition 4(i)(iii)(C) to the Competent Authority, the Paying Agents and the holders in accordance with Condition 17.

The Fiscal Agent and any other agents party to the Fiscal Agency Agreement shall, at the direction and expense of the Issuer, use their reasonable endeavours to effect such consequential amendments (collectively, "**Benchmark Amendments**") to the Fiscal Agency Agreement and, subject to Condition 13(c), these Conditions as may be required in order to give effect to the application of this Condition 4(i). No consent of the holders shall be required in connection with effecting the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and, in either case, the relevant Adjustment Spread as described in this Condition 4(i) or such other relevant changes pursuant to Condition 4(i)(iii)(C), including for the execution of any documents or the taking of other steps by the Issuer or any of the parties to the Fiscal Agency Agreement.

If a Successor Reference Rate or an Alternative Reference Rate and/or, in either case, an Adjustment Spread is not determined pursuant to the operation of this Condition 4(i) or is not notified to the Paying Agents prior to the relevant Issuer Determination Cut-off Date, then the Rate of Interest for the relevant Reset Interest Period shall be determined by reference to the fallback provisions of Condition 4(i)(iv) and the Issuer shall give notice thereof to the Paying Agents and the holders in accordance with Condition 17 by no later than such Issuer Determination Cut-off Date. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Reset Interest Period only and any subsequent Reset Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 4(i).

Notwithstanding any other provision of this Condition 4(i), no Paying Agent shall be obliged to concur with the Issuer or the relevant Independent Adviser in respect of Benchmark Amendments required to be made to the Fiscal Agency Agreement or these Conditions as contemplated under this Condition 4(i) which, in the sole opinion of such Paying Agent, would have the effect of (i) exposing it to any additional liability or (ii) increasing its obligations or duties, or decreasing its rights, powers, authorisations, discretions, indemnification or protections, in the Fiscal Agency Agreement and/or these Conditions.

Notwithstanding any other provision of this Condition 4(i), if in the Fiscal Agent's opinion there is any uncertainty in making any determination or calculation under this Condition 4(i), the Fiscal Agent shall promptly notify the Issuer and/or the relevant Independent Adviser thereof and the Issuer shall direct the Fiscal Agent in writing as to which course of action to adopt. If the Fiscal Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer and/or the relevant Independent Adviser (as the case may be) thereof and the Fiscal Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

For the avoidance of doubt, no Paying Agent shall be obliged to monitor or enquire as to whether a Benchmark Event has occurred or have any liability in respect thereof.

Notwithstanding any other provision of this Condition 4(i), no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Capital Securities will be made pursuant to this Condition 4(i), if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to:

(1) prejudice the qualification of the Capital Securities as Additional Tier 1 Capital and/or eligible liabilities (as that term is used in the Capital Regulations); and/or

(2) if applicable, result in the Resolution Authority treating the next Interest Payment Date or the next Reset Date, as the case may be, as the effective maturity date of the Capital Securities.

(iv) In the event that the relevant Rate of Interest cannot be determined in accordance with any of the foregoing provisions, the relevant Rate of Interest shall be:

(A) that determined as at the last preceding Reference Rate Determination Date; or

(B) if there is no such preceding Reference Rate Determination Date, the Initial Rate of Interest.

If the Issuer anticipates that a Benchmark Event will or may occur, nothing in these Conditions shall prevent the Issuer (in its sole discretion) from taking, prior to the occurrence of such Benchmark Event, such actions which it considers expedient in order to prepare for applying the provisions of this Condition 4(i) (including, without limitation, appointing and consulting with an Independent Adviser to identify any Successor Reference Rate, Alternative Reference Rate, Adjustment Spread and/or Benchmark Amendments), provided that no Successor Reference Rate, Alternative Reference Rate, Adjustment Spread and/or Benchmark Amendments will take effect until the relevant Benchmark Event has occurred.

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 3(a)(i), 5(b) or 6(a)(iii)), 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 applicable provision of law transposing or implementing Article 141(2) of the CRD IV Directive), Article 16a of the BRRD, Article 10a of the SRM Regulation or, as the case may be, any provision amending or replacing such Articles, or any equivalent requirement in the Capital Regulations to calculate a maximum distributable amount, plus any principal write-ups, where applicable, the Maximum Distributable Amount, if any, to be exceeded, if required to be calculated at such time; or

(iii) the Competent Authority requires the Issuer to cancel the payment of such interest,

together, the "**Mandatory Cancellation of Interest**".

Interest payments shall also be cancelled in accordance with Condition 6(a)(iii) or if the Solvency Condition is not satisfied in respect of such interest (in accordance with Condition 3(a)(i)).

(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 3(a)(i), 5(b) or 6(a)(iii)) 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 17 and to the Fiscal Agent, 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 gives 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) 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; 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 Liabilities 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 17, 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 17, 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) 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). In calculating any amount in accordance with this Condition 6(a)(iv), the CET1 Capital (if any) generated as a result of the cancellation of interest pursuant to Condition 5(b) shall not be taken into account.

(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 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 applicable provision of law transposing or implementing Article 141(2) of the CRD IV Directive), Article 16a of the BRRD, Article 10a of the SRM Regulation or, as the case may be, any provision amending or replacing such Articles, or any equivalent requirement in the Capital Regulations to calculate a maximum distributable amount, plus any principal write-ups, where applicable, 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 17. 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.

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(h) 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 15 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,

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;

(B) such obligation or loss of entitlement, as the case may be, cannot be avoided by the Issuer taking reasonable measures available to it; and

(C) 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 Issue Date,

(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.

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

Subject to Condition 7(h) 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 17 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(h) 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 15 days' nor more than 60 days' prior notice to the Fiscal Agent and the holders of the Capital Securities in accordance with Condition 17 (such notice being irrevocable) specifying the date fixed for such redemption.

(e) *Clean-up redemption at the option of the Issuer*

Subject to Condition 7(h) below, if 75 per cent. of the initial aggregate principal amount of the Capital Securities (including any Capital Securities which have been consolidated and form a single series therewith) have been purchased by, or on behalf of, the Issuer, and cancelled, the Issuer may, at any time, at its option, and having given not less than 15 days' nor more than 60 days' notice to the Fiscal Agent and the holders of the Capital Securities in accordance with Condition 17, redeem the outstanding Capital Securities, in whole, but not in part. 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(e) 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).

(f) *Purchases*

Subject to Condition 7(h) 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 or any equivalent or substitute provision thereof).

(g) *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.

(h) *Conditions to Redemption and Purchase*

(i) Notwithstanding any other provision in this Condition 7, and subject to satisfaction of the Solvency Condition, 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). For the avoidance of doubt, any refusal by the Competent Authority to grant such permission shall not constitute a default for any purpose;

(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 capital and eligible liabilities requirements (including any applicable buffer requirements) by a margin 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), 7(d) or 7(e) 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), 7(d) or 7(e) 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 an Alignment Event, 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 20, 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 15 nor more than 60 days' notice to the holders of the Capital Securities in accordance with Condition 17 (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, without limitation, changing the governing law of Condition 20) so that they remain or, as appropriate, become compliant with the Capital Regulations with respect to own funds and *provided that* (i) such substitution or variation shall not result in terms that are materially less favourable to the holders of the Capital Securities (unless any such less favourable terms are solely attributable to ensuring the effectiveness and enforceability of Condition 20 (including the governing law of Condition 20)), as reasonably determined by the Issuer, and (ii) such substitution or variation does not itself give rise to any right of the Issuer to redeem the substituted or varied Capital Securities.

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) 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 (6) be listed on a Recognised Stock Exchange if the Capital Securities were so 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 17 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 to the holder (or to the first named of joint holders) of such Capital Security by transfer to an account in euro maintained by the payee with a bank which has access to T2.

(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 (including meetings held by way of video or audio conference call) 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. Substitution of the Issuer

(a) *Substitution*

The Issuer may, without the consent of any of the holders of the Capital Securities, substitute for itself any Successor in Business, Subsidiary of the Issuer or any Eligible Holding Company (the "**Substituted Obligor**") in place of the Issuer as the principal debtor in respect of the Capital Securities and as a party to the Fiscal Agency Agreement upon notice by the Issuer and the Substituted Obligor given in accordance with Condition 17, provided that:

(i) the Issuer is not in default in respect of any amount payable under the Capital Securities;

(ii) the Issuer and the Substituted Obligor have entered into such documents (the "**Documents**") as are necessary to give effect to the substitution and in which the Substituted Obligor has undertaken in favour of each holder of the Capital Securities to be bound by these Conditions and the provisions of the Fiscal Agency Agreement as the debtor in respect of the Capital Securities in place of the Issuer (or any previous substitute under this Condition 14);

(iii) if the Substituted Obligor is resident for tax purposes in a territory (the "**New Residence**") other than that in which the Issuer prior to such substitution was resident for tax purposes (the "**Former Residence**"), the Documents contain an undertaking and/or such other provisions as may be necessary to ensure that, following substitution, each holder of the Capital Securities would have the benefit of an undertaking in terms corresponding to the provisions of Condition 10, with (a) the substitution of references to the Issuer with references to the Substituted Obligor (to the extent that is not achieved by Condition 14(a)(ii)) and (b) the substitution of references to the Former Residence with references to both the New Residence and Former Residence;

(iv) the Substituted Obligor and the Issuer have obtained all necessary governmental approvals and consents for such substitution and for the performance by the Substituted Obligor of its obligations under the Documents;

(v) the Documents may (at the option of the Issuer and the Substituted Obligor) contain such amendments to these Conditions that the Issuer and the Substituted Obligor may (in their sole discretion) determine are necessary solely for the purposes of ensuring that the Capital Securities would have been eligible to count as Additional Tier 1 Capital of the Substituted Obligor on a solo basis as well as the Group on a consolidated basis in accordance with the Capital Regulations as at the Issue Date (had the Substituted Obligor been the issuer of the Capital Securities at such time). Such amendments may include (without limitation) amendments to: (i) the operation of the Principal Write-down and Principal Write-up provisions in Condition 6, such that the definition of Group CET1 Ratio is amended so that the relevant ratio is calculated in relation to the Substituted Obligor on a solo basis and such ratio is taken into account for the purposes of determining whether a Trigger Event has occurred and for determining the applicable Write-down Amount and such that the unconsolidated net profit of the Substituted Obligor is taken into account for the purposes of calculating

the Maximum Write-up Amount (*provided always that* the additional Trigger Event shall be set at the lowest level permitted by the Capital Regulations at the Issue Date, being 5.125 per cent.); (ii) the definition and provisions relating to the Maximum Distributable Amount such that any applicable maximum distributable amount relating to the Substituted Obligor on a solo basis is taken into account; and (iii) (notwithstanding that such changes are not strictly necessary for ensuring that the Capital Securities would have counted as Additional Tier 1 Capital for the Substituted Obligor as described above) (x) the definition of "Capital Event" such that the references to "the Group" are amended to refer to "the Issuer and the Group" and (y) the governing law of Conditions 3 and 20 to the jurisdiction of incorporation of the Substituted Obligor;

(vi) legal opinions shall have been delivered to the Issuer (which legal opinions shall be made available by the Issuer to the holders of the Capital Securities for inspection upon request and on a non-reliance basis) from lawyers of recognised standing in the jurisdictions of incorporation of the Substituted Obligor, in England and in Ireland that the Capital Securities are legal, valid and binding obligations of the Substituted Obligor;

(vii) each stock exchange (including organised and regulated markets and multilateral trading facilities) on which the Capital Securities are listed with the Issuer's consent shall have confirmed that, following the proposed substitution of the Substituted Obligor, the Capital Securities will continue to be listed on such stock exchange(s);

(viii) if applicable, the Substituted Obligor has appointed a process agent as its agent in England to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Capital Securities; and

(ix) such substitution shall not result in any event or circumstances which at or around that time gives the Issuer or the Substituted Obligor a redemption right in respect of the Capital Securities.

(b) *Conditions to Substitution*

Any substitution pursuant to Condition 14(a) will be 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; 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 that the requirements set out in Condition 14(a) have been met.

(c) *Effect of substitution*

Upon every such substitution, the Substituted Obligor shall succeed to, and be substituted for, and may exercise every right and power of the Issuer under the Capital Securities and the Fiscal Agency Agreement with the same effect as if the Substituted Obligor had been named as the Issuer herein and therein, and the Issuer shall be released from its obligations under the Capital Securities and under the Fiscal Agency Agreement.

(d) *Further substitutions*

After a substitution pursuant to Condition 14(a) the Substituted Obligor may, without the consent of any holder of the Capital Securities, effect a further substitution. All the provisions specified in Conditions 14(a) and 14(b) shall apply *mutatis mutandis*, and references in these Conditions to the Issuer shall, where the context so requires, be deemed to be or include references to any such further Substituted Obligor.

(e) *Reversal of a substitution*

After a substitution pursuant to Condition 14(a) or Condition 14(d), any Substituted Obligor may, without the consent of any of the holders of the Capital Securities, reverse the substitution (and any changes made pursuant to Condition 14(a)(v)), *mutatis mutandis*.

(f) *Delivery of the Documents*

Copies of the Documents shall be delivered by the Issuer to, and kept by, the Fiscal Agent. Copies of the Documents will be available for inspection or collection free of charge during normal business hours at the specified office of each of the Paying Agents upon reasonable request or may be provided by email to a holder of the Capital Securities following their prior written request to any Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent).

(g) *Occurrence of a Trigger Event following notice of substitution*

If the Issuer has given a notice of substitution pursuant to Condition 14(a) and, after giving such notice but prior to the date of such substitution, a Trigger Event occurs, the Issuer shall:

(i) only be entitled to proceed with the proposed substitution provided that such substitution 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 17 specifying whether or not the proposed substitution will proceed and, if so, whether any amendments to the substance and/or timing of such substitution will be made.

If the Issuer determines that the proposed substitution will not proceed, the notice given in accordance with Condition 14(a) shall be rescinded and shall have no force and/or effect.

15. 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.

16. Further Issues

The Issuer may from time to time without the consent of the holders of the Capital Securities, but subject to any permission required from the Competent Authority, 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.

17. 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.

18. 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.

19. Governing Law and Jurisdiction

(a) *Governing Law*

The Capital Securities and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, save for Conditions 3 and 20 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 Law Debenture Corporate Services Limited of 8th Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

20. 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 20, includes each holder of a beneficial interest in the Capital Securities), each holder of Capital Securities by its subscription and/or purchase and holding 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 on a permanent basis;

(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 , in which case the holders of the Capital Securities agree to accept in lieu of its rights under the Capital Securities any such shares, securities or other obligations of the Issuer or another person;

(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, to give effect to the exercise of any Statutory Loss Absorption Powers by the Resolution Authority.

Upon the Issuer being informed and notified by the Resolution Authority of the actual exercise of any Statutory Loss Absorption Power with respect to the Capital Securities, the Issuer shall without delay notify the Fiscal Agent and the holders in accordance with Condition 17. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Statutory Loss Absorption Power nor the effects on the Capital Securities described in this Condition 20. The exercise of any Statutory Loss Absorption Power by the Resolution Authority shall not constitute an event of default.

Following the exercise of any Statutory Loss Absorption Power by the Resolution Authority, these Conditions shall continue to apply in relation to the Outstanding Principal Amounts, subject to any modification of the amount of interest payable to reflect the reduction of the Outstanding Principal Amounts, and any further modification of these Conditions that the Resolution Authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions, investment firms and/or members of the Group incorporated in the relevant member state of the European Union or, if appropriate, third country (not or no longer being a member state of the European Union).

Each holder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Statutory Loss Absorption Power to the Capital Securities.

21. 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).

"**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.

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in either case which is to be applied to the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Reference Rate, is formally recommended in relation to the replacement of the relevant Original Reference Rate with the relevant Successor Reference Rate by any Relevant Nominating Body; or

(ii) in the case of an Alternative Reference Rate or (where (i) above does not apply) in the case of a Successor Reference Rate, the relevant Independent Adviser or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the relevant Original Reference Rate, where such rate has been replaced by such Successor Reference Rate or such Alternative Reference Rate (as applicable); or

(iii) in the case of an Alternative Reference Rate (where (ii) above does not apply) or in the case of a Successor Reference Rate (where neither (i) nor (ii) above applies), the relevant Independent Adviser or the Issuer (as applicable) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Original Reference Rate, where such rate has been replaced by such Alternative Reference Rate or such Successor Reference Rate (as applicable).

If the relevant Independent Adviser or the Issuer (as applicable) determines that none of (i), (ii) and (iii) above applies, the Adjustment Spread shall be deemed to be zero.

An "**Alignment Event**" will be deemed to have occurred if, as a result of a change in or amendment to the Capital Regulations or interpretation thereof, at any time after the Issue Date, the Issuer would be able to issue a capital instrument qualifying as Additional Tier 1 Capital

that contains one or more provisions that are, in the reasonable opinion of the Issuer, different in any material respect from those contained in these Conditions.

"**Alternative Reference Rate**" means the rate that the relevant Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in respect of debt securities denominated in euro and of a comparable duration to the relevant Reset Interest Period, or in any case, if such Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as such Independent Adviser or the Issuer (as applicable) determines in its discretion is most comparable to the relevant Original Reference Rate.

"**AT1 Capital Liabilities**" means (i) any claims in respect of AT1 Loss Absorbing Instruments; and (ii) any other subordinated obligations which by law and/or by their terms, and to the extent permitted by the laws of the Republic of Ireland and the Capital Regulations, rank *pari passu* with the Issuer's obligations under the Capital Securities.

"**AT1 Discretionary Temporary Write-down Instruments**" means, at any time, any instrument (other than the Capital Securities and any Junior Liabilities) 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.

"**Benchmark Event**" means, with respect to an Original Reference Rate:

(i) such Original Reference Rate ceasing to be published for at least five Business Days or ceasing to exist or be administered; or

(ii) the later of (1) the making of a public statement by the administrator of such Original Reference Rate that it will, on or before a specified date, cease publishing such Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Original Reference Rate) and (2) the date falling six months prior to the specified date referred to in (ii)(1); or

(iii) the making of a public statement by the supervisor of the administrator of such Original Reference Rate that such Original Reference Rate has been permanently or indefinitely discontinued; or

(iv) the later of (1) the making of a public statement by the supervisor of the administrator of such Original Reference Rate that such Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (2) the date falling six months prior to the specified date referred to in (iv)(1); or

(v) the later of (1) the making of a public statement by the supervisor of the administrator of such Original Reference Rate that means such Original Reference Rate will be prohibited from being used on or before a specified date and (2) the date falling six months prior to the specified date referred to in (v)(1); or

(vi) it has or will prior to the next Reference Rate Determination Date become unlawful for the Issuer, the Fiscal Agent or any other responsible for calculating the Rate of Interest to calculate any payments due to be made to any holders using such Original Reference Rate; or

(vii) the later of (1) the making of a public statement by the supervisor of the administrator of such Original Reference Rate announcing that such Original Reference Rate will, on or before a specified date, no longer be representative of an underlying market or may, on or before a specified date, no longer be used and (2) the date falling six months prior to the specified date referred to in (vii)(1).

"**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 by Directive 2019/879/EU and as may be further amended or replaced from time to time.

"**Business Day**" means a day on which T2 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 20, 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 17 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 and/or the Group 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, the CRD IV Supplementing Regulation 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 (including by the CRD V Directive).

"**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).

"**CRD IV Supplementing Regulation**" means the Commission Delegated Regulation (EU No. 241/2014) of 7 January 2014 supplementing the CRR, as amended or replaced from time to time.

"**CRD V Directive**" Directive 2019/878/EU of the European Parliament and of the Council of 20 May 2019 amending CRD IV, as amended or replaced from time to time.

"**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 (including by CRR II).

"**CRR II**" means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019.

"**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**" shall have the meaning given to such term in the Capital Regulations.

"**Eligible Holding Company**" means a limited liability company incorporated in a member state of the European Economic Area: (a) that directly or indirectly, legally and/or beneficially

owns all of the ordinary shares of the Issuer; (b) that is consolidated with the Issuer in the consolidated financial statements prepared by the group of companies of which it and the Issuer are members; and (c) that is the parent financial holding company of the Issuer for the purposes of the CRR and is subject to supervision of the Competent Authority on a consolidated basis for the purposes of determining own funds requirements pursuant to the Capital Regulations.

"**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.

"**First Interest Payment Date**" means 21 December 2023.

"**First Reset Date**" means 21 December 2028.

"**Group**" means the Issuer and its Subsidiaries on a consolidated basis, where "on a consolidated basis" has the meaning assigned to such term in CRR as interpreted and applied in accordance with the Capital Regulations applicable from time to time.

"**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.

"**IA Determination Cut-off Date**" means the date that falls on the fifth Business Day prior to the Reference Rate Determination Date relating to the next succeeding Reset Interest Period.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense.

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

"**Initial Rate of Interest**" means 11.875 per cent. per annum.

"**Interest Amount per Calculation Amount**" means €59.375.

"**Interest Payment Date**" means 21 June and 21 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**" means 21 June 2023.

"**Issuer Determination Cut-off Date**" means the date that falls on the third Business Day prior to the Reference Rate Determination Date relating to the next succeeding Reset Interest Period.

"**Junior Liabilities**" 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 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 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 9.126 per cent.

"**Maximum Distributable Amount**" means any maximum distributable amount relating to the Group required to be calculated pursuant to Article 141(2) of the CRD IV Directive (or, as the case may be, any applicable provision of law transposing or implementing Article 141(2) of the CRD IV Directive), Article 16a of the BRRD or Article 10a of the SRM Regulation, or, as the case may be, any provision amending or replacing such Articles, or any equivalent requirement in the Capital Regulations to calculate a maximum distributable amount.

"**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).

"**Original Reference Rate**" means the 5-year Mid-Swap Rate (or any component part thereof) (provided that if, following one or more Benchmark Events, the 5-year Mid-Swap Rate (or relevant component part thereof) (or, in either case, any Successor Reference Rate or Alternative Reference Rate which has replaced it) has been replaced by a (or a further) Successor Reference Rate or Alternative Reference Rate and a Benchmark Event subsequently occurs in respect of such Successor Reference Rate or Alternative Reference Rate, the term "Original Reference Rate" shall include any such Successor Reference Rate or Alternative Reference Rate).

"**Optional Redemption Date**" means (i) any day from and including 21 June 2028 to and including the First Reset Date and (ii) each Interest Payment Date thereafter.

"**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 20, 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.

"**Recognised Stock Exchange**" means: (i) the Irish Stock Exchange; or (ii) a stock exchange located in a jurisdiction outside of Ireland, which is recognised by the appropriate regulatory authorities in the relevant jurisdiction and which has substantially the same level of recognition in the relevant jurisdiction as the Irish Stock Exchange has in Ireland.

"**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 21 June and 21 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 Nominating Body**" means, in respect of an Original Reference Rate:

(i) the central bank for the currency to which such Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of such Original Reference Rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which such Original Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of such Original Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof.

"**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 resolution authority of the Republic of Cyprus, the Single Resolution Board, and/or any other entity or entities entitled to exercise or participate in the exercise of any Statutory Loss Absorption Powers in relation to the Issuer, the Bank and/or the Group.

"**Reset Date**" means the First Reset 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 Reset 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 obtained from the Reference Banks and provided to the Fiscal Agent by 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 Reset 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 Reset Date, the last observable rate for annual euro swaps with a term of five years which appears on the Screen Page.

"**Reset Reference Banks**" means five leading swap dealers in the interbank market selected by the Issuer in its discretion.

"**Screen Page**" means Reuters Screen "ICESWAP2" or such other page displaying the relevant information as may replace it on Reuters or, as the case may be, on such other information service that displays rates comparable to the 5-year Mid-Swap Rate, 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.

"**Senior Creditors (to Additional Tier 1 Capital)**" means (i) any unsubordinated creditors of the Issuer; (ii) any obligations of the Issuer not qualifying as Additional Tier 1 Capital 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 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.

"**Solvency Condition**" has the meaning given to such term in Condition 3(a)(i).

"**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.

"**SRM Regulation**" means Regulation (EU) No 806/2014 of the European Parliament and Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended or replaced from time to time.

"**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 (including, without limitation, Article 48 thereof) in each case as amended or replaced from time to time 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.

"**Successor in Business**" means, in relation to the Issuer, any entity which acquires in any manner all or substantially all the undertaking, property and/or assets of the Issuer or carries on as a successor to the Issuer the whole or substantially the whole of the business carried on by the Issuer prior thereto.

"**Successor Reference Rate**" means the rate that the relevant Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the relevant Original Reference Rate which is formally recommended by any Relevant Nominating Body.

"**T2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer System or any successor or replacement for that system.

"**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, the Competent Authority or any agent of the Competent Authority appointed for such purpose by 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.

"**U.S. Internal Revenue Code**" means the U.S. Internal Revenue Code of 1986.

"**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.

SUMMARY OF THE CAPITAL SECURITIES IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Fiscal Agency Agreement and in the Global Certificate which will apply to, and in some cases modify the effect of, the Conditions while the Capital Securities are represented by the Global Certificate.

Global Certificates

The Capital Securities will, upon issue, be represented by a Global Certificate which will be registered in the name of a nominee for, and deposited with, a common depositary (the "**Registered Holder**") for Euroclear and Clearstream.

Payments

Payments in respect of Capital Securities represented by the Global Certificate will be made to or to the order of the Registered Holder. The Registered Holder shall be the only person entitled to receive payments in respect of the Capital Securities whilst represented by the Global Certificate and the Issuer's obligations in respect of any payment on or in respect of the Capital Securities will be discharged by payment to, or to the order of, the Registered Holder in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream as the beneficial holder of a particular principal amount of Capital Securities represented by the Global Certificate must look solely to Euroclear or Clearstream, as the case may be, for its share of each payment so made by the Issuer to, or to the order of, the Registered Holder.

Record Date

With respect to payments of Capital Securities represented by the Global Certificate held on behalf of Euroclear and Clearstream, the Record Date shall be determined in accordance with Condition 9(b) (*Payments – Payments of Interest*) save that the reference therein to "fifteenth day" shall be construed as a reference to the "fifteenth Clearing System Business Day". "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Calculation of interest

Notwithstanding Condition 4(f) (*Interest and other Calculations – Calculation of amount of interest per Calculation Amount*), for so long as all of the Capital Securities are represented by the Global Certificate, the amount of interest payable (subject to cancellation as provided in the Conditions) on each Interest Payment Date or other date will be calculated by reference to the aggregate Outstanding Principal Amount of Capital Securities represented by the Global Certificate and not per Calculation Amount.

Transfers of Capital Securities represented by Global Certificates

Transfers of the holding of Capital Securities represented by the Global Certificate pursuant to Condition 2(a) may only be made in part:

(a) if the Capital Securities represented by such Global Certificate are held on behalf of Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(b) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (a) above, the holder of the Capital Securities represented by such Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. Where the holding of Capital Securities represented by such Global Certificate is only transferable in its entirety, the Certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, Certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Euroclear and/or an Alternative Clearing System.

Exchange for Individual Certificates

(a) The Global Certificate will be exchanged in whole (but not in part) for duly authenticated and completed individual certificates ("**Individual Certificates**") in substantially the form (subject to completion) set out in Schedule 2 to the Fiscal Agency Agreement if Euroclear or Clearstream or any other Alternative Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

(b) Such exchange shall be effected in accordance with the below paragraph entitled '*Delivery of Individual Certificates*'. The Issuer shall notify the Holder of the occurrence of any of the events specified in paragraph (a) above as soon as practicable after

Failure to deliver Individual Certificates or to pay

If:

(a) Individual Certificates have not been issued and delivered by 5:00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the below paragraph entitled '*Delivery of Individual Certificates*'; or

(b) any of the Capital Securities evidenced by the Global Certificate have become due and payable in accordance with the Conditions or the date for final redemption of the Capital Securities has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the Holder on the due date for payment in accordance with the terms of the Global Certificate and the Conditions,

then the Global Certificate (including the obligation to deliver Individual Certificates) will become void at 5:00 p.m. (London time) on such thirtieth day (in the case of paragraph (a) above) or at 5:00 p.m. (London time) on such due date (in the case of paragraph (b) above) and the Holder will have no further rights hereunder, but without prejudice to the rights which the Holder or others may have under the Deed of Covenant.

Delivery of Individual Certificates

Whenever the Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates shall be issued in an aggregate principal amount equal to the principal amount of such Global Certificate within five business days of the delivery, by or on behalf of the Holder, Euroclear, Clearstream or any other Alternative Clearing System, to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each person's holding) against the surrender of such Global Certificate at the specified office of the Fiscal Agent. Such exchange shall be effected in accordance with the provisions of the Fiscal Agency Agreement and the regulations concerning the transfer and registration of Capital Securities schedule thereto and, in particular, shall be effected without charge to any Holder, but against such

indemnity as the Fiscal Agent and the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city in which the Fiscal Agent has its specified office.

Principal Write-down and Principal Write-up

For so long as all of the Capital Securities are represented by the Global Certificate and such Global Certificate is registered in the name of the Registered Holder as nominee of a common depositary for Euroclear or Clearstream or any Alternative Clearing System, any Principal Write-down of the Capital Securities will be effected in Euroclear, Clearstream and any such Alternative Clearing System in accordance with their respective operating procedures (which, as at the date of this Offering Circular, would be by way of a reduction in the pool factor) and any Principal Write-up in respect of the Capital Securities will be effected in Euroclear, Clearstream and any such Alternative Clearing System in accordance with their respective operating procedures (which, as at the date of this Offering Circular, would be by way of an increase in the pool factor).

The amount of such Principal Write-down or Principal Write-up will also be endorsed by or on behalf of the Registrar on the Register.

Notwithstanding Conditions 6(a)(iv) (*Principal Write-down and Principal Write-up – Principal Write-down*) and 6(b)(i) (*Principal Write-down and Principal Write-up – Principal Write-up*), for so long as all of the Capital Securities are represented by the Global Certificate, the amount of any Principal Write-down or Principal Write-up will be calculated by reference to the aggregate Outstanding Principal Amount of Capital Securities represented by the Global Certificate and not per Calculation Amount.

Notices

Notwithstanding Condition 17, so long as the Global Certificate is held on behalf of Euroclear, Cleastream or any Alternative Clearing System, any notice to the holders of the Capital Securities shall be validly given by delivery of the relevant notice to Euroclear or Clearstream (as the case may be), and, in any case, such notices shall be deemed to have been given to the holders on the date of delivery to Euroclear or Clearsteam, *except that* for so long as the Capital Securities are listed and/or admitted to trading on any stock exchange and the rules of such stock exchange so require, such notice shall also be given in a manner which is required or permitted (as the case may be) under the rules of such stock exchange or other relevant authority (which, in the case of the Euro MTF Market, shall be by publication on the website of the Luxembourg Stock Exchange (*www.luxse.com*)).

Meetings

For the purposes of any meeting of Holders, the holder of the Capital Securities represented by the Global Certificate shall (unless such Global Certificate represents only one Capital Security) be treated as two persons for the purposes of any quorum requirements of a meeting of Holders and as being entitled to one vote in respect of each integral currency unit of the Capital Securities.

Electronic Consent and Written Resolution

While the Global Certificate is registered in the name of any nominee of a clearing system, then:

(i) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate principal amount of the Capital Securities outstanding (an "**Electronic Consent**" as defined in the Fiscal Agency Agreement) shall, for all purposes

(including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting), take effect as an Extraordinary Resolution passed at a meeting of holders duly convened and held, and shall be binding on all holders whether or not they participated in such electronic consent; and

(ii) where Electronic Consent is not being sought, for the purposes of determining whether a Written Resolution (as defined in the Fiscal Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by accountholders in the relevant clearing system(s) with entitlements to such Global Certificate and/or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such consent or instruction. Any resolution passed in such manner shall be binding on all holders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "**commercially reasonable evidence**" includes any certificate or other document issued by Euroclear, Clearstream or any other relevant clearing system, and/or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Capital Securities. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Capital Securities is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

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.

DESCRIPTION OF THE GROUP

The Issuer

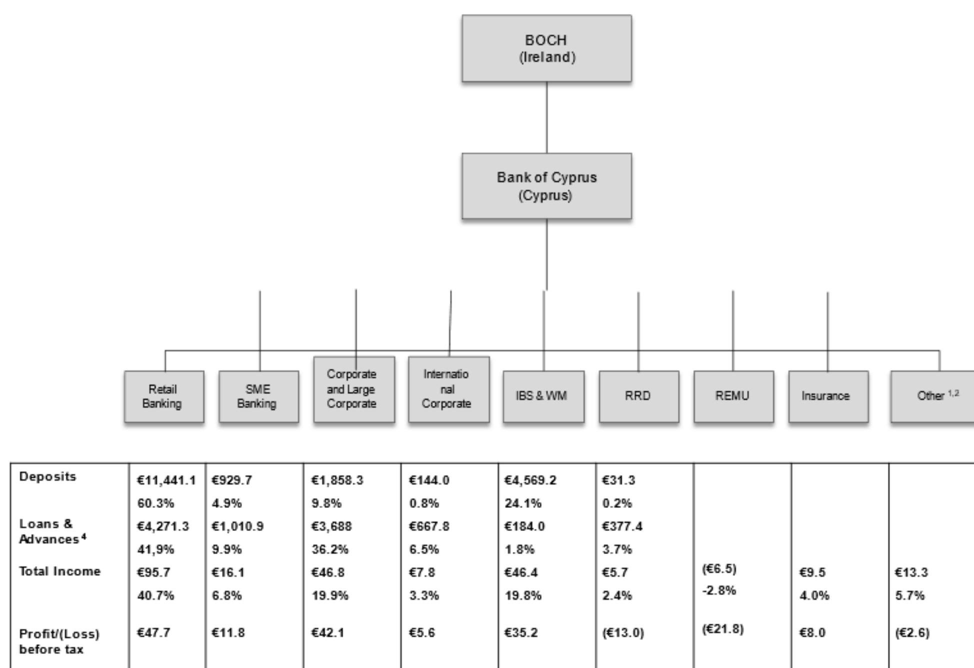
The Issuer was incorporated in Ireland on 11 July 2016, as a public limited company, under the Companies Act with registered number 585903. The registered office of The Issuer is located at 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland. The Issuer is tax resident in Cyprus.

On 18 January 2017, the Issuer became the holding company of the Group. The Issuer is listed on the standard segment of the London Stock Exchange plc's Main Market for listed securities and on the Main Market of the Cyprus Stock Exchange.

The Bank

The Bank is a public company limited by shares incorporated on 31 December 1943 with registered number HE 165 and was the holding company of the Group until 18 January 2017 when it became a wholly-owned subsidiary of the Issuer. The principal legislation under which the Bank operates is the Cyprus Companies Law, Cap 113 (as amended from time to time), and the Business of Credit Institutions Law 66(I)/1997 (the "**Banking Law**"). The registered office of the Bank is located at the Group headquarters at 51 Stassinou Street, Ayia Paraskevi, Strovolos, 2002 Nicosia, Cyprus. As at 31 March 2023, the Bank's issued share capital comprised 9,597,944,533 fully paid-up ordinary shares of a nominal value of €0.10 each, 9,597,944,527 of which are held by the Issuer, with the balance of six shares being held by various nominee entities.

The general structure of the Group as at 31 March 2023 is as shown below:



	Retail Banking	SME Banking	Corporate and Large Corporate	International Corporate	IBS & WM	RRD	REMU	Insurance	Other [1,2]
Deposits	€11,441.1	€929.7	€1,858.3	€144.0	€4,569.2	€31.3			
	60.3%	4.9%	9.8%	0.8%	24.1%	0.2%			
Loans & Advances [4]	€4,271.3	€1,010.9	€3,688	€667.8	€184.0	€377.4			
	41,9%	9.9%	36.2%	6.5%	1.8%	3.7%			
Total Income	€95.7	€16.1	€46.8	€7.8	€46.4	€5.7	(€6.5)	€9.5	€13.3
	40.7%	6.8%	19.9%	3.3%	19.8%	2.4%	-2.8%	4.0%	5.7%
Profit/(Loss) before tax	€47.7	€11.8	€42.1	€5.6	€35.2	(€13.0)	(€21.8)	€8.0	(€2.6)

Notes:

1 EUR figures are given to the million Euro.

2 Includes central functions of the Bank (such as finance, risk management, compliance, legal, corporate affairs and human resources) and overseas activities of the Group.

3 Loans and advances to customers after residual fair value adjustment on initial recognition

Overview of the Group

The Group is a leading full-service banking and financial services group in Cyprus. The Group provides a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and non-life insurance as well as the management and disposal of property predominantly acquired in exchange of debt. As at 31 March 2023, based on the Central Bank of Cyprus's ("**CBC**") data, the Bank was the largest bank in Cyprus based on loans and deposits market shares, with a market share of loans of 42.4 per cent. and a market share of deposits of 37.3 per cent.. The Group operates, as at the date of this Offering Circular, primarily through its 60 branches, 4 cash offices and 17 unmanned branches in Cyprus. The Group also provides 24-hour online, mobile and telephone banking to its customers. As at 31 March 2023, the Group employed 2,833 staff worldwide.

The Group's total income for the year ended 31 December 2022 and the three months ended 31 March 2023 was €0.7 billion and €0.2 billion, respectively. As at 31 March 2023, the Group's total assets, total liabilities and total equity were €25.4 billion (compared to €25.3 billion as at 31 December 2022 (as restated) and €24.8 billion as at 1 January 2022 (as restated)), €23.2 billion (compared to €23.2 billion as at 31 December 2022 (as restated) and €22.8 billion as at 1 January 2022 (as restated)) and €2.2 billion (compared to €2.1 billion as at 31 December 2022 (as restated) and €2.0 billion as at 1 January 2022 (as restated)), respectively. As the largest deposit-taking institution and provider of loans in Cyprus, the Group's assets are mostly comprised of loans to businesses and households in Cyprus. As

at 31 March 2023, gross loans[9] managed in Cyprus amounted to €10.0 billion, being 100 per cent. of total gross loans and advances to customers.

Gross loans and advances to customers analysis by business line

The following tables summarise the Group's gross loans and advances to customers measured at amortised cost and the Group's gross loans and advances to customers classified as held for sale, after residual fair value adjustments on initial recognition by business line under which its customers are managed, in each case as at the dates indicated:

	31 March (unaudited)	31 December (audited)	
	2023	2022	2021 (restated)[10]
Gross loans and advances to customers at amortised cost by business line	**(€'000)**	**(€'000)**	**(€'000)**
Corporate and Large Corporate	3,475,570	3,398,787	3,360,059
International Corporate	667,801	685,308	637,943
SMEs	1,010,877	1,028,611	1,050,334
Retail			
— housing..	3,354,513	3,330,634	3,151,266
— consumer, credit cards and other	916,793	887,896	888,687
Restructuring			
— corporate	56,651	67,952	62,217
— SMEs..	41,734	49,001	70,179
— retail housing	71,330	72,633	85,084
— retail other..	24,785	24,343	32,998
Recoveries			
— corporate	17,608	19,719	36,074
— SMEs..	33,586	31,705	39,317
— retail housing	99,925	102,995	183,119
— retail other..	31,740	33,630	62,210
International banking services	137,048	137,874	135,918
Wealth management	46,943	46,247	45,130
Total	**9,986,904**	**9,917,335**	**9,840,535**

As at 31 March 2023 and 31 December 2022 the Group did not have any loans classified as held for sale. As at 31 December 2021 the Group had gross loans classified as held for sale amounting to €556 million, which related to the sale of portfolios of loans, which related to Project Sinope and Project Helix 3 (each such term, as defined in the Announcement of the Group Financial Results for the quarter

[9] Gross loans are comprised of: (i) gross loans and advances to customers measured at amortised cost after the residual fair value adjustment on initial recognition (including loans and advances to customers classified as non-current assets held for sale where applicable) and (ii) loans and advances to customers classified and measured at fair value through profit or loss adjusted for the aggregate fair value adjustment.

[10] 2021 comparative information was restated to account for the change to the presentation of segmental analysis effected in 2022. Following an internal re-organisation of the Large Corporate and the International Corporate business lines, which were previously reported together as one business line, Global Corporate has been separated and Large Corporate is presented and monitored together with Corporate.

ended 31 March 2023, incorporated by reference in this Offering Circular) which were completed in August 2022 and November 2022 respectively.

Additionally, total gross loans include loans and advances to customers classified and measured at fair value through profit or loss adjusted for the aggregate fair value adjustment of €208 million as at 31 March 2023.

Customer deposits

Customer deposits remain the Group's primary source of funding. Customer deposits accounted for 74.7 per cent. of total assets and 81.6 per cent. of total liabilities as at 31 March 2023.

Customer deposits are mainly retail-funded (circa 60 per cent.) with the average size of retail deposits being circa €27,000 as at 31 March 2023. Almost 60 per cent. of deposits are protected under the deposit guarantee scheme as at 31 March 2023.

The following tables summarise the Group's customer deposits by type at the dates indicated:

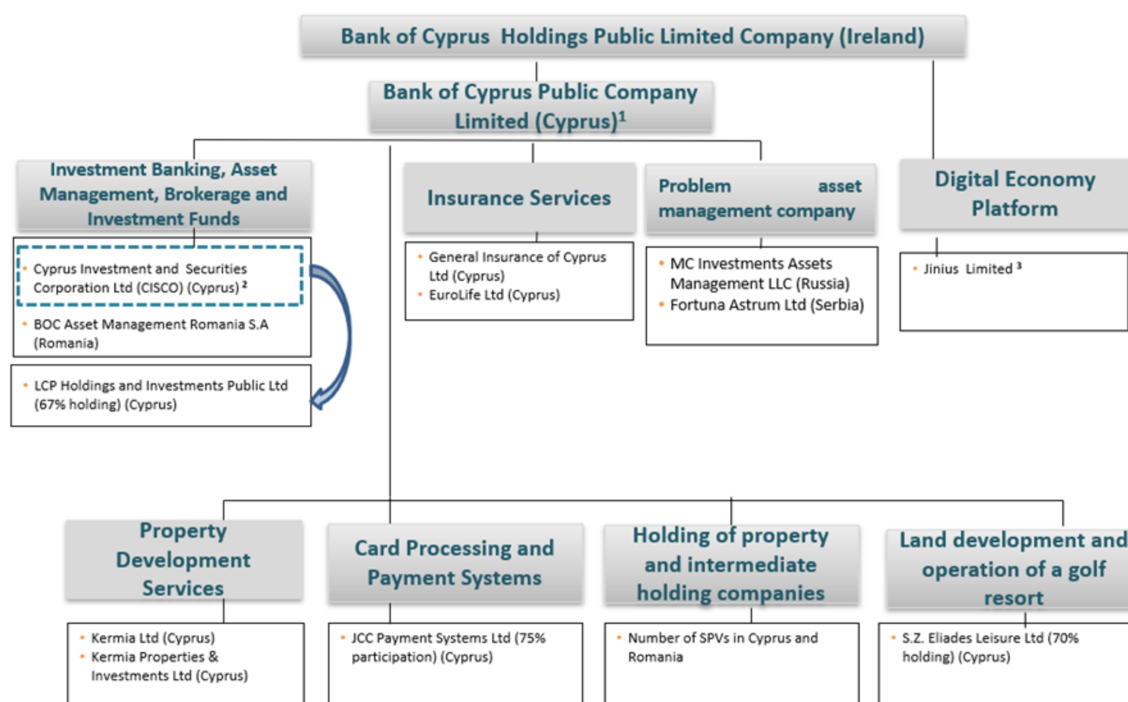
	31 March (unaudited)	**31 December (audited)**	
	2023	**2022**	**2021**
	(€'000)	**(€'000)**	**(€'000)**
Customer deposits			
By type of deposit			
Demand	10,398,586	10,561,724	9,221,791
Savings	2,888,682	2,840,346	2,423,086
Time or notice	5,686,321	5,596,249	5,886,006
Total	**18,973,589**	**18,998,319**	**17,530,883**

Competitive Strengths and Strategies

Please refer to the sections entitled "*Operating Environment*", "*Business Overview*" and "*Strategy and Outlook*" within the Announcement of the Group Financial Results for the quarter ended 31 March 2023, which is incorporated by reference in this Offering Circular and within the sections entitled "*Operating Environment*", "*Business Overview*" and "*Strategy and Outlook*" within the Directors' Report in the Group Annual Financial Report 2022, which is incorporated by reference in this Offering Circular**.**

Group Legal and Organisational Structure

The structure chart below sets out the key operating subsidiaries of the Group as at 31 March 2023:



[1]All subsidiaries mentioned above are 100% unless otherwise stated.
[2] Indirect shareholding in LCP Holdings and Investment Public Limited. In February 2023 the Group proceeded with a restructuring of its investment banking and brokerage activities through the absorption by CISCO of BOC Asset Management Ltd's activities. BOC Asset Management Ltd was subsequently dissolved.
[3] This subsidiary was inactive as at 31 March 2023

BUSINESS LINES

As at 31 March 2023, the Business Banking Division is comprised of six sub-divisions: Retail, SME, Corporate and Large Corporate, International Banking Services, International Corporate (including Shipping Finance) and Wealth Management.

Following an internal re-organisation in the fourth quarter of 2022, the Large Corporate and the International Corporate business lines, which were previously reported together as one business line (namely, Global Corporate), were separated; Large Corporate is now presented and monitored together with Corporate (namely, Corporate and Large Corporate Banking).

Retail Banking

As at 31 March 2023, the Retail Banking division ("**Retail Banking**") had approximately 652,000 natural person customers and 36,000 legal entity customers representing the largest single customer segment for the Bank. These customers are serviced by a network of retail branches situated in key towns and regions of Cyprus and digitally, via the Bank's online service or the Bank's mobile app.

As at 31 March 2023, Retail Banking accounted for deposits of €11.4 billion, comprising 60.3 per cent. of the Group's total deposits, providing a significant source of funding and liquidity for the Group. Retail Banking accounted for gross loans and advances to customers of €4.3 billion, which comprised 41.9 per cent. of the Group's total gross loans (as defined above in footnote 9). As at 31 March 2023, Retail Banking contributed 40.7 per cent. (compared to 26.1 per cent. as at 31 March 2022) of the Group's total revenue, 83.7 per cent. of which was comprised of net interest income on loans and

advances to customers (compared to 59.1 per cent. as at 31 March 2022). Retail Banking accounted for 49.4 per cent. of the Group's net interest income and 33.8 per cent. of the Group's total net fee and commission income as at 31 March 2023 (compared to 29.1 per cent. and 31.5 per cent., respectively, as at 31 March 2022).

Through Retail Banking, the Bank offers a wide range of traditional and online consumer products and services to its customers in Cyprus, including various types of accounts, overdraft facilities, loans (mortgages, student loans, personal loans and business loans, including environmentally friendly housing/business renovation and energy loans), hire purchase financing services (primarily for new and used cars, including environmentally friendly car hire purchase), finance cards (including credit, debit and prepaid cards), e-loans and mobile banking facilities.

Most of the Bank's consumer lending takes the form of mortgage loans, overdraft facilities and credit cards to which predetermined credit limits apply, personal loans and hire purchase financing facilities.

As at 31 March 2023, mortgage loans represented 78.5 per cent. of Retail Banking's loans and advances to customers.

SME Banking

As at 31 March 2023, the SME banking division ("**SME Banking**") had approximately 9,500 customers serviced by a network of 9 dedicated SME business centres in key Cypriot towns.

As at 31 March 2023, SME Banking accounted for deposits of €0.9 billion, which represented 4.9 per cent. of the Group's total deposits and for gross loans and advances to customers of €1 billion, which comprised 9.9 per cent. of the Group's total gross loans (as defined above in footnote 9). As at 31 March 2023, SME Banking contributed 6.8 per cent. (compared to 7.2 per cent. as at 31 March 2022) of the Group's total revenue, 83.2 per cent. of which was comprised of net interest income on loans and advances to customers (compared to 74.0 per cent. as at 31 March 2022). SME Banking accounted for 8.2 per cent. of the Group's net interest income and 6.0 per cent. of the Group's total net fee and commission income as at 31 March 2023 (compared to 10.0 per cent. and 5.9 per cent., respectively, as at 31 March 2022).

The Bank offers SMEs a range of services and products, including overdraft facilities, fixed maturity loans, invoice discounting and bills discounting, stock financing, domestic factoring and import and export factoring, trade finance, hire purchase financing and leasing, deposit accounts, savings accounts, notice accounts and spot and forward contracts in foreign exchange. The Bank also provides letters of credit and letters of guarantee.

Most of the Bank's SME lending takes the form of secured loans and overdraft accounts with pre-agreed and approved credit limits.

The Bank also assists its SME customers on their financial business planning, taking into account their banking activity, financial performance ratios and prospects both on a one-to-one basis and as a group. The Bank participates in initiatives to encourage lending to SMEs and was the first bank in Cyprus to partner with national and supra-national organisations to provide financing to SMEs, such as the European Investment Fund, the European Investment Bank ("**EIB**") and the Cyprus Entrepreneurship Fund.

Corporate and Large Corporate Banking

As at 31 March 2023, the Corporate and Large Corporate Banking division of the Bank ("**Corporate Banking**") served approximately 400 corporate groups comprising over 2500 companies. Corporate Banking operates through dedicated domestic Corporate Banking centres and a factoring services unit.

As at 31 March 2023, the Corporate Banking division accounted for deposits of €1.9 billion, which represented 9.8 per cent. of the Group's total deposits and for gross loans and advances to customers of 3.7 billion (of which €3.5 billion comprised loans and advances to customers at amortised cost and €0.2 billion loans and advances to customers at fair value through profit or loss adjusted for the aggregate fair value adjustment), which represented 36.2 per cent. of the Group's total gross loans (as defined above in footnote 9). As at 31 March 2023, Corporate Banking contributed 19.9 per cent. (compared to 22.4 per cent. as at 31 March 2022) of the Group's total revenue, 86.6 per cent. of which was comprised of net interest income on loans and advances to customers (compared to 80.5 per cent. as at 31 March 2022). Corporate Banking accounted for 25.0 per cent. of the Group's net interest income and 12.4 per cent. of the Group's total net fee and commission income as at 31 March 2023 (compared to 34.1 per cent. and 12.6 per cent., respectively, as at 31 March 2022).

The Bank offers corporate customers a wide range of products and services, including overdraft facilities, factoring services, term loans, asset finance or hire purchase facilities, project financing, savings accounts, notice accounts, sight accounts, fixed term deposits, trade financing products (such as short-term import finance), letters of guarantee, documentary credits, bills for collection, negotiation of foreign bills, spot and forward contracts in foreign exchange, together with The Cyprus Investment and Securities Corporation Limited ("**CISCO**") corporate finance advisory services and cash management services.

Most of the Bank's corporate lending takes the form of interest-bearing secured loans with rates which vary according to each customer's credit risk profile. Maturities of corporate loans in the Bank's portfolio typically range from a period of less than one year to fifteen years depending on the nature and purpose of the facility. In general, security is required in the form of fixed or floating charges on the assets of the borrower, mortgages over real property, pledges of shares, cash collateral and personal and/or corporate guarantees.

International Banking Services (IB)

International Banking Services ("**IBs**") specialises in the offering of banking services in Cyprus to the international corporate and non-resident individual customers of the Bank, particularly international business companies whose ownership and business activities lie outside of Cyprus. Facing challenges unique from those faced by Retail Banking, SME Banking and Corporate Banking, IBs have focused on providing efficient transaction services and customer service in order to increase customer retention and fee income. As part of the wider drive by the Bank to maintain corporate governance standards and the nature of IB's business with international customers, IBs have a dedicated anti-money laundering ("**AML**") quality and control department in order to enhance "know-your-customer" and other compliance procedures and controls.

IBs operates 12 international business units in Cyprus, as at 31 March 2023. IBs also currently manages the Group's four representative offices outside of Cyprus (two in Russia and one in each of Ukraine and China), which support business relations through marketing activities and provision of information about Cyprus and the Bank. The Group is currently in the process of closing its representative offices in Russia and China. The Bank has long-standing arrangements with Business Professionals who are an important source of customer referrals for IBs.

IBs is a significant source of funding and liquidity for the Group, and the majority of deposits originated through IBs have been from entities and individuals residing in Cyprus and Greece. As at 31 March 2023, IB accounted for deposits of €4 billion, which represented 20.9 per cent. of the Group's total deposits and for gross loans and advances to customers of €0.1 billion, representing 1.3 per cent. of the Group's total gross loans (as defined above in footnote 9).

IB's revenue is derived primarily from fee and commission income generated from international payments, account maintenance fees, foreign exchange transactions and card-related transactions, as

well as interest income. As at 31 March 2023, IBs contributed 17.5 per cent. (compared to 12.2 per cent. as at 31 March 2022) of the Group's total revenue, 31.5 per cent. of which was comprised of net fee and commission income and 65.2 per cent. of which was comprised of net interest income (compared to 78.3 per cent. and 12.2 per cent., respectively, as at 31 March 2022). IB accounted for 29.4 per cent. of the Group's total net fee and commission income and 16.6 per cent. of the Group's net interest income as at 31 March 2023 (compared to 29.5 per cent. and 2.8 per cent., respectively, as at 31 March 2022).

Wealth Management

The Wealth Management division's goal is to holistically serve the banking, investment, insurance and lending needs of the affluent and high-net-worth clients of the Group. It leverages the Group's extensive customer network to expand investment related products among the Bank's customers and to seek out potential new customers. Wealth Services assets under management include customer deposits and investable assets of the customers which are under execution, advisory or discretionary management. Income is derived from fees and commissions from the provision of investment products and services, the provision of foreign exchange services, as well as interest income from deposits and advances. Services provided by the Wealth Services division are managed by two different entities: the Wealth Management department of the Bank and one wholly owned subsidiary, CISCO (CIF License No. (003/03)). Wealth Management oversees the provision of institutional wealth custody and depositary, private banking and affluent banking services to institutional and private individuals (directly or through personal legal structures), that are clients of the Bank, and CISCO provides brokerage and investment banking services. Until recently, BOC Asset Management ("**BOCAM**"), a wholly owned subsidiary of CISCO, was responsible for discretionary portfolio management for Institutional and Private Clients, the management of alternative investment funds, the investment advisory services for institutional clients and fund hosting services. BOCAM and CISCO merged in February 2023, and as result of the said merger, CISCO has assumed the aforementioned responsibilities, to the extent such are covered by its license.

Private Banking

The Private Banking unit serves the banking, lending, investment and insurance needs of high-net-worth individuals and their families. The unit offers investment services through execution, advisory and discretionary portfolios (such services provided through CISCO). Private Banking clients receive enhanced services from their dedicated private banker that acts as a liaison with all the other departments within the bank to ensure that the client receives the best possible product offerings and service. The unit takes a holistic approach to financial planning, focusing on its clients' individual circumstances to create a bespoke plan suitable for their needs and profile. Tailored financial planning helps the clients of the unit to look forward with confidence. Regardless of the clients' stage in life, growing and preserving their wealth is the unit's main ongoing priority.

Affluent Banking

The Affluent Banking unit serves to educate, build relationships and expand banking, insurance and investment products and services to its client base. Its clients receive the dedicated attention of their own affluent banker backed by an experienced team of investment and wealth management professionals, focused on protecting, managing, and growing their wealth. The affluent bankers follow a proactive communication approach and aim for prompt feedback to requests ensuring top quality of service to their clients. The unit offers investment services through execution, advisory and discretionary portfolios (the latter through CISCO). The unit caters to many clients on a personal need approach.

Institutional Wealth & Custody/Depositary

The Institutional Wealth & Custody unit provides execution, custody and depositary services to institutional investors such as Cyprus investment firms, family offices, pension and provident funds, semi-governmental organisations and collective investment schemes ("**CIS**"), through tailor-made solutions and practices. The unit also offers depositary services to UCIs such as UCITS and alternative investment funds, carrying out the duties of cash monitoring, safekeeping of financial instruments and other assets and oversight of the CIS on key processes.

The Cyprus Investment and Securities Corporation Limited

CISCO (CIF License No. (003/03)) was established in 1982 by the International Finance Corporation of the World Bank and Cyprus Development Bank as the first investment and securities house in Cyprus. Since 1988, CISCO has been a wholly owned subsidiary of the Group. CISCO provides a range of specialised financial services encompassing investment banking, brokerage services, investment advisory services and fund hosting services. CISCO is regulated by CySEC as a Cyprus Investment Firm and is a member of the CSE and a remote member of the Athens Stock Exchange. CISCO held approximately 30.6 per cent. (without pre-agreed package trades) market share of brokerage activities on the CSE in 2022.

International Corporate (including Shipping Finance)

As at 31 March 2023, International Corporate accounted for deposits of €0.1 billion, representing 0.8 per cent. of the Group's total deposits and for gross loans and advances to customers of €0.7 billion, which represented 6.5 per cent. of the Group's total gross loans . As at 31 March 2023, International Corporate contributed 3.3 per cent. (compared to 3.6 per cent. as at 31 March 2022) of the Group's total revenue, 95.8 per cent. of which was comprised of net interest income on loans and advances to customers (compared to 90.8 per cent. as at 31 March 2022). International Corporate accounted for 4.6 per cent. of the Group's net interest income and 0.6 per cent. of the Group's total net fee and commission income as at 31 March 2023 (compared to 6.1 per cent. and 0.9 per cent., respectively, as at 31 March 2022).

Below is a description of the sub-divisions comprising International Corporate.

International Corporate Banking

The International Corporate Banking sub-division ("**ICB**") supports large Cypriot and international groups, preferably operating from Cyprus, in their expansion overseas. It provides financing from Cyprus in respect of projects based overseas and accepts collateral both in Cyprus and overseas (the main focus overseas being Greece and the United Kingdom) in relation to such financing. ICB specialises in large international cross border and multi-jurisdictional transactions utilising the expertise of its team and the complete range of financial services and products offered by the Bank. It provides diversification to the Group, both in terms of risk and income as well as geography and sector while helping to expand the Group's customer base. Additionally, it provides support and works closely with project finance and loan syndication teams, to add value to the customers and the Group.

Project Finance & Loan Syndication

Project Finance & Loan Syndication was established in February 2018, and from October 2022 is part of IB. The Syndication Department mandate is to act as arranger or participant in local syndicated loan transactions and to develop and monitor participations in large international loan syndication transactions arranged by international banks with a geographic emphasis in Europe, the Middle East and Africa.

Shipping Center

In September 2017, the Group launched a new Shipping Center, based in Limassol. From October 2022 it is part of International Banking. The Shipping Center aims to develop relationships with selected Cypriot and Greek shipping companies, with a focus on the provision of shipping financing for ocean-going cargo vessels. As at 31 March 2023, the gross book value of the shipping finance portfolio stood at €0.2 billion (USD 0.2 billion). Recognising the needs of the shipping community and opportunities for synergies, the Shipping Center aims to promote ancillary business opportunities within the Bank and offers a complete range of services to its clients, including operational banking, hedging and market solutions, wealth management and private banking services.

Insurance Operations

The Group provides insurance services through two wholly-owned subsidiaries, EuroLife and Genikes Insurance. As at 31 March 2023, insurance services accounted for 4.0 per cent. of the Group's total revenue.

EuroLife and Genikes Insurance are leaders in Cyprus in the life insurance and non-life insurance sectors, respectively. According to the Insurance Association of Cyprus, EuroLife generated 28.9 per cent. of total life premiums generated, ranking first in the life insurance market in Cyprus in 2022 and Genikes Insurance ranked second with a 13.7 per cent. market share of premiums generated in the non-life insurance market in Cyprus in 2022.

EuroLife and Genikes Insurance leverage the extensive branch network and customer base of the Bank to promote insurance products and services with a focus on high quality of service and on maintaining margins in the competitive market through sound underwriting and claims-handling. In addition, they aim to increase market share through a wider product and service offering.

EuroLife - Life Insurance

EuroLife offers a range of unit-linked protection and savings products as well as a number of supplementary benefits including disability and critical illness cover. EuroLife distributes its products through a network of tied agents and through the Bank's branch network.

Following the sale of the Group's Greek banking operations to Piraeus Bank in 2013, and the transfer of the branch's portfolio in 2020, the branch remains dormant.

Genikes Insurance - Non-life Insurance

Genikes Insurance offers insurance cover under the primary non-life insurance business classes. Genikes Insurance offers its products through the Bank's branch network, by direct channels, digital channels and through agents.

Following the sale of the Group's Greek banking operations to Piraeus Bank in 2013, Genikes Insurance's branch in Greece, Kyprou Asfalistiki, is currently operated as a run-off business.

Loan and Asset Restructuring, Recoveries and Disposals

The Group's Restructuring and Recoveries Division (the "**RRD**") and the REMU are focused on addressing and restructuring the Group's portfolio of delinquent loans and real estate assets.

The following table shows the share of total gross loan exposure and NPEs as a percentage of the Group's total exposure by geography (which refers to the country where loans are being managed), as at the dates indicated:

	31 March (unaudited)		31 December (audited)			
	2023		2022		2021	
	Gross	**NPE**	**Gross**	**NPE**	**Gross**	**NPE**
Cyprus	100%	100%	100%	99%	100%	97%
Other countries*	0%	0%	0%	1%	0%	3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

* "Other countries" include Russia and Romania.

The following table sets forth the total amount of gross loans and advances to customers measured at amortised cost after residual fair value adjustment on initial recognition (excluding loans and advance to customers classified as non-current assets held for sale***) by business line under which its customers are managed, as at the dates indicated:

	31 March (unaudited)		31 December (audited)			
	2023		2022		2021 (restated)	
	Business line**	**RRD division**	**Business line****	**RRD division**	**Business line****	**RRD division**
	€ billion	**€ billion**	**€ billion**	**€ billion**	**€ billion**	**€ billion**
Corporate and Large Corporate	3.5	0.1	3.4	0.1	3.4	0.1
International Corporate....	0.7	-	0.7	-	0.6	-
SMEs...............................	1.0	0.1	1.0	0.1	1.1	0.1
Retail housing*	3.4	0.2	3.3	0.2	3.2	0.3
Retail, consumer, credit cards and other*	0.9	-	0.9	- 0.1	0.9	0.1
IB,W&M..........................	0.2	-	0.2	-	0.2	-
Total	**9.7**	**0.4**	**9.5**	**0.5**	**9.4**	**0.6**

* "Retail housing" and " retail other" loans are separated for credit risk reporting purposes due to the different risk profile of the products.

** Analysis of loans and advances to customers by business line of the Bank, other than Restructuring and Recoveries business lines which are shown as total under a separate column 'RRD'

*** There were no loans classified as held for sale as at 31 March 2022 and 31 December 2022. There were €0.5 billion of loans classified as held for sale as at 31 December 2021.

Restructuring and Recoveries Division

The RRD is comprised of independent, centralised and specialised restructuring units through which the Group aims to manage its exposure to borrowers in distress and arrears across all customer segments, and to reduce the level of delinquent loans. As at 31 March 2023, the RRD was staffed by 126 full-time employees who were focused mainly on debt recovery.

Tackling the quality of the Group's loan portfolio remains a top priority for the Group's management. The Group continues to make steady progress across all asset quality metrics.

RRD Structure

RRD focuses on the collection, restructuring and recovery of non-performing loans or loans in distress, and is organised as follows:

- *Corporate management units*: All corporate exposures to mid-market businesses are managed by corporate management teams.

- *SME management units*: The units focus on smaller, owner-managed businesses through teams located across Cyprus.

- *Retail management units*: The units focus on consumer loans, comprised of housing secured on borrowers' and consumer lending (as for example, car loans and credit cards).

- "*Estia*" *unit*s: The Estia units focus on the resolution of loans secured on borrowers' primary residences, as per the Cypriot government's scheme.

- *Special Enforcement Management unit*: The unit manages specialised tasks of RRD, such as providing legal advice to RRD units, filing of lawsuits, representation of the Bank in court, foreclosures of mortgage properties by the Bank, evaluation and approval of proposals for the settlement of customer obligations, provision of support in matters of operational work such as debt for asset swaps and conducting accounting entries.

- *Portfolio Trades Support and Operations Department:* The unit was introduced to provide support for the completion of Helix 3 and enhance the support for previous trades. The unit also encompasses the collection call centre which plays a pivotal role in the collection of early arrears and manages all interactions with external service providers.

- *Other supporting departments*: The Governance, Operations and Systems department has been introduced to reflect the Bank's efforts of enhancement in the areas of governance, compliance, operational risk and data quality. This department is also responsible for the administration of the new collections and recoveries system.

Restructuring tools

Taking into consideration current economic circumstances and financial difficulties facing borrowers, RRD employs a series of restructuring tools tailored for the individual borrower and aimed at providing the borrower with the ability to, either partially or fully, service the debt or refinance the loan. Restructuring tools may be short-term and/or long-term in nature, and are seldom used in isolation. Retail and SME exposures are most commonly restructured with payment rescheduling, whereas larger corporate exposures are often restructured using more complex techniques such as mezzanine financings and accelerated consensual foreclosures.

In addition to traditional restructuring solutions, RRD continues to explore and employ various structured solutions, such as loan portfolio sales or securitisations, as a way to accelerate NPE reduction.

Watch Forum

Through the Group's Watch Forum Committee which, is chaired by the CEO and comprised of representatives from RRD, the Group's Risk Management Division and the relevant banking divisions, RRD works closely with Retail and SME Banking and LICB&M to monitor customers to identify those

that might potentially be transferred from the relevant banking division to RRD, or from RRD back to the relevant banking division in each case based on criteria described in the relevant Watch Forum policy. The Watch Forum Committee meets quarterly.

Real Estate Management Unit

In December 2015, the Bank established REMU as a separate division dedicated to the on-boarding, management and disposal of the Bank's real estate assets. The main objectives of REMU are to accelerate the recovery process for the Bank and to more effectively monetise the Group's real estate assets and portfolios, primarily consisting of assets in Cyprus. Some legacy properties in Greece are also monetised through REMU. In addition, REMU provides ongoing support and guidance to management and related operational teams and units of the Bank with regards to consensual property repossessions.

Over time, REMU's focus has transitioned from on-boarding assets resulting from debt for asset swaps towards the disposal of such assets. As at 31 March 2023, REMU held assets with a carrying value of €1.05 billion (€994 million in Cyprus; €56 million in Greece). Since inception, REMU completed the sale of 4,018 assets for a total value of approximately over €1.80 billion.

Please also refer to the section "*Group Financial results – Underlying Basis – Balance Sheet Analysis – Real Estate Management Unit (REMU)*" set out in the Announcement of the Group Financial Results for the quarter ended 31 March 2023, which is incorporated by reference in this Offering Circular.

International Operations

International Operations ("**IO**") is the department of the Bank responsible for managing and downsizing the Group's remaining assets and exposures in jurisdictions outside of Cyprus, including the Group's residual exposures in Russia, Serbia and Romania (which are further described below). Following the collection of the vast majority of the exposures of the Group outside Cyprus, IO was transferred under the Finance Division of the Bank, with a task to collect the remaining portfolio of the Group in the countries and the liquidation of the Group's subsidiaries in these countries.

The banking operations of the Group in Romania were officially terminated in January 2019 with the completion of the deregistration formalities for the Bank's Romanian branch. In order to facilitate the branch's deregistration, outstanding amounts in respect of the loan portfolio of the Romanian branch were transferred to Cyprus and the remainder (NPE) portfolio was managed for collection by a small local team together with IO in Cyprus. After successfully recovering approximately €0.5 billion during the preceding years, IO has ran a sale process for the Romanian exposure of the Bank consisting of the remainder NPE portfolio of the Group's Romanian branch, its properties and leasing loans, the Romanian branch's portfolio with RRD and various properties in Romania with REMU. The sale process was successfully completed in August 2022 and following to the completion of the sale process, the local team was released and the local office was closed. The responsible team is now handling the process of liquidating the Group's subsidiaries in Romania.

In Russia, through its local Russian subsidiary, MC Investment and Asset Management Company, the Group was holding a residual portfolio of Russian-originated non-performing loans and repossessed properties. The Bank has managed to collect all major assets and the current portfolio has been written down to a carrying value of less than €1 million.

Information Technology

The Group's IT division provides a critical function focusing on running the day-to-day operations of the technology systems of the Bank covering all layers (data centres, infrastructure, hardware, software, business applications, digital channel services, etc.), supporting all business functions and users,

transforming and securing the technology base and infrastructure of the Bank and delivering technology projects and compliance changes to systems.

The Group has set out a clearly defined digital strategy, with the aim of enhancing the customers' digital experience, improving IT proficiency by adopting a "digital mindset" and transforming internal processes to increase efficiency. Among other things, Information Technology supports the following initiatives and changes:

- an agile technology foundation infrastructure to support new digital platforms;
- an advanced business process management platform;
- advanced data analytics and big data capabilities;
- a new customer relationship management (CRM) system;
- a new internet-based channels solutions for internet and mobile applications;
- self-service machines within branches; and
- a cloud strategy to leverage the capabilities and benefits of cloud computing.

The Bank is taking actions to attract and retain top technology talent and start partnerships to support its future plans.

Digital Transformation

The Bank's digital transformation focuses on developing digital services and products that improve the customer experience, streamlining internal processes, and introducing new ways for improving the workplace environment.

The adoption of digital products and services continued to grow and gained momentum in the first quarter of 2023 and beyond. As at the end of March 2023, 94.2 per cent. of the number of transactions involving deposits, cash withdrawals and internal/external transfers were performed through digital channels (up by 27.8 percentage points from 66.4 per cent. in September 2017 when the digital transformation programme was initiated). In addition, 82.7 per cent. of individual customers were digitally engaged (up by 22.5 per centage points from 60.2 per cent. in September 2017), choosing digital channels over branches to perform their transactions. As at the end of March 2023, active mobile banking users and active QuickPay users have grown by 15.1 per cent. and 29.3 per cent. respectively over the last 12 months. The highest number of QuickPay users up to the date of this Offering Circular was recorded in March 2023 with 173,000 active users. Likewise, the highest number of QuickPay payments (in 2023) was recorded in March 2023 with 536,000 transactions.

Digital Economy Platform (Jinius)

The Group through the Digital Economy Platform (Jinius) (the "**Platform**") aims to generate new revenue sources over the medium term, leveraging on the Bank's market position, knowledge and digital infrastructure. The Platform aims to bring stakeholders together, link businesses with each other and with consumers and to drive opportunities in lifestyle banking and beyond. The Platform is expected to allow the Bank to enhance the engagement of its customer base, attract new customers, optimise the cost of the Bank's own processes, and position the Bank next to the customer at the point and time of need. Currently, around 1,500 companies were registered on the platform.

The Group's Strategy

For a discussion on the Group's strategy see the sections "*Business Overview*" and "*Strategy and Outlook*" in the Announcement of the Group Financial Results for the quarter ended 31 March 2023, which is incorporated by reference in this Offering Circular and in sections "*Business Overview*" and "*Strategy and Outlook*" in the Directors' Report within the Group Annual Financial Report 2022, which is incorporated by reference in this Offering Circular.

MANAGEMENT OF THE GROUP

Board of Directors

The Board of Directors of the Issuer (the "**Board of Directors**") is currently composed of seven non-executive directors, six of whom are independent, one non-independent and two executive directors. The Board of Directors sets the Group's long-term objectives and strategy and seeks to ensure that the necessary financial and human resources are in place for the Group to achieve such objectives and strategy. The Board of Directors also sets the Group's values and standards, ensures it communicates with shareholders, identifies risks, approves the risk appetite and monitors risk management and internal control systems.

The Issuer's Board Committees ("Board Committees")

The terms of reference of each of the committees of the Board of Directors are based on the relevant provisions of the 2018 UK Corporate Governance Code, CBC Internal Governance Directive 2021, the CSE Corporate Governance Code and applicable law. The various committees of the Board of Directors comprise the following:

- *Audit Committee* ("**AC**") — The AC has a wide range of responsibilities, which can be broadly categorised into the following areas:

  (a) **Internal Controls**: The AC plays a crucial role in evaluating the effectiveness of the Bank's internal control systems. These systems are designed to prevent fraud, safeguard assets, and ensure the accuracy of financial reporting. The AC reviews the Bank's policies and procedures and provides a robust internal control environment.

  (b) **Internal Audit Function**: The AC is responsible for overseeing the Bank's internal audit function, which is an independent and objective assurance function. The AC ensures that the internal audit department has the necessary resources, independence, and access to information to carry out its mandate effectively. The AC reviews and approves, *inter alia*, the internal audit plan, monitors the progress of audit activities, and evaluates the effectiveness of the internal audit function.

  (c) **Financial Reporting**: The AC is responsible for reviewing and assessing the Group's financial statements. The AC ensures that the financial reports are accurate, complete, and in compliance with the International Financial Reporting Standards (IFRS) and applicable laws and regulations. The AC also reviews any changes to accounting policies, and practices to ensure that they are appropriate and consistent with the Bank's overall financial goals.

  (d) **External Audit**: The AC is responsible for the appointment, compensation, and oversight of the Bank's external auditor. The Committee ensures that the external auditor is independent and has the necessary qualifications to carry out its work effectively. The AC reviews the external auditor's audit plan, findings, and recommendations and monitors the Bank's response to any identified issues.

  (e) **Compliance and Regulatory Monitoring**: The Bank operates in a highly regulated environment, and the AC is responsible for ensuring that the Bank complies with all applicable laws, regulations, and standards. The AC reviews the Bank's compliance policies and procedures and monitors its performance against key regulatory requirements. The AC also liaises with regulators and addresses any concerns or findings that may arise from regulatory inspections or examinations. In addition, the AC also assesses the soundness of the methodologies and policies management the

Group uses to develop ESG metrics and other disclosures and to assess the key vendors' plans about sustainability.

(f) **Whistleblowing and Fraud Prevention:** The AC is responsible for establishing and maintaining an effective whistleblowing mechanism that enables employees and other stakeholders to report concerns about potential misconduct or unethical behaviour. The AC ensures that the whistleblowing policy protects whistle-blowers from retaliation and provides for a thorough and objective investigation of reported concerns.

- *Human Resources and Remuneration Committee* ("**HRRC**") — The role of the HRRC is to:

(a) oversee that the Group is equipped with the human capital at the right size and with the right skill mix necessary for the achievement of its strategic goals. It is imperative for the Group to employ the appropriate forward-looking, commercially minded, human resources that would promote digital transformation and continuous innovation;

(b) oversee that the Group is equipped with the organisational capital to be able to effect continuous improvement and elicit the right behaviour, which would lead to the desired outcome;

(c) oversee that the Group is equipped with the information capital and the technology necessary to facilitate process improvements that will create a comparative advantage in the market;

(d) regularly review, agree and recommend to the Board the over-arching principles and parameters of Compensation & Benefits policies across the Group and to exercise oversight for such issues; and

(e) oversee the implementation of Strategic HR initiatives which promote and are aligned with the Group's ESG ambition, strategy and objectives.

(f) Within the over-arching principles and parameters recommended by the HRRC and approved by the Board of Directors as referred to above, to review and set the remuneration arrangements of the Executive Directors of the Issuer, Senior Management and the Group Remuneration Policy, bearing in mind the EBA Guidelines on remuneration policies under CRD V of 2021, the CBC Directive on Internal Governance, the UK Corporate Governance Code 2018 and any other applicable statutory or regulatory requirements.

The HRRC oversees the human resources initiatives that foster employee engagement, such as the Organisational Health Index project ("**OHI**"), the application of a holistic internal communication programme, the implementation of the 'Wellat-Work' initiative - an employee wellbeing / care programme, and the application of fair and transparent recognition initiatives across the Group.

The HRRC holds delegated responsibility from the Board of Directors for the oversight of the Group-wide Remuneration Policy with specific reference to the senior management, heads of, and senior officers in, internal control functions and those employees whose activities have a material impact on the Group's risk profile. The HRRC is responsible for overseeing the annual review of the Group Remuneration Policy with input from the RC and relevant risk management functions which is then proposed to the Board of Directors for ratification. In addition, the Board of Directors, through the HRRC, is ultimately responsible for monitoring the implementation of the Group Remuneration Policy.

The remuneration of non-executive directors is determined by the Board of Directors following the recommendation of the Chairperson of the Board of Directors while the remuneration of the Chairperson and Vice-Chair is recommended by the HRRC. Both are subject to approval by the shareholders. No director is involved in decisions regarding his/her own remuneration.

- *Nominations and Corporate Governance Committee* ("**NCGC**") — The role of the NCGC is to ensure that the Board of Directors is comprised of members who are best able to discharge the duties and responsibilities of directors and to support and advise the Board of Directors in relation to:

  (a) Board of Directors members recruitment (including regularly reviewing, reporting on and taking into account, when making further appointments, the composition and effectiveness of the Board of Directors);

  (b) considering and making recommendations to the Board of Directors in respect of the appointment of Key Function Holders other than heads of control functions; and

  (c) reviewing succession planning for directors and senior management, as well as overseeing the development of a diverse pipeline for succession.

  The NCGC also:

  (d) keeps the Board of Director's governance arrangements under review and makes appropriate recommendations to the Board of Directors to ensure that such arrangements are consistent with best corporate governance standards and practices in place;

  (e) oversees subsidiary governance to ensure that appropriate and proportionate governance arrangements are in place for Group subsidiaries;

  (f) provides oversight to the Group's sustainability strategy aimed at achieving present and future economic prosperity, environmental integrity and social equity for the Group and its stakeholders; and

  (g) supports the Board of Directors in fulfilling its oversight responsibilities relating to the Bank's strategy and supports the development and implementation of the strategic plan.

- *Risk Committee* ("**RC**") — The main purpose of the RC is to oversee, on behalf of the Board of Directors, the management of risk by the executives, including the establishment of an appropriate group wide risk management framework, review the aggregate risk profile of the Group, including performance against risk appetite for all risk types, and ensure that both the risk profile and risk appetite remain appropriate. Specifically, the RC:

  (a) assists the Board of Directors in overseeing the implementation of the Group's risk strategy;

  (b) oversees the identification, assessment, control and monitoring of financial / economic risks and non-financial risks (including operational, technological, tax, legal, reputational, compliance risks and ESG (including climate and environment) risks), which the Group faces, in cooperation with the responsible Board Committees;

  (c) considers, challenges and recommends to the Board of Directors for approval the Group's overall risk appetite;

(d) reviews the aggregated risk profile of the Group and performance against risk appetite and reports its conclusions to the Board of Directors;

(e) identifies the potential impact of emerging issues and themes that may affect the risk profile of the Group;

(f) ensures that the Group's overall risk profile and risk appetite remain appropriate given the evolving external environment, the Group's characteristics and the internal control environment;

(g) seeks to identify and assess future potential risks which, by virtue of their uncertainty, of low probability and unfamiliarity may not have been factored adequately into review by other Board Committees;

(h) ensures effective and on-going monitoring and review of the Group's management or mitigation of risk, including the Group's control processes, training and culture, information and communication systems and processes for monitoring and reviewing their continuing effectiveness; and

(i) ensures the effective management of all risks associated with outsourcing.

The Bank, like all other financial institutions, is exposed to risks, the most significant of which are credit risk, liquidity and funding risk, market risk, operational risk and property price risk. The Group identifies and monitors and manages these risks through various control mechanisms and reviews the mitigating actions proposed by management.

The RC gives detailed consideration to existing and emerging risks, through a balanced agenda which ensures sufficient focus on standing areas of risk management through the Group Risk Management Framework, together with specific attention being given to those emerging risks, which could significantly impact the Group and/or its customers.

Emerging risks included areas such as the rising energy prices and interest rates and their effect on the Bank's clients, and Cyprus' geopolitical position, transformation risk, data management, IT resilience and information security (including cyber security), and climate-related risks where the dynamic nature and significance of related risks and challenges continue to evolve.

- *Technology Committee* ("**TC**") — The purpose of the TC is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the overall role of technology in executing the business strategy of the Group including, but not limited to, major technology investment, technology strategy, operational performance, and technology trends that may affect the Group's client portfolio and/or affairs in general. The TC has delegated authority by the Board of Directors and is responsible for:

(a) reviewing and approving the Group's technology planning and strategy within the overall strategy framework approved by the Board;

(b) reviewing and approving significant technology investments and expenditures and limit structures approved by the Board of Directors, provided they do not fall within the limits that are reserved for the Board of Directors;

(c) monitoring and evaluating existing and future trends in technology that may affect the Group's strategic plans, including monitoring of overall industry trends;

(d) overseeing the performance of the Group's technology operations including, among others, project delivery, technical operations, technology architecture and the effectiveness of significant technology investments; and

(e) overseeing the application of information security policies.

- *Ethics, Conduct and Culture Committee* ("**ECCC**") — The role of the ECCC is:

(a) to support the Board of Directors in promoting its collective vision of values, conduct and culture;

(b) to oversee management's efforts to foster a culture of ethics and appropriate conduct within the Group;

(c) to oversee the way the Group conducts business focusing on developing a customer-centric culture with an eye on profitability in all its operations;

(d) to oversee the Group's conduct in relation to its corporate and societal obligations, including setting the direction and policies for the Group's approach to customer and regulatory matters; and

(e) to oversee the framework for implementing ESG policies throughout the operations of the Bank and to advise/coordinate accordingly with the NCGC and the Sustainability Committee.

Members of the Boards of Directors of the Issuer and the Bank

The business address of each of the directors in their capacity as members of the Board of Directors is 51 Stassinos Street, Ay. Paraskevi, Strovolos, 2002 Nicosia, Cyprus.

All members of the Board of Directors of the Issuer are directors of the Bank, and vice versa.

The present members of the Boards of Directors and their external positions are as follows:

Name	Position	Committee Membership	Directorships and other offices
Efstratios-Georgios (Takis) Arapoglou	Chair and Independent Director	Chair of the NCGC	Board of Tsakos Energy Navigation (Chairman) Non-Executive Director of EFG Hermes Holding SAE
Lyn Grobler	Vice-Chair and Independent Director	Member of the NCGC; Member of the HRRC; Member of the RC;	Board of Hx Group Ltd Titan Cement International SA Board of Howden Group Services Ltd

Name	Position	Committee Membership	Directorships and other offices
			Howden Group Holdings
Panicos Nicolaou	Chief Executive Officer and Executive Director of the Board	None	Board of Directors of the Association of Cyprus Banks (Vice Chairman) Chairman of the Employer's Association of Cyprus Banks
Eliza Livadiotou	Executive Director Finance and Executive Director of the Board	None	None
Nicolaos Sofianos	Independent Director	Chair of the AC; Member of the RC Member of the ECCC	DoValue S.A Aegean Airlines S.A Arcela Investments Limited
Paula Hadjisotiriou	Independent Director	Chair of the RC; Member of the AC Member of the TC	Credit Suisse (Europe) SA
Maria Philippou	Independent Director	Chair of the HRRC; Member of the NCGC; Member of the ECCC	None
Ioannis Zographakis	Non-Independent Director	Chair of the ECCC; Member of the RC Member of the HRRC; Member of the TC; Member of the NCGC	Eternity Capital Management Ltd Attica Bank

Name	Position	Committee Membership	Directorships and other offices
Constantine (Dinos) Iordanou	Senior Independent Director	Chair of the TC; Member of the AC	Vantage Group Holding Ltd Verisk Analytics Inc.

Executive Committee

The executive committee consists of the following persons:

Name	Position
Panicos Nicolaou	Chief Executive Officer
Eliza Livadiotou..	Executive Director Finance
Demetris Th. Demetriou	Chief Risk Officer
Charis Pouangare	Deputy Chief Executive Officer & Chief of Business
Irene Gregoriou Pavlidi	Executive Director People & Change
George Kousis	Executive Director Technology & Operations

REGULATORY FRAMEWORK AND SUPERVISION

The Regulatory Framework

The Bank is a Cypriot credit institution. The Issuer is not a regulated credit institution in either Ireland or Cyprus. The Bank and the Issuer operate under, and are required to comply with, applicable EU financial services directives and regulations, as implemented (where relevant) pursuant to applicable local laws.

The following summarises some of the key supervisory authorities that apply to the Group.

The Single Supervisory Mechanism and the Single Resolution Mechanism

As part of the initiative for a European banking union, Council Regulation (EU) No. 1024/2013 (the "**SSM Regulation**") established a single supervisory mechanism ("**SSM**") pursuant to which the European Central Bank ("**ECB**") has been assigned key prudential supervisory tasks for credit institutions in the Eurozone and other EU Member States that participate in the SSM (together with the Member States of the Eurozone, "**participating SSM Member States**"), with other supervisory functions being assigned to national competent authorities ("**NCAs**") of participating SSM Member States.

The ECB exercises its prudential supervisory responsibilities under the SSM Regulation in cooperation with the NCAs in the participating SSM Member States. The relevant NCA in Cyprus is the CBC. The relevant NCA in Ireland is the Central Bank of Ireland (the "**CBI**"). NCAs continue to be responsible for supervisory matters not conferred on the ECB, such as conduct of business, consumer protection[11], money laundering, payment services, and the regulation of branches of third country banks.

The EU has also established a single resolution mechanism ("**SRM**") under the SRM Regulation. Under the SRM, a single resolution process applies to all banks established in participating SSM Member States, with such process being co-ordinated by the Single Resolution Board ("**SRB**") and a single resolution fund ("**SRF**"). The SRB is the resolution authority in respect of the Group and acts as the group-level resolution authority for the Group.

The SRM Regulation is closely connected with the BRRD. See "– *Bank Recovery and Resolution*" below). For banks within the scope of the SSM, the SRB effectively takes on the role of the relevant national resolution authority established under the BRRD (which, in the case of the Group, is the CBC).

Supervision of the Group

The Bank is a significant credit institution for the purposes of the SSM Regulation and has been designated by the CBC as an "Other Systemically Important Institution" ("**O-SII**") See "–*Implementation of CRD IV and CRD V in Cyprus*" below. The Group is subject to joint supervision by the ECB and the CBC for the purposes of its prudential requirements. The Bank is further regulated and supervised by the CBC with respect to matters not within the ECB's supervisory remit under the SSM Regulation. The Issuer has applied to the ECB for an exemption under Article 21a of CRD IV, such that (for so long as it continues to satisfy the applicable conditions) it will not be required to seek regulatory approval as a financial holding company under that Article.

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[11] In Cyprus, pursuant to a recently enacted consumer protection legislation, the consumer protection service has been granted additional powers regarding the supervision of businesses during their transactions with consumers, conducting of self-initiated investigations for possible breaches and the imposition of administrative fines. Additionally, Cypriot consumer protection legislation gives to a consumer, whose financial interests have been affected, the direct right to bring a claim against a business for breach of any section of the relevant legislation and demand, *inter alia*, the payment of compensation and/or the rescission of the contract as a remedy and/or the restoration and/or rehabilitation of the damage that the consumer has suffered.

The Issuer and the Bank are also regulated by the CySEC in its capacity as the supervisory authority for the operation of the CSE and control of issuers of securities listed on the CSE. In addition, a member of the Group is also regulated on a standalone basis by CySEC in its capacity as the relevant supervisory authority for the operation of MiFID investment services, while the two insurance entities of the Group are regulated by the Superintendent of Insurance in Cyprus for insurance services. CISCO is licenced by CySEC as an investment firm and is operating under the provisions of the Investment Services and Activities and Regulated Markets Law (Law 87(I)/2017 which transposed into Cyprus legislation provisions of MiFID II) (as amended or replaced from time to time).

The Issuer's shares are admitted to the standard listing segment of the Official List of the FCA and to trading on the London Stock Exchange plc's main market for listed securities and also to listing on the CSE and to trading on the Main Market of the CSE. As a result, the Issuer is subject to supervision by the following competent authorities:

- the CSE in relation to its compliance with the applicable provisions of Cyprus's Securities and Stock Exchange Laws 1993 (as amended) and Regulatory Decision for the Depositary Interests Regulations (Regulatory Administrative Acts) (RAA 396/2016, 397/2016 and 408/2006) and the CSE's Regulatory Decisions Act 379/2014 (as amended);

- the CBI in relation to compliance with the Transparency Directive (Directive 2004/109/EC) Regulations 2007 (as amended) and the Central Bank (Investment Market Conduct) Rules 2019 (which, together, implement the Transparency Directive (Directive 2004/109/EC) in Ireland) and MAR and the European Union (Market Abuse) Regulations 2016 (which implements *inter alia* certain aspects of Market Abuse Regulation (EU) No 596/2014 ("**MAR**") and associated delegated acts in Ireland);

- CySEC in relation to its compliance with MAR and Cyprus' Takeover Bids Law L. 41(I)/2007 (which implements the Takeover Directive (Directive 2004/25/EC) in Cyprus) (as amended); and

- the FCA in relation to its compliance with MAR as it forms part of UK domestic law pursuant to the EUWA and the applicable provisions of the FCA's Listing Rules and Disclosure Guidance and Transparency Rules.

Consolidated Prudential Supervision of Group

The ECB is responsible for the prudential supervision of the Group and the Bank.

As part of its supervisory role under the SSM Regulation, the ECB conducts its SREP and onsite inspections of the Group. The SREP is a holistic assessment of, amongst other things, the Group's business model, strategy, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity to cover these risks. The objective of the SREP is for the ECB to form an up-to-date supervisory view of the Group's risks, viability and sustainability, which in turn forms the basis for supervisory measures and dialogue with the Group. Additional capital and other requirements can be imposed on the Group as a result of the SREP and onsite inspection processes, including revisions to the level of Pillar 2 add-ons, as described in further detail below. These are point in time assessments and, accordingly, decisions with respect to capital and other requirements are subject to change over time.

Other Regulators of Group Regulated Entities

For regulatory matters unrelated to the Group's capital requirements, the Bank's regulated branches and subsidiaries are supervised by regulators in their respective jurisdictions and are subject to local laws, directions, regulations and guidelines in respect of their regulated activities.

Principal Financial Services Regulatory Requirements

The following summarises some of the key regulations that most significantly affect the Group. Such regulations are subject to change and, unless otherwise specified, this summary states only the position as of the date of this Offering Circular.

Regulatory Capital Requirements

EU Capital Requirements Directive/Regulation

In December 2010, the Basel Committee on Banking Supervision ("**BCBS**") issued two prudential framework documents ("*Basel III: A global regulatory framework for more resilient credit institutions and banking systems*" and "*Basel III: International framework for liquidity risk measurement, standards and monitoring*") which comprise the Basel III capital and liquidity reform package ("**Basel III**"). The Basel III documents were revised in June 2011 and further post-crisis regulatory reforms were endorsed by the BCBS in December 2017.

The Basel III framework was initially transposed into EU law by Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV**") and Regulation (EU) No 575/2013 and its subsequent amendments on prudential requirements for credit institutions and investment firms (the "**CRR**", and together with CRD IV, "**CRD IV/CRR**"). CRD IV/CRR apply in both Ireland and Cyprus and apply to both the Issuer and the Bank.

CRD IV/CRR have been amended following the adoption of a comprehensive reform package first announced by the European Commission in November 2016 (together with amendments made to the BRRD and the SRM Regulation, the "**2016 Banking Reform Package**") by:

- Directive (EU) 2019/878 amending CRD IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures ("**CRD V**"). Ireland and Cyprus transposed and implemented CRD V in law in early May 2021; and

- Regulation (EU) 2019/876 amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements ("**CRR II**"). CRR II largely applied from 28 June 2021.

Key amendments made by CRD V and CRR II included, among others, the following:

- *Binding leverage ratio*[12]. CRR II imposed a binding leverage ratio requirement of 3 per cent. that all firms subject to the CRR must meet in addition to their risk-based requirements. The national authorities are permitted to impose higher measures. An additional leverage ratio buffer has also applied to global systemically important institutions ("**G-SIIs**") since 1 January 2023. No member of the Group is a G-SII.

[12] This amendment has applied from 1 January 2022.

- *Net stable funding ratio.* CRR II introduced a binding net stable funding ratio ("**NSFR**") that requires credit institutions and systemic investment firms to finance their long-term activities with stable sources of funding. The NSFR is the amount of stable funding available to a bank relative to the required amount of stable funding. CRR II requires institutions to maintain a ratio of at least 100 per cent. on an ongoing basis.

- *Market Risk*. CRR II implemented the BCBS's Fundamental Review of the Trading Book ("**FRTB**"), which introduced significant changes to internal model-based approaches and a revised "standardised approach".

- *Counterparty credit risk*. CRR II implemented a revised Basel standardised approach to counterparty credit risk. The revised approach is more risk sensitive, providing better recognition of hedging, netting, diversification and collateral than the previous methods for calculating the exposure value of derivative transactions under the CRR framework.

- *Large exposures*. CRR II imposed a limit on the capital that can be taken into account to calculate the large exposures limit to Tier 1 capital. In addition, the exposure limit was reduced to 15 per cent. (from 25 per cent.) for exposures between global systemically important banks ("**G-SIBs**"). The Bank is not a G-SIB.

- *Total Loss Absorbing Capacity*. CRR II implemented the Financial Stability Board's standard on total loss absorbing capacity ("**TLAC**") as a Pillar 1 requirement for G-SIBs. The Group is not subject to such TLAC related requirements, but see "*Minimum requirement for own funds and eligible liabilities*" below.

- *Stacking Order*. CRD V introduced certain amendments in order to clarify the hierarchy or order of priority of own funds and eligible liabilities among the "Pillar 1" minimum solvency requirements, the "Pillar 2" additional own funds solvency requirements, the MREL (as defined below) requirements and the "combined buffer requirement" (referred to as the "**stacking order**").

- *SME supporting factor*. CRR II introduced amendments to the SME supporting factor, which reduces the capital requirements for credit risk on exposures to SMEs. CRR II extended the scope of the SME supporting factor, such that exposures of up to EUR 2.5 million (previously EUR 1.5 million) were eligible for a reduction in risk-weighted exposure amount, and introduced a 15 per cent. reduction in risk weighed exposure amount for the part of an SME exposure exceeding EUR 2.5 million.

Some important points of the CRD V/CRR II framework include:

- *Quality and Quantity of Capital.* CRD V/CRR II sets out the definition of regulatory capital and its components for credit institutions and investment firms (together "**CRD Firms**"). It also prescribes a minimum CET 1 capital ratio of 4.5 per cent. Tier 1 capital ratio of 6.0 per cent. and total capital ratio of 8.0 per cent., together with a requirement for Additional Tier 1 capital instruments to have a mechanism that requires them to be written-off on the occurrence of certain triggering events (e.g. in the event of a bail-in of a CRD Firm);

- *Capital Conservation Buffer.* In addition to the minimum CET 1 capital ratio and Tier 1 capital ratio, CRD Firms are required to hold an additional buffer consisting of common equity and amounting to 2.5 per cent. of risk weighted assets as a form of capital conservation buffer to absorb losses in stress periods. Depletion of the capital conservation buffer will trigger limitations on the payment of dividends, distributions on capital instruments and compensation;

- *Systemic Risk Buffer.* EU Member States may at their discretion also require an additional buffer against systemic risk in order to prevent and mitigate systemic or macroprudential risks not covered by CRD V/CRR II. The systemic risk buffer ("**SyRB**") has been implemented into Irish law as part of Ireland's transposition of CRD V, and the CBI designated as the authority responsible for setting it in Ireland. In its Financial Stability Review 2022 (issued in June 2022) the CBI stated that it no longer intends to implement a SyRB to mitigate the relevant risks, but instead to utilise the countercyclical buffer (see below) to do so (whilst noting that the SyRB remains part of the CBI's macroprudential toolkit). In Cyprus, this additional buffer against systemic risk is applied based on the CBC's Macroprudential Policy as implemented by the Macroprudential Oversight of Institutions Law 2015 (6(I)/2015);

- *Deductions from CET 1 capital.* CRD V/CRR II prescribes the items that should be deducted from regulatory capital. Most of the prescribed items relate to and are deductible from the CET 1 capital component;

- *Countercyclical Buffer.* To protect the banking sector from excess aggregate credit growth, CRD IV/CRR gives EU Member States the right to require an additional buffer consisting of CET 1 capital of up to 2.5 per cent. (or , subject to certain conditions, in excess of 2.5 per cent) of risk weighted assets to be imposed during periods of excess credit growth according to national circumstances. The countercyclical buffer became fully effective on 1 January 2019 and (i) in the case of Ireland, is set at 0.5 per cent. (to apply from 15 June 2023 and will increase to 1.0 per cent. with effect from 24 November 2023) and (ii) in the case of Cyprus is set at 0.0 per cent. and will increase to 0.5 percent with effect from 30 November 2023 and to 1 per cent. with effect from 2 June 2024. The specific countercyclical buffer for the Group is calculated at circa 0.02 per cent. for the period ended 31 March 2023;

- *Other Systemically Important Institutions* ("**O-SIIs**") *Buffer*: Responsible authorities of Member States are required by CRD V/CRR II to identify institutions authorised within their jurisdictions that should be designated as O-SIIs due to their systemic importance. The CBC has designated the Bank as an O-SII and set an O-SII buffer requirement of 1.5 per cent. of the Bank's risk weighted assets, was fully phased in by January 2023. See "*Implementation of CRD IV and CRD V in Cyprus*" below;

- *Leverage Ratio.* CRD V/CRR II includes a leverage ratio to protect against the risks often attributed to risk models and related reporting and disclosure requirements, requiring firms to submit to their NCA all necessary information on the leverage ratio and its components and, since 1 January 2015, to disclose information on the leverage ratio publicly. Under the 2016 Banking Reform Package, the leverage ratio became a binding (Pillar 1) measure of Tier 1 capital of at least 3.0 per cent. of "total exposure measure", as determined in accordance with Articles 429 and 429a of the CRR for purposes of the calculation of its LRE. As at 31 March 2023, the Group's leverage ratio (transitional definition of Tier 1 capital) stood at 7.0 per cent. including unaudited/un-reviewed profits for the three months ended 31 March 2023 and an accrual for dividend (for compliance with CRR) at a payout ratio of 30 per cent. of the Group profit after tax before non-recurring items (attributable to the owners of the Group) taking into account distributions under other equity instruments (such as the annual coupon payment under the Capital Securities) ("**Group Adjusted Profit after tax**") for the period, in line with the payout ratio established in the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval;

- *Systemically Important Institutions.* As a general matter, systemically important CRD Firms are required to have loss-absorbing capacity beyond the minimum standards. Under CRD V/CRR II, G-SIIs are, and other systemically important institutions may be required to maintain a buffer of a specified percentage, taking into account the criteria for their identification as a

systemically important credit institution. That buffer must consist of and be supplemental to CET 1 capital. This does not apply to the Group as no member of the Group is a G-SII;

- *Liquidity Requirements.* CRD V/CRR II contains high level provisions relating to liquidity coverage requirements and the imposition of a LCR. Those provisions are supplemented by Commission Delegated Regulation (EU) 2015/61, as amended, which prescribes the criteria for liquid assets and methods of calculation and Commission Implementing Regulation (EU) 2021/451 which prescribes supervisory reporting requirements and largely applied from 28 June 2021. CRD V/CRR II also contains provisions relating to net stable funding requirements (the "**NSF Requirements**") and a net stable funding ratio (the "**NSFR**").

  The LCR is the ratio (expressed as a percentage) of a credit institution's liquidity buffer to its net liquidity outflows over a 30 calendar day stress period, with the minimum level set at 100 per cent.

  The NSF Requirements prescribe the amount of longer-term stable funding that must be held by a credit institution based on liquidity risk factors assigned to assets and off-balance sheet liquidity exposures. As described above, the 2016 Banking Reform Package introduced binding NSF Requirements designed to prevent overreliance by banks on short-term funding raised in wholesale markets to finance their long-term commitments. The NSFR is the ratio (expressed as a percentage) of available stable funding to required stable funding, with the minimum level set at 100 per cent. The NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

  As at 31 March 2023, the Group's LCR stood at 303 per cent., well above the minimum regulatory requirement of 100 per cent.; and the Group's NSFR stood at 160 per cent., well above the minimum regulatory requirement of 100 per cent.

- *Prudential Reporting.* The implementing technical standards for supervisory reporting establish rules on prudential reporting laid down in CRD V/CRR II and set out the content and format of data to be reported by credit institutions to their respective NCAs. The scope of the reporting requirements extends to reporting on the following items:

  (i) own funds;

  (ii) financial information, including "FINREP" reporting for IFRS credit institutions;

  (iii) real estate collateral losses;

  (iv) large exposures;

  (v) leverage ratio;

  (vi) liquidity coverage ratio;

  (vii) net stable funding ratio; and

  (viii) additional liquidity monitoring metrics.

CRD V includes a "combined buffer requirement" that institutions have been required to comply with since 2016. The "combined buffer requirement" combines various capital buffers (as described above), including the capital conservation buffer, the G-SII buffer, the O-SII buffer, the institution-specific countercyclical buffer and a systemic risk buffer (a buffer to prevent systemic or macroprudential risks). The "combined buffer requirement" applies in addition to the minimum "Pillar 1" capital requirements and must be satisfied with CET1 capital.

Furthermore, Article 104 of CRD IV (as amended by CRD V) and Article 16 of the SSM Regulation also contemplate the possibility that the supervisory authorities may require credit institutions to observe capital requirements exceeding the "Pillar 1" minimum capital requirements and the "combined buffer requirement" by establishing "Pillar 2" capital requirements (which, with respect to other requirements, are above the "Pillar 1" requirements and below the "combined buffer requirement"), in order to cover additional risks to those already covered by the "Pillar 1" minimum capital requirement, to cover risks not sufficiently covered by the "Pillar 1" minimum capital requirement, or to address macroprudential matters (although the "Pillar 2" capital requirements should be used only to address microprudential considerations). CRD V also distinguishes between "Pillar 2" capital requirements ("**P2R**") and "Pillar 2" capital guidance ("**P2G**"), with only P2R being mandatory requirements. Notwithstanding the foregoing, CRD V provides that besides other measures, supervisory authorities are entitled to impose further P2R when an institution repeatedly fails to follow the P2G previously imposed.

The ECB is required, under the SSM Framework Regulation, to carry out the SREP of the Issuer and the Group at least on an annual basis. On 18 March 2022, the EBA published its final guidelines on common procedures and methodologies for the SREP and supervisory stress testing .

For details regarding developments on the Group’s capital, please see "*Own funds and eligible liabilities*" below.

As part of evaluating its compliance with the CRD V/CRR II capital and liquidity requirements, the Group is required to have in place sound, effective and comprehensive strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that it considers adequate to cover the nature and level of the material risks to which it is or might be exposed. This is referred to as the Internal Capital Adequacy Assessment Process ("**ICAAP**"). CRD V also requires CRD Firms to have in place an Internal Liquidity Adequacy Assessment Process ("**ILAAP**") through which they are required to evaluate their liquidity risk management processes and improve them if necessary. The maintenance of adequate capital and liquidity is necessary for the Group’s financial stability. When reliable, ICAAPs and ILAAPs can provide substantial input into the determination of the SREP capital and liquidity requirements. Accordingly, if internal processes are not sufficiently efficient, this may result in higher than strictly necessary required capital and liquidity levels and increased costs. The ICAAP is subject to regular internal review to ensure that it remains comprehensive and proportionate to the nature, scale and complexity of the activities of the Group. While the Group has established and maintains its ICAAP, these strategies and processes incorporate assumptions, judgements and estimates that may change over time. There is an ongoing effort to enhance the Group’s ICAAP on an ongoing basis. The ILAAP is subject to regular internal review as specified in the Bank’s relevant policies. There is particular emphasis on liquidity stress testing and evaluation of material changes (internal or external) that may have an impact on ILAAP as well as close monitoring of all ILAAP limits and indicators. There is an ongoing effort to enhance the Group’s ILAAP.

Although CRR II is directly applicable in each Member State it leaves a number of important interpretational issues to be resolved through technical standards some of which are still being produced, and certain other matters are left to the discretion of the NCA in each Member State. The BCBS also continues to propose initiatives that could further increase Cyprus’ reserve requirement for the Bank and other financial institutions.

The ECB assumed certain supervisory responsibilities formerly handled by national regulators under changes first introduced by CRD IV/CRR. The ECB may interpret CRD IV/CRR or exercise discretion accorded to NCAs under CRD IV/CRR in a different manner than national regulators. The manner in which concepts and requirements first introduced under the 2016 Banking Reform Package will be applied to the Group also remains uncertain. Although it is difficult to predict with certainty the impact of the full implementation of the 2016 Banking Reform Package as it has been transposed into Cypriot law, it may lead to an increase in the Group and the Bank’s capital/liquidity requirements and

capital/liquidity costs (see "*Risk Factors—Risks Relating to Asset Quality, Provisions and Capital—The Group is subject to ECB supervision which may result in requests that it increase its loan provisions or impairments of stock of properties, raise additional capital or result in increased costs*").

On 20 March 2017, the ECB published its final "Guidance to banks on non-performing loans", which clarifies supervisory expectations regarding the identification, management, measurement and write-off of non-performing loans. On 15 March 2018, the ECB launched the final addendum to the aforementioned ECB guidance on non-performing loans (the "**March 2018 Addendum**"). The guidance addresses NPEs, as well as foreclosed assets, and also touches on performing exposures with an elevated risk of becoming NPEs, such as "watch-list" exposures and performing forborne exposures. The guidance recommends the implementation of strategies for NPE reduction and provides a set of guidelines, recommendations and best practices regarding governance, operational, reporting and technical aspects of the NPE management process. The Bank's policies and procedures satisfy the requirements of the guidance.

The March 2018 Addendum supplemented the qualitative NPE guidance and specified the ECB's supervisory expectations for prudent levels of provisions for new NPEs.

In addition, as indicated in a communication on supervisory coverage expectations for NPEs dated 22 August 2019, the ECB decided to revise its supervisory expectations for prudential provisioning of new NPEs specified in the March 2018 Addendum. The decision was made after taking into account the adoption of Regulation (EU) 2019/630, which outlines the Pillar 1 treatment for NPEs.

In order to make the treatment of NPEs more consistent, the following changes were made to the supervisory expectations communicated in the March 2018 Addendum:

- the scope of the ECB's supervisory expectations for new NPEs were limited to NPEs arising from loans originated before 26 April 2019, which are not subject to Pillar 1 NPE treatment;
- NPEs arising from loans originated from 26 April 2019 onwards were clarified as being subject to Pillar 1 treatment, with the ECB paying close attention to the risks arising from them; and
- the relevant prudential provisioning time frames, the progressive path to full implementation and the split of secured exposures, as well as the treatment of NPEs guaranteed or insured by an official export credit agency, were aligned with the Pillar 1 treatment of NPEs set out in the EU regulation.

All other aspects, including specific circumstances, which may make prudential provisioning expectations inappropriate for a specific portfolio/exposure, were stated to remain as described in the March 2018 Addendum. Supervisory expectations for the stock of NPEs (i.e. loans classified as NPEs as at 31 March 2018) remain unchanged, as communicated in the SREP letters sent to banks and in the press release of July 2018.

On 31 October 2018, the European Banking Authority published its final guidelines on management of non-performing and forborne exposures (the "**EBA Guidelines**"). The EBA Guidelines require institutions to establish NPE reduction strategies and introduce governance and operational requirements to support them. The EBA Guidelines specify sound risk management practices for credit institutions in their management of NPEs and forborne exposures, including requirements on NPE reduction strategies, governance and operations of NPE workout framework, internal control framework and monitoring and to have in place policies for timely impairments and write-offs.

On 29 May 2020, the European Banking Authority published its final guidelines on loan origination and monitoring (the "**EBA Loan Origination Guidelines**"). The EBA Loan Origination Guidelines require institutions to develop robust and prudent standards to ensure newly originated loans are

assessed properly, and aim to ensure that institutions' practices are aligned with consumer protection rules and respect fair treatment of customers. In particular, the EBA Loan Origination Guidelines specify internal governance arrangements for the granting and monitoring of credit facilities throughout their lifecycle, and set requirements for assessing borrowers' creditworthiness, together with the handling of information and data for such purposes. The EBA Loan Origination Guidelines applied from 30 June 2021, subject to certain transitional measures for existing loans and data gaps in institutions' monitoring frameworks and infrastructure.

Implementation of CRD IV and CRD V in Cyprus

In August 2014, the CBC issued a directive on Governance and Management Arrangements transposing certain aspects of CRD IV into Cypriot law. Such directive was replaced by a new Governance directive issued by the CBC in October 2021, in light of, among other things, the CRD V provisions.

On 30 January 2015, the Macroprudential Supervision of Institutions Law of 2015 (the "**Macroprudential Supervision Law**") and a law amending the Banking Law were introduced in order to harmonise the Banking Law with, and otherwise implement, the provisions of CRD IV in Cyprus. The Macroprudential Supervision Law and the Banking Law have been recently amended to transpose into Cypriot law the provisions of CRD V.

Key amendments to the Banking Law included, among others, the following:

- the strengthening of banks' governance processes, including the encouragement of the use of internal models to calculate capital requirements;
- providing the CBC with the authority to impose specific liquidity requirements to address liquidity risks and the imposition of an additional requirement of own funds in cases where the CBC finds that certain conditions (which are set out in the Banking Law) exist, and the guidance to be issued by CBC as regards additional own funds should be institution specific;
- imposing an obligation on banks to take the necessary measures at an early stage to address any actual or potential failure by them to meet the requirements of CRR, the Macroprudential Supervision Law or the Banking Law;
- the establishment of mechanisms by the CBC and banks to encourage the reporting of breaches of the Banking Law and CRR;
- increasing the sanctions for non-compliance with shareholding restrictions on the holding of shares in an authorised credit institution in Cyprus, such as the CBC's authority to publicly announce any such non-compliance, impose administrative fines of up to €5,000,000 on individuals, of up to 10.0 per cent. of the total annual net turnover in the case of a legal person, and of up to double the amount of the benefit derived from the breach where that benefit can be determined; and
- introducing the concept of financial holding companies, mixed financial holding companies and G-SIIs, and the relevant thresholds for being considered as such.

The Macroprudential Supervision Law principally provides for:

- the identification of systemically important institutions (as to which see below); setting a capital conservation buffer of CET 1 capital equal to 2.5 per cent. of banks' total risk exposure amount; and

- the CBC, as the macroprudential supervisory authority, to have the power to establish the requirements for the capital buffers to be held by banks, such as the countercyclical capital buffer, systemic risk buffer, buffers for systemically important institutions, buffers for other systemically important institutions and reserves for changes in macro or systemic risk.

Under the current regulatory framework, credit institutions operating in Cyprus (such as the Bank) are required to, among other things:

- comply with the capital adequacy ratios determined by the ECB and/or CBC;
- observe the liquidity ratios prescribed by CRD IV/CRR;
- comply with certain concentration ratios determined by the ECB and/or CBC;
- maintain efficient internal control, compliance and risk management systems and procedures;
- adopt a remuneration policy and set up a remuneration committee of the board of directors;
- submit to the ECB and/or CBC periodic reports and statements;
- assess the suitability of members of the management body and key function holders;
- prepare and submit a recovery plan;
- disclose data regarding the credit institution's financial position and the risk management policy;
- provide the ECB and/or CBC with such further information as they may require;
- in connection with certain operations or activities, notify or request the prior approval of the ECB and/or CBC, in each case in accordance with the applicable laws of Cyprus, the SSM Regulation and the relevant acts, decisions and circulars of the ECB and/or CBC; and
- permit the ECB and/or CBC to conduct audits and inspect books and records of the credit institution, in accordance with Cypriot law and the SSM Regulation.

If a credit institution breaches any law or regulation falling within the scope of the supervisory power attributed to the CBC, the CBC (where applicable, in coordination with the ECB) is empowered to, among other things:

- require the relevant credit institution to take appropriate measures to remedy the breach or to restrict its operations by imposing conditions on its licence (which may include, requiring the relevant credit institution to take certain actions or refrain from taking certain actions, imposing limitations on the acceptance (and solicitation) of deposits, the granting of credit or the making of investments, prohibiting the entering into of certain transactions, requiring the removal of corporate officers, requiring the holding of own funds in excess of prescribed levels and requiring the implementation of policies on the treatment of certain assets and risk);
- impose fines;
- assume control of, and carry on in the credit institution's name, the business of the credit institution, for so long as the CBC considers necessary;
- demand the increase of a credit institution's share capital;

- demand that dividends be limited or withheld; and
- revoke the licence of the credit institution where the breach cannot be remedied and place it in a state of special liquidation (i.e., where a court application is made for liquidation on an ex-parte basis where services performed by the relevant credit institution concern the public interest).

Under the Macroprudential Supervision Law, the CBC is the responsible authority for the designation of banks in Cyprus that are O-SIIs and for the setting of the O-SII buffer requirement for such entities. The Bank has been designated as an O-SII by the CBC and the O-SII buffer currently set by the CBC for the Bank is 1.5 per cent and was fully phased-in on 1 January 2023.

Bank Recovery and Resolution

The BRRD was introduced with the stated aim of providing supervisory authorities with common tools and powers to address banking crises pre-emptively in order to ensure the continuity of in-scope institutions' critical financial and economic functions whilst safeguarding financial stability and minimising taxpayers' exposure to losses.

In 2017 the European Commission proposed reforms to the BRRD in order to, amongst other things, implement in the EU the Financial Stability Board's TLAC standard by adapting the existing regime relating to MREL and to adjust the manner in which firms' MREL requirement is to be calculated. Such changes were contained in BRRD II. BRRD II was published in the Official Journal of the EU on 7 June 2019 and entered into force on 27 June 2019. BRRD II was required to have been transposed into national law by 28 December 2020 with national regulators having until 1 January 2024 at the latest to impose full MREL requirements on firms. BRRD II was transposed and implemented in Cyprus law in early May 2021. The SRB will assess the need for any extension of the target deadline beyond 1 January 2024 for individual banks on a case-by-case basis, where justified and appropriate.

Key amendments made by BRRD II include the following:

- *New MREL regime.* BRRD II replaced the previous MREL requirements in Article 45 of the BRRD with a revised regime set out in Articles 45 to 45m, designed to align the previous MREL requirements with the TLAC standard as adopted by CRR II. In particular, BRRD II aligned the measurement metrics for MREL with the external TLAC requirement for G-SIBs as set out in CRR II. See "*– Minimum requirement for own funds and eligible liabilities*" below.
- *Group resolution plans*. BRRD II introduced the concepts of 'resolution entities' and 'resolution groups' which derive from the same terms used in the Financial Stability Board's TLAC standard. BRRD II amended the requirements in Article 12 of BRRD on resolution plans to require the identification for each group of the relevant resolution entities and the resolution groups. BRRD II requires a group which comprises of more than one resolution group to set out the resolution actions for the resolution entities of each resolution group and the implications of those actions on both other group entities belonging to the same resolution group and other resolution groups. See "*– Minimum requirement for own funds and eligible liabilities*" below.
- *Power to prohibit certain distributions*. BRRD II provides resolution authorities with the power to impose an M-MDA restriction on a firm, where it has insufficient resources to meet its combined buffer requirement, in addition to its MREL requirements.
- *Moratorium powers.* BRRD II introduced a moratorium power on banks' liabilities, set out in Article 33a of the BRRD. Resolution authorities have the power to suspend payment or delivery obligations pursuant to any contract to which a BRRD institution or a BRRD entity is a party,

once the relevant institution is deemed to be 'failing or likely to fail' and certain other specified conditions are satisfied, including the absence of any immediately available private sector measure that would prevent the failure of the institution.

- *Contractual recognition of bail-in.* Article 55 of the BRRD requires institutions and other BRRD entities to include in agreements for certain liabilities governed by third country law a contractual term by which the creditor or party to the agreement creating a relevant liability recognises that the liability may be subject to the write-down and conversion powers specified in the BRRD. BRRD II amended Article 55 of the BRRD to address the scenario where it is impracticable for BRRD institutions or BRRD entities to include contractual recognition clauses in liability contracts governed by third country law.

- *Contractual recognition of resolution stay power.* BRRD II introduced a requirement for BRRD institutions and BRRD entities to include clauses in financial contracts governed by third country law recognising the stay powers of resolution authorities.

In addition, the BRRD was amended in December 2017 by Directive (EU) 2017/2399 (the "**Insolvency Hierarchy Directive**") regarding the ranking of unsecured debt instruments in the insolvency hierarchy, which amended Article 108 of the BRRD with the aim to harmonise national laws on insolvency and recovery and resolution of credit institutions and investment firms by creating a new credit class of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments, but before other senior liabilities.

Implementation of the BRRD

The BRRD (in its original form) was fully transposed into Cypriot law by the Resolution of Credit Institutions and Investment Firms Law (22(I)/2016) (the "**Resolution Law**") which replaced the previous Cypriot resolution regime for credit institutions and other institutions under the Resolution of Credit and Other Institutions Law of 2013.

The BRRD (in its original form) was transposed into Irish law by the European Union (Bank Recovery and Resolution) Regulations 2015.

The Insolvency Hierarchy Directive was transposed into Cypriot law by Law 80 (i)/2019 of 29 May 2019 modifying section 33O of the Banking Law and was transposed into Irish law by the European Union (Bank Recovery and Resolution) Regulations 2019.

BRRD II was transposed into Irish law by the European Union (Bank Recovery and Resolution) (Amendment) Regulations 2020 and into Cyprus law by Law 96(I)/2021, which amends the Resolution Law and Law 94(I)/2021, which amends the Banking Law.

The BRRD applies to banks of all sizes and consists of three pillars – preparatory and preventative measures, early intervention, and resolution tools and powers:

- *Preparatory and preventative measures*. Institutions subject to the BRRD are required to prepare recovery plans and the relevant resolution authorities are required to prepare resolution plans for the relevant institutions based on the information provided by them.

- *Early supervisory intervention*. The relevant resolutions authorities are granted powers to take early action to address emerging problems. These powers include requiring an institution to implement its recovery plan and replacing existing management with a special manager to restore the institution's financial situation.

- *Resolution*. The relevant resolution authorities are granted resolution powers and tools intended to ensure the continuity of essential services and to manage the failure of an institution in an orderly way.

The BRRD establishes common parameters for triggering the application of resolution tools and powers. The conditions that have to be met before resolution authorities take a resolution action in relation to a credit institution are: (a) the relevant resolution authority determines that the institution is failing or is likely to fail; (b) there is no reasonable prospect that any alternative private sector or supervisory action taken would prevent the failure of the institution within a reasonable timeframe; and (c) resolution action is necessary in the public interest. When the trigger conditions for resolution are satisfied, the BRRD, as implemented by applicable local law, provides a set of resolution tools that resolution authorities have the power to apply singly or in conjunction.

The resolution tools are the following:

- *Sale of business*. Resolution authorities may effect a sale of the institution, in whole or in part, on commercial terms, without requiring the consent of the shareholders or complying with other procedural or other requirements.

- *Bridge Institution*. Resolution authorities may transfer all or part of the business of an institution to a publicly controlled entity. The operations of a bridge institution are temporary, the aim being to sell the business to the private sector when market conditions are appropriate.

- *Asset Separation*. Resolution authorities may transfer impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time.

- *Bail-In*. Resolution authorities may write down and cancel the claims of shareholders and unsecured creditors of a failing institution and/or convert such claims into equity, thereby diluting the holdings of pre-resolution shareholders (the "**Bail-in Tool**").

In the event that an entity is in a resolution situation, the Bail-in Tool is understood to mean any write-down, conversion, transfer, modification, or suspension power existing from time to time under: (i) any law, regulation, rule or requirement applicable from time to time in Cyprus or, as applicable, Ireland, relating to the transposition or development of the BRRD (as amended, replaced or supplemented from time to time), including, but not limited to the Resolution Law or the Irish BRRD Regulations, as applicable, and the SRM Regulation, each as amended, replaced or supplemented from time to time; or (ii) any other law, regulation, rule or requirement applicable from time to time in Cyprus or, as applicable, Ireland pursuant to which (a) obligations or liabilities of banks, investment firms or other financial institutions or their affiliates can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such persons or any other person (or suspended for a temporary period or permanently) or (b) any right in a contract governing such obligations may be deemed to have been exercised.

Following implementation of the Insolvency Hierarchy Directive, in the event of any application of the Bail-in Tool, any resulting write-down or conversion by the relevant resolution authority will be carried out in the following sequence: (i) CET 1 capital items; (ii) the principal amount of Additional Tier 1 capital instruments; (iii) the principal amount of Tier 2 capital instruments; (iv) the principal amount of other subordinated claims other than Additional Tier 1 capital or Tier 2 capital instruments (including claims under section 33O (2)(i) of the Banking Law) in accordance with the hierarchy of claims in normal insolvency proceedings in conjunction with write down pursuant to (i) to (iii); and (v) the principal or outstanding amount of the remaining eligible liabilities in the order of the hierarchy of claims in normal insolvency proceedings.

In addition to the Bail-in Tool, resolution authorities have the further power to permanently write-down or convert into equity capital instruments such as the Capital Securities at the point of non-viability (and, pursuant to BRRD II and Regulation (EU) 2019/877 (the "**SRM Regulation II**"), certain eligible liabilities and instruments) ("**Non-Viability Loss Absorption**" and, together with the Bail-in Tool, the "**Statutory Loss-Absorption Powers**") of an entity. Any write-down or conversion must follow the same insolvency hierarchy as described above. The point of non-viability of an entity is the point at which the relevant resolution authority determines that the entity meets the conditions for resolution or will no longer be viable unless the relevant capital instruments or eligible liabilities are written down or converted into equity or extraordinary public support is to be provided and without such support the relevant resolution authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the relevant resolution authority. Non-Viability Loss Absorption may be imposed prior to or in combination with any exercise of the Bail-in Tool or any other resolution tool or power (where the conditions for resolution referred to above are met) or in combination with such exercise in respect of all eligible liabilities.

In addition, the EBA has published certain technical regulatory standards and technical implementation standards to be adopted by the European Commission, in addition to other guidelines. These standards and guidelines could potentially be relevant in determining when or how the relevant resolution authority may exercise the Bail-in Tool and/or impose a Non-Viability Loss Absorption. These include guidelines on the treatment of shareholders when applying the Statutory Loss Absorption Powers, as well as on the rate for converting debt into shares or other securities or debentures in the application of the Statutory Loss Absorption Powers.

To the extent that any resulting treatment of a holder of Capital Securities pursuant to the exercise of the Bail-in Tool is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, a holder of Capital Securities would have a right to compensation under the BRRD and the SRM Regulation based on an independent valuation of the institution, in accordance with Article 32 of the Resolution Law and the SRM Regulation, together with any other compensation provided for in any applicable law. However, if the treatment of a creditor following a Non-Viability Loss Absorption is less favourable than it would have been under ordinary insolvency proceedings, it is uncertain whether such creditor would be entitled to the compensation provided for in the BRRD and the SRM Regulation.

The European Commission has proposed further amendments to BRRD and the SRM Regulation as discussed below (see "*Further proposed amendments to CRR II, CRD V and BRRD*").

Minimum requirement for own funds and eligible liabilities

The BRRD prescribes that banks hold a minimum level of own funds and eligible liabilities in relation to total liabilities known as "**MREL**". Pursuant to Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016 (the "**MREL Delegated Regulation**"), the level of own funds and eligible liabilities required under MREL will be set by the relevant resolution authority, in agreement with the competent authority, for each bank (and/or group) based on, among other things, the criteria set out in Article 45c(1) of the BRRD, including the systemic importance of the institution. Eligible liabilities may be senior or subordinated, provided that, among other requirements, they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted by the resolution authority of a Member State under that law or through contractual provisions. With a view to complying with the requirement of BRRD that MREL-eligible liabilities should not be subject to set-off, an amending law to the Banking Law was published on 12 April 2023 in order to explicitly exclude own funds and liabilities which are MREL-eligible from the application of mandatory set-off imposed by the insolvency framework in Cyprus.

An institution's eligible liabilities consist of its eligible liability items (as defined in CRR II) after a number of mandatory deductions. In order to be considered as eligible liabilities, instruments must meet the requirements set out in Article 72b of the CRR, which includes a requirement for those instruments to rank below liabilities excluded under Article 72a(2) of the CRR. The class of "non-preferred" senior debt created following the implementation of the Insolvency Hierarchy Directive (such as Senior Non-Preferred Notes issued by the Bank) was intended to facilitate compliance with such MREL requirements. CRR II also provides some exemptions which could allow outstanding senior debt instruments to be used to comply with MREL. However, there is uncertainty insofar as such eligibility is concerned and how the regulations and exemptions provided for in the 2016 Banking Reform Package are to be interpreted and applied.

The Bank is the Group's relevant resolution entity for MREL purposes and as such the Bank (together with its consolidated subsidiaries) must comply with the MREL requirement.

In February 2023, the Bank received formal notification from the CBC of the final decision of the SRB for the Bank's binding MREL requirement. The MREL requirement was set at (i) 24.35 per cent. of risk weighted assets and (ii) 5.91 per cent of the "total exposure measure", as determined in accordance with Articles 429 and 429a of the CRR for purposes of the calculation of its LRE. The Bank's MREL requirement must be met by 31 December 2025. Furthermore, the Bank was required to comply by 1 January 2022 with an interim requirement of 14.94 per cent. of risk weighted assets and 5.91 per cent. of LRE, which the Bank achieved. The own funds used by the Bank to meet the combined buffer requirement will not be eligible to meet its MREL requirements expressed in terms of risk weighted assets. The above requirements replace those that were previously applicable.

The MREL ratio as at 31 March 2023, calculated according to the SRB's eligibility criteria currently in effect and based on the Bank's internal estimate, stood at 20.8 per cent. of risk weighted assets and 10.0 per cent. of LRE. The ratios as at 31 March 2023 include unaudited/un-reviewed profits for the three months ended 31 March 2023 and for CRR compliance purposes an accrual for dividend at a payout ratio of 30 per cent. of the Group Adjusted Profit after tax for the period, in line with the payout ratio established in the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. The MREL ratio expressed as a percentage of risk weighted assets does not include capital used to meet the combined buffer requirement amount, which stood at 4.02 per cent. as at 31 March 2023 (compared to 3.77 per cent. as at 31 December 2022) and will increase following an increase in CcyB from 0.00 per cent. to 0.50 per cent. of the total risk exposure amount in Cyprus as from 30 November 2023, and to 1 per cent. as from 2 June 2024 as announced by the CBC.

If the SRB considers that there may be any obstacles to the Bank's and/or the Group's resolvability, a higher MREL could be imposed.

The 2016 Banking Reform Package provided that a bank's MREL breach should be dealt with by the competent authorities in consultation with one another through their powers to address or remove obstacles to resolution, the exercise of their supervisory powers and their power to impose early action measures, administrative sanctions and other administrative measures.

The 2016 Banking Reform Package provided for the amendment of a number of aspects of the MREL framework to align it with the TLAC standards included in the Financial Stability Board's November 2015 TLAC Principles and Term Sheet. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non-G-SIBs, BRRD II also provided for a number of changes to the MREL rules applicable to non-G-SIBs, such as the Bank. While the 2016 Banking Reform Package provided for minimum harmonised or "Pillar 1" MREL for G-SIBs, in the case of non-G-SIBs such as the Bank they provide that MREL will be imposed on a bank-specific basis. For G-SIBs, the 2016 Banking Reform Package provided that supplementary or "Pillar 2" MREL may be further imposed on a bank-specific basis. The 2016 Banking Reform Package further provided for the resolution authorities

to give guidance to institutions to have own funds and eligible liabilities in excess of the requisite levels for certain purposes.

Review of EU bank crisis management and deposit insurance framework

In 2020, the European Commission announced proposals for the review of the bank crisis management and deposit insurance ("**CMDI**") framework. The CMDI framework comprises the BRRD, the SRM Regulation and the Deposit Guarantee Schemes Directive ("**DGSD**"), which aims to protect depositors of all banks and the stability of the EU banking system. The review would result in a package of three laws updating the BRRD, DGSD and SRM Regulation with a view to addressing certain perceived problems with the CMDI framework. In particular, the European Commission stated that the review would address existing problems in (i) the CMDI framework's incentives to use tools outside the resolution framework, (ii) the varying availability and use of tools in national insolvency proceedings, (iii) the legal certainty and predictability of the framework in a cross-border context, (iv) market integration within banking union, and (v) discrepancies in depositor protection across Member States.

The proposals for the review of the CMDI framework appeared in the European Commission's work programme for 2021, but were subsequently postponed to March 2023. On 18 April 2023, following consultation the European Commission adopted a legislative proposal on its review of the CMDI framework. The legislative package will now be discussed by the European Parliament and Council.

Further proposed amendments to CRR II, CRD V and BRRD

In October 2021, the European Commission adopted legislative proposals for further amendments to CRR II, CRD V and the BRRD (the "**2021 Banking Package**"). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package includes:

- a proposal for a Regulation (sometimes known as "CRR III") to make amendments to CRR II with regard to (amongst other things) requirements on credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor; and

- a proposal for a Directive (sometimes known as "CRD VI") to make amendments to CRD V (and BRRD) with regard to (amongst other things) requirements on supervisory powers, sanctions, third-country branches and ESG risks.

In March 2022, the ECB published an opinion on the legislative proposal for CRR III. In the opinion, the ECB emphasised the importance of finalising the EU implementation of the Basel III reforms in a timely manner and without unduly long implementation periods. The ECB also argued that the EU's implementation should be faithful to the Basel III standards, in areas including the output floor, standardised approach to credit risk, operational risk and credit valuation adjustment risk.

In April 2022, the ECB published an opinion on the legislative proposal for CRD VI, which set out its views on issues including the output floor, third country branches and included a call for the inclusion of additional supervisory powers on the amendment of credit institutions' articles of association, related party transactions and material outsourcing arrangements.

In February 2023, the European Parliament committee responsible for reviewing the CRR III and CRD VI legislative proposals (the Economic and Monetary Affairs Committee or "**ECON**") published its reports on each such proposal. The reports contain draft European Parliament legislative resolutions, the text of which set out suggested amendments to CRR III and CRD VI. In January 2023, ECON published a press release announcing that it had voted to adopt reports on CRR III and CRD VI, highlighting the changes it intended to make to the proposals. In particular, ECON proposed that:

- the output floor should be consolidated at an EU level to allow for comparable risk weights and avoid variations in capital levels. Competent authorities should be able to address inappropriate distribution of capital among banking groups and propose a capital redistribution. ECON also agreed on transitional arrangements for low-risk exposures secured by mortgages on residential property. These transitional periods may be extended by up to four years;

- ECON agreed on strengthened reporting and disclosure requirements for ESG risk. The EBA is mandated to assess the merits of a dedicated prudential treatment of ESG-related exposures;

- banks should disclose their exposure to cryptoassets and cryptoasset services, together with a description of their cryptoasset risk management policies; and

- the membership of banks' management bodies should be sufficiently diverse and gender balanced. If a key function holder ceases to comply with suitability criteria, that person must be replaced.

In November 2022, the European Council published a press release announcing that it had agreed its general approach on CRR III and CRD VI. In accordance with the ordinary legislative procedure, as the Council of the EU and the European Parliament have determined their respective negotiating positions on the legislation they will subsequently enter into trialogue negotiations. The proposals for CRR III and CRD VI are subject to amendment in the course of the EU's legislative process and their scope and terms may change prior to implementation. In addition, in the case of the proposal for CRD VI, its terms and effect will depend, in part, on how it is transposed in each Member State. As a general matter, the European Commission intends for CRR III to apply from 1 January 2025, with certain exceptions set out in Article 2(2), and for Member States to adopt and publish measures implementing the CRD VI Directive 18 months from the date of its entry into force and to apply those measures from the following day. Certain measures are expected to be subject to transitional arrangements or to be phased in over time. Accordingly, it is currently not possible to predict the potential impact of the 2021 Banking Package on the Bank, the Issuer or the Group. See "*Risk Factors—Regulatory and Legal Risks—Given the systemic status of the Group's business and operations, it is subject to extensive regulation and supervision and can be negatively affected by its non-compliance with regulatory requirements and by regulatory and governmental developments*".

Proposed New Cypriot Liquidation Law

A new draft law relating to the liquidation of credit institutions is currently under review and negotiation by the relevant parties in Cyprus (the "**Draft Liquidation Law**") for the purposes of reflecting certain provisions of Directive 2001/24/EC, Directive 2014/49/EU, Directive 2017/2399 and Directive 2019/879.

Under the Draft Liquidation Law, the CBC may initiate the liquidation of a credit institution by submission of a Court application requesting such liquidation and the appointment of a liquidator for that purpose. The Court shall issue a Court order to that effect if it is of the opinion that any one of the following conditions are satisfied:

- the license of the credit institution has been revoked by the ECB pursuant to Regulation (EU)2013/1024 or by the CBC pursuant to the Banking Law or the Resolution Law; or

- the resolution authority or the SRB considers that the conditions for resolution under the Resolution Law or SRM Regulation are fulfilled but a resolution action is not necessary for public interest purposes.

Such Court order relating to the commencement of the liquidation of a credit institution shall be effective and directly applicable in all EU Member States in which the credit institution in question has branches.

The liquidation shall be deemed to commence from the date of the submission of the application for liquidation or from the date of the appointment of a temporary liquidator (in accordance with the provisions of the Draft Liquidation Law), whichever occurs first, provided that a Court order has been issued.

The CBC will also have the right to appoint a temporary liquidator before the submission to the Court of an application for liquidation of the credit institution or at any time after submission of the application, but before the issuance of the Court order for the commencement of liquidation. In the event that the CBC does not proceed within 75 days (which may be extended by a further 2 months in extraordinary cases) to submit a formal application to the Court for the liquidation, then the appointment of the temporary liquidator will be terminated.

The Draft Liquidation Law also provides for the effects of the commencement of liquidation of a credit institution on legal proceedings, employment agreements, rights on movable and immovable property, encumbrances and rights of third parties on movable or immovable property arising from agreements existing at the time of commencement and are located in a member state other than the Republic of Cyprus at the time of liquidation.

The commencement of the liquidation process will not affect a creditor's right to request the set-off of his claim against the banking institution's claim, on the proviso that this is provided for in the creditor's contract with the banking institution. However, this will not apply in relation to own funds and liabilities which are MREL-eligible and to liabilities which can be transferred as part of the sale of business.

It is noted that any transfer of all or part of the assets of a credit institution under liquidation in accordance with the provisions of the Draft Liquidation Law shall be considered as valid against any third party, without the consent of such credit institution's contributors, creditors or other third party. Claims arising from Senior Non-Preferred Notes, subordinated debt instruments, Tier 2 capital instruments, Additional Tier 1 capital instruments and CET 1 capital items cannot be transferred as obligations as part of the sale of business .

The Draft Liquidation Law also sets out the creditors' insolvency hierarchy for the purposes of the liquidation of a credit institution. It is expected that this creditors' insolvency hierarchy will replace the one set out in article 33O of the Banking Law. The ranking of Additional Tier 1 capital in relation to Tier 2 capital and CET 1 capital is not expected to change.

Law on the Issuance of Government Guarantees to Credit Institutions for the Granting of Loans to Businesses and Self-Employed (Law 110(I)/2021)

On 22 April 2021, the Cypriot Parliament adopted the Law on the Issuance of Government Guarantees to Credit Institutions for the Granting of Loans to Businesses and Self-Employed (Law 110(I)/2021), pursuant to which the Minister of Finance is able to issue government guarantees to credit institutions, in order for the credit institutions to grant new low-cost loans to self-employed and/or companies, which were not facing financial difficulties on 31 December 2019, but were then facing such financial difficulties due to COVID-19 pandemic. Government guarantees were granted until 31 December 2021, however Law 110(I)/2021 has been amended by Law 160(I)/2021, which, among other things, extended the period for the granting of government guarantees until the EU Commission's Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the "**Temporary Framework**"), as amended, ceases to apply, provided that such extension shall not go beyond 31 March 2022. The Temporary Framework was further amended on 18 November 2021 to provide that the Temporary Framework would not be extended beyond 30 June 2022 save for certain

measures which were extended to 31 December 2022 (investment measures) and 31 December 2023 (solvency support measures).

Solvency of the Group

The minimum CET1 and total capital requirements are set out in the tables below.

Minimum CET1 Regulatory Capital Requirements	**2023**	**2022**	**2021**
Pillar 1 – CET1 Requirement	4.50%	4.50%	4.50%
Pillar 2 – CET1 Requirement	1.73%	1.83%	1.69%
Capital Conservation Buffer (CCB)*	2.50%	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.50%	1.25%	1.00%
Countercyclical Buffer (CcyB)	0.02%	0.02%	0.00%
Minimum CET1 Regulatory Requirements	**10.25%**	**10.10%**	**9.69%**

** Fully phased in as of 1 January 2019*

Minimum Total Capital Regulatory Requirements	**2023**	**2022**	**2021**
Pillar 1 – Total Capital Requirement	8.00%	8.00%	8.00%
Pillar 2 – Total Capital Requirement	3.08%	3.26%	3.00%
Capital Conservation Buffer (CCB)*	2.50%	2.50%	2.50%
Other Systematically Important Institutions (O-SII) Buffer	1.50%	1.25%	1.00%
Countercyclical Buffer (CcyB)	0.02%	0.02%	0.00%
Minimum Total Capital Regulatory Requirements	**15.10%**	**15.03%**	**14.50%**

** Fully phased in as of 1 January 2019*

The minimum Pillar 1 total capital requirement ratio of 8.0 per cent. may be met in addition to the 4.50 per cent. Pillar 1 - CET1 requirement, with up to 1.50 per cent. AT1 capital and up to 2.0 per cent. Tier 2 capital.

The Group is also subject to additional capital requirements for risks which are not covered by the Pillar 1 capital requirements (Pillar II add-ons). Applicable Regulation allows a part of these Pillar 2 requirements to be comprised of AT1 and Tier 2 capital and does not require solely the use of CET1.

Pillar 2 add-on capital requirements derive from SREP, which is a point in time assessment, and are therefore subject to change over time.

In the context of the annual SREP conducted by the ECB in 2022 and based on the final SREP decision received in December 2022, effective from 1 January 2023 the P2R has been set at 3.08 per cent., compared to the previous level of 3.26 per cent. The additional P2R add-on of 0.33 per cent., compared to the previous level of 0.26 per cent, relates to ECB's prudential provisioning expectations. The P2R add-on is dynamic and can vary on the basis of in-scope NPEs and level of provisioning. When disregarding the P2R add-on relating to ECB's prudential provisioning expectations, the P2R is reduced from 3.00 per cent. to 2.75 per cent. As a result, the Group's minimum phased in CET1 ratio and total capital ratio requirements were reduced when disregarding the phasing in of the O-SII buffer. The Group's minimum phased-in CET1 ratio requirement was set at 10.25 per cent., comprising a 4.50 per cent. Pillar I requirement, a P2R of 1.73 per cent., the CCB of 2.50 per cent., the O-SII buffer of 1.50 per cent. (fully phased in on 1 January 2023) and the CcyB of 0.02 per cent. The Group's minimum phased-in total capital requirement was set at 15.10 per cent., comprising an 8.00 per cent. Pillar I

requirement, of which up to 1.50 per cent. can be in the form of AT1 capital and up to 2.00 per cent. in the form of Tier 2 capital, a P2R of 3.08 per cent., the CCB of 2.50 per cent., the O-SII buffer of 1.50 per cent. and the CcyB of 0.02 per cent.

In the context of 2021 SREP, the ECB has also provided revised lower non-public guidance for an additional Pillar 2 CET1 capital buffer ("**P2G**"), which has been maintained unchanged in 2022 SREP.

The CBC, in accordance with the Macroprudential Oversight of Institutions Law of 2015, sets, on a quarterly basis, the CcyB rates in accordance with the methodology described therein. The CcyB for the Group as at 31 March 2023 has been calculated at circa 0.02 per cent.

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the countercyclical buffer rate from 0.00 per cent. to 0.50 per cent. of the total risk exposure amount in Cyprus of each licensed credit institution incorporated in Cyprus. The new rate of 0.50 per cent. must be observed as from 30 November 2023. Further on 2 June 2023, the CBC, decided to further increase the countercyclical buffer rate to 1.00 per cent. of the total risk exposure amount in Cyprus of each licensed credit institution incorporated in Cyprus. The new rate of 1.00 per cent. must be observed as from 2 June 2024. Based on the above, the CcyB for the Group is expected to increase accordingly on the respective dates.

The Bank has been designated as an O-SII by the CBC in accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015. Since November 2021, the O-SII buffer has been set to 1.50 per cent. This buffer was originally set at 0.50 per cent. at 1 January 2019 and has been phased-in gradually. The O-SII buffer as at 31 December 2022 stood at 1.25 per cent. and was fully phased-in to 1.50 per cent on 1 January 2023.

The Group is subject to a 3 per cent. Pillar 1 leverage ratio requirement.

The above minimum ratios apply to both the Bank and the Group.

The EBA final guidelines on SREP and supervisory stress testing and the SSM 2018 SREP methodology provide that the own funds held for the purposes of P2G cannot be used to meet any other capital requirements (Pillar 1 requirement, P2R or the combined buffer requirement), and therefore cannot be used twice.

Historically, the Issuer and the Bank have been subject to a prohibition on the making of equity dividend distributions and therefore no dividends were declared or paid during 2021, 2020, 2019 and 2018. Following the SREP 2022 Decision, the ECB has lifted its prohibition on the Issuer and the Bank from distributing equity dividends, with any such distributions being subject to regulatory approval. This prohibition did not apply if the distribution was made via the issuance of new ordinary shares to the shareholders, eligible as CET1 capital. No prohibition applied to the payment of coupons on any AT1 capital instruments issued by the Issuer and the Bank. See "*Recent Developments*" – "*Resumption of dividend payments*".

Total capital[13]

Set out below are the Group's and the Bank's (on a solo basis) solvency data (transitional and fully loaded presented), in each case in accordance with the regulations applicable on each of the dates stated. See also the Group's "*Additional Risk and Capital Management Disclosures*", which is incorporated by reference in this Offering Circular.

[13] All financial and regulatory information and ratios in this section relate to the Group only and should not be construed as references that relate to the Bank and its consolidated subsidiaries unless indicated otherwise.

Regulatory capital	Group		
	31 March 2023[14]	31 December 2022 (restated)[15]	31 December 2021[16]
	€000	€000	€000
Transitional Common Equity Tier 1 (CET1)[17,18]	1,548,055	1,540,292	1,619,559
Transitional Additional Tier 1 capital (AT1)	220,000	220,000	220,000
Tier 2 capital (T2)	300,000	300,000	300,000
Transitional total regulatory capital	2,068,055	2,060,292	2,139,559
Risk weighted assets – credit risk[19]	9,153,276	9,103,330	9,678,741
Risk weighted assets – market risk	--	-	-
Risk weighted assets – operational risk	1,010,885	1,010,885	1,015,488
Total risk weighted assets	10,164,161	10,114,215	10,694,229
	%	%	%
Transitional Common Equity Tier 1 ratio	15.2	15.2	15.1
Transitional total capital ratio	20.3	20.4	20.0

14 For 31 March 2023, as per the Announcement of the Group Financial Results for the quarter ended 31 March 2023 (Additional Risk and Capital Management Disclosures).

15 The 2022 capital ratios as previously reported in the Group Annual Financial Report 2022 and the Group's Pillar 3 disclosures for the year ended 31 December 2022 have been restated in the Announcement of the Group Financial Results for the quarter ended 31 March 2023 following the approval by the ECB for the payment of a dividend in April 2023, and recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 which amounts to an aggregate distribution of €22,310 thousand

16 For 31 December 2021, as per the Group Annual Financial Report 2021 (Additional Risk and Capital Management Disclosures) and Pillar 3 Disclosures.

17 CET1 includes regulatory deductions, comprising among others intangible assets amounting to €28,485 thousand for the Group as at 31 March 2023 (31 December 2022: €30,421 thousand for the Group, 31 December 2021: €30,032 thousand for the Group). As at 31 March 2023 an amount of €12,439 thousand, relating to intangible assets, is considered prudently valued for CRR purposes and it is not deducted from CET1 (31 December 2022: €12,934 thousand, 31 December 2021: €15,394 thousand).

18 Following the Regulation (EU) 2016/445 of the ECB of 14 March 2016 on the exercise of options and discretions available in Union law (ECB/2016/4), the deferred tax asset was phasing-in for 5 years, with effect as from the reporting of 31 December 2016, and fully phased-in on 1 January 2019.

19 Includes Credit Valuation Adjustments (CVA).

Fully loaded	Group		
	31 March 2023[20]	31 December 2022 (restated)[21]	31 December 2021[22]
	%	%	%
Common Equity Tier 1 ratio	15.2	14.5	13.7
Total capital ratio	20.3	19.6	18.7

Regulatory capital	The Bank		
	31 March 2023[23]	31 December 2022 (restated)[24]	31 December 2021[25]
	€000	€000	€000
Transitional Common Equity Tier 1 (CET1)[26,27]	1,506,130	1,509,056	1,592,455
Transitional Additional Tier 1 capital (AT1)	220,000	220,000	220,000
Tier 2 capital (T2)	300,000	300,000	300,000
Transitional total regulatory capital	2,026,130	2,029,056	2,112,455
Risk weighted assets – credit risk[28]	9,139,782	9,150,831	9,697,351
Risk weighted assets – market risk	--	-	-
Risk weighted assets – operational risk	997,720	997,720	995,450

[20] IFRS 9 fully loaded.

[21] IFRS 9 and CRR Article 468 fully loaded.

[22] IFRS 9 and CRR Article 468 fully loaded.

[23] For 31 March 2023, as per the Announcement of the Group Financial Results for the quarter ended 31 March 2023 (Additional Risk and Capital Management Disclosures).

[24] The 2022 capital ratios as previously reported in the Group Annual Financial Report 2022 and the Group's Pillar 3 disclosures for the year ended 31 December 2022 have been restated in the Announcement of the Group Financial Results for the quarter ended 31 March 2023 following the approval by the ECB for the payment of a dividend in April 2023, and recommendation by the Board of Directors to the shareholders for approval at the Annual General Meeting on 26 May 2023, of a final dividend in respect of earnings for the year ended 31 December 2022 which amounts to an aggregate distribution of €22,310 thousand

[25] For 31 December 2021, as per the Group Annual Financial Report 2021 (Additional Risk and Capital Management Disclosures) and the Pillar 3 Disclosures.

[26] CET1 includes regulatory deductions, comprising among others intangible assets amounting to €23,649 thousand for the Bank as at 31 March 2023 (31 December 2022: €25,445 thousand for the Bank, 31 December 2021: €26,452 thousand for the Bank). As at 31 March 2023 an amount of €12,439 thousand, relating to intangible assets is considered prudently valued for CRR purposes and it is not deducted from CET1 (31 December 2022: €12,934 thousand, 31 December 2021: €15,394 thousand).

[27] Following the Regulation (EU) 2016/445 of the ECB of 14 March 2016 on the exercise of options and discretions available in Union law (ECB/2016/4), the deferred tax asset was phasing-in for 5 years, with effect as from the reporting of 31 December 2016, and fully phased-in on 1 January 2019.

[28] Includes Credit Valuation Adjustments (CVA).

Total risk weighted assets	10,137,502	10,148,551	10,692,801
	%	%	%
Transitional Common Equity Tier 1 ratio	14.9	14.9	14.9
Transitional total capital ratio	20.0	20.0	19.8

Fully loaded	**The Bank**		
	31 March 2023[29]	31 December 2022[30]	31 December 2021[31]
	%	%	%
Common Equity Tier 1 ratio	14.8	14.1	13.5
Total capital ratio	20.0	19.3	18.4

Such ratios exceed the applicable regulatory requirements described above, but there can be no assurance that the total capital requirements imposed on the Bank and/or the Group from time to time may not be higher than the levels of capital available at such point in time.

Own funds and eligible liabilities[13]

As at 31 March 2023, the Group's total equity excluding non-controlling interests totalled €2.1 billion, compared to €2.0 billion at 31 December 2022 (restated). Shareholders' equity totalled €1.9 billion as at 31 March 2023, compared to €1.8 billion as at 31 December 2022 (as restated).

During the three months ended 31 March 2023 the Group's CET 1 ratio was positively affected mainly by the pre-provision income as well as the €50 million dividend distributed to the Bank in February 2023 by the life insurance subsidiary and was negatively affected mainly by the phasing in of IFRS 9 and other transitional adjustments on 1 January 2023, provisions and impairments, other movements and the increase in risk-weighted assets.

The Group has elected to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) where the impact on the impairment amount from the initial application of IFRS 9 on the capital ratios is phased in gradually. The Group has elected in prior years to apply the 'static-dynamic' approach in relation to the transitional arrangements for the initial application of IFRS 9 for regulatory capital purposes, where the impact on the impairment amount from the initial application of

[29] IFRS 9 fully loaded.
[30] IFRS 9 and CRR Article 468 fully loaded, as applicable.
[31] IFRS 9 and CRR Article 468 fully loaded, as applicable.

IFRS 9 on the capital ratios is phased in gradually. The 'static-dynamic' approach allows for recalculation of the transitional adjustment periodically on Stage 1 and Stage 2 loans, to reflect the change of the expected credit losses ("**ECL**") provisions within the transition period. The Stage 3 ECL remained static over the transition period as per the impact upon initial recognition. The amount added each year for the 'static component' was decreasing based on a weighting factor until the impact of IFRS 9 was fully absorbed back to CET1 at the end of the five years with the impact being fully phased-in (100 per cent.) on 1 January 2023. The cumulative impact on the capital position as at 31 December 2021 was 50 per cent. and as at 31 December 2022 at 75 per cent., with the impact having been fully phased-in (100 per cent.) on 1 January 2023. Following the June 2020 amendments to the CRR in relation to the dynamic component (please see below) a 100 per cent. add back of IFRS 9 provisions was allowed for the years 2020 and 2021, reducing to 75 per cent. in 2022, to 50 per cent. in 2023 and to 25 per cent. in 2024. This will be fully phased in by 1 January 2025. The calculation at each reporting period is made against Stage 1 and Stage 2 provisions as at 1 January 2020, instead of 1 January 2018.

On 27 June 2019, CRR II and CRD V came into force. As an amending regulation, the existing provisions of CRR apply, unless they were amended by CRR II. Certain provisions took immediate effect (primarily relating to MREL), but most changes became effective as of June 2021. The key changes introduced consisted of, among others, changes to qualifying criteria for CET1, AT1 and Tier 2 instruments, introduction of requirements for MREL and a binding leverage ratio requirement (as defined in the CRR) and a NSFR.

The amendments that came into effect on 28 June 2021 through CRR II and CRD V are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among other, brought forward some CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to accelerating the implementation of the new SME discount factor (resulting in lower RWAs), extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 capital allowing to fully add back to CET1 capital any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing in this starting from 2022 and advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in December 2020). In addition, Regulation (EU) 2020/873 introduced a temporary treatment of unrealised gains and losses on exposures to central governments, to regional governments or to local authorities measured at fair value through other comprehensive income, which the Group elected to apply and implemented from the third quarter of 2020. This temporary treatment was in effect until 31 December 2022.

In addition, a prudential charge in relation to the onsite inspection on the value of the Group's foreclosed assets is being deducted from the Group's own funds since 30 June 2021, the impact of which is 24 bps on the Group's CET1 ratio as at 31 March 2023, decreased from 26 bps on December 2022 mainly due to impairment recognised during the period.

The MREL ratio as at 31 March 2023, calculated according to the SRB's eligibility criteria currently in effect and based on the Bank's internal estimate, stood at 20.8 per cent. of risk weighted assets and at 10.0 per cent. of LRE. The ratios as at 31 March 2023 include reviewed profits for the three months ended 31 March 2023, and an accrual for dividend (for compliance with CRR) at a payout ratio of 30 per cent. of the Group Adjusted Profit after tax for the period, in line with the payout ratio established in the Group's approved dividend policy. As per the latest SREP decision, any dividend distribution is subject to regulatory approval. The MREL ratio expressed as a percentage of risk-weighted assets does not include capital used to meet the combined buffer requirement amount which stood at 3.77 per cent. as at 31 December 2022 and increased to 4.02 per cent. as at 31 March 2023 and will further increase on 30 November 2023 following an increase in CcyB from 0.00 per cent. to 0.50 per cent. of the total risk exposure amounts in Cyprus as announced by the CBC.

For further discussions on the Group's capital, please see the section entitled " *Additional Risk & Capital Management disclosures – Capital management*" in the Announcement of the Group Financial Results for the quarter ended 31 March 2023, which is incorporated by reference herein.

Recent Developments

Resumption of dividend payments

In April 2023, the Issuer obtained the approval of the ECB to pay a dividend. Following this approval, a final dividend of €0.05 per ordinary share in respect of earnings for the year ended 31 December 2022 (the "**Dividend**") was approved by the shareholders at the Annual General Meeting on 26 May 2023. This Dividend amounts to €22.3 million in total and is equivalent to a payout ratio of 14 per cent. of the recurring profitability for the year ended 31 December 2022 as reported in the Group Annual Financial Report 2022 adjusted for AT1 coupon payments or 31 per cent. based on profit after tax for the year ended 31 December 2022 as reported in the Group Annual Financial Report 2022. The Dividend is to those shareholders on the register on 5 May 2023 with an Ex-Dividend date of 4 May 2023 with a payment date of 16 June 2023.

The Dividend resulted in a negative capital impact of 22 bps on the Group's CET1 ratio and Total Capital ratio as at 31 December 2022. As noted above, the capital ratios as at 31 December 2022 have been restated in order to take into consideration the recommendation of the Dividend.

This Dividend reflects the resumption of dividend payments after 12 years, underpinning the Group's position as a strong and well-diversified organisation, capable of delivering sustainable shareholder returns.

Dividend policy

In April 2023, the Board of Directors approved the Group dividend policy. The Group aims to provide a sustainable return to shareholders. Dividend payments are expected to build prudently and progressively over time, towards a payout ratio in the range of 30-50 per cent. of the Group Adjusted Profit after tax. The dividend policy takes into consideration market conditions as well as the outcome of capital and liquidity planning.

Investor update

The Group held an investor event in London on 8 June 2023 where key management personnel presented and discussed the Group's outlook and medium-term targets. A copy of this presentation is publicly available on the Issuer's website.

SUBSCRIPTION AND SALE

BNP Paribas, BofA Securities Europe SA, Goldman Sachs Bank Europe SE and J.P. Morgan SE (the "**Joint Lead Managers**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 19 June 2023, agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Capital Securities. In the Subscription Agreement, the Issuer has agreed to pay a fee to the Joint Lead Managers in consideration of their agreement to subscribe for the Capital Securities and to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Capital Securities. The Joint Lead Managers are entitled to terminate the Subscription Agreement in certain limited circumstances prior to the issue of the Capital Securities.

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 (a "**U.S. person**") as defined in Regulation S ("**Regulation S**") under the Securities Act 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 in offshore transactions, in reliance on, and in compliance with, Regulation S.

Each Joint Lead Manager has represented and agreed that it will not offer, sell or deliver Capital Securities (i) as part of its distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all the Capital Securities within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Capital Securities from it during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Capital Securities, an offer or sale of the Capital Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Capital Securities 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.

UK

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available the Capital Securities to any retail investor

in the UK. 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 (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law in the UK by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Other regulatory restrictions

Each Joint Lead Manager has represented and agreed that:

(i) Financial promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Capital Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Capital Securities in, from or otherwise involving the UK.

Ireland

Each Joint Lead Manager has represented and agreed, that:

(a) it will not underwrite the issue of, or place the Capital Securities, otherwise than in conformity with the provisions of the European Union (Markets in Financial Instruments) Regulation 2017 (as amended) (the "**MiFID II Regulations**"), including Regulation 5 (Requirement for Authorisation (and certain provisions concerning MTFs and OTFs)) thereof or any codes of conduct made under the MiFID II Regulations and the provisions of the Investor Compensation Act 1998 (as amended);

(b) it will not underwrite the issue of, or place, the Capital Securities, otherwise than in conformity with the provisions of the Companies Act, the Central Bank Acts 1942 to 2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);

(c) it will not underwrite the issue of, or place, or do anything in Ireland with respect to the Capital Securities otherwise than in conformity with the provisions of the Prospectus Regulation, the European Union (Prospectus) Regulations 2019 and any rules and guidance issued by the Central Bank of Ireland (the "**Central Bank**") under Section 1363 of the Companies Act; and

(d) it will not underwrite the issue of, place or otherwise act in Ireland with respect to the Capital Securities otherwise than in conformity with the provisions of the Market Abuse Regulation (EU) 596/2014 (as amended), the European Union (Market Abuse) Regulations 2016 (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act.

Cyprus

Each Joint Lead Manager has represented and agreed that:

(a) it has not made and will not make an offer for sale or sell any Capital Securities to any person within Cyprus other than to qualified investors within the meaning of the Prospectus Regulation and the Public Offer and Prospectus Law, Law 114(I)/2005 (as amended or replaced from time to time) (if applicable) or to other persons to whom such an offer may be lawfully made pursuant to the provisions of the Prospectus Regulation;

(b) it has complied and will continue to comply with all applicable provisions of the Prospectus Regulation with respect to anything done by it in relation to the Capital Securities in, from or otherwise involving Cyprus;

(c) it has complied and will continue to comply with the provisions of the Investment Services and Activities and Regulated Markets Law (Law 87(I)/2017 which transposed into Cyprus legislation MiFID II, effective as from 3 January 2018) (as amended or replaced from time to time) with respect to any offer or sale of the Capital Securities in Cyprus;

(d) it has complied and will continue to comply and act in Cyprus, with respect to the Capital Securities, in conformity with the provisions of the Market Abuse Regulation (Regulation (EU) 596/2014) (as amended); and

(e) it has complied and will continue to comply with the Cyprus Market Abuse Law (Law 102(I)/2016) (as amended or replaced from time to time).

Switzerland

Each Joint Lead Manager has acknowledged that this Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Capital Securities. Each Joint Lead Manager has represented and agreed that the Capital Securities may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (the "**FinSA**") and no application has or will be made to admit the Capital Securities to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Each Joint Lead Manager has acknowledged that neither this Offering Circular nor any other offering or marketing material relating to the Capital Securities constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Capital Securities may be publicly distributed or otherwise made publicly available in Switzerland.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold the Capital Securities or caused the Capital Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell the Capital Securities or cause the Capital Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Capital Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Capital Securities pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will (to the best of its knowledge and belief having made all due and proper enquiries) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Capital Securities or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Capital Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and the Issuer shall not have any responsibility therefor.

Neither the Issuer nor any of the Joint Lead Managers represents that Capital Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

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 Resident Individuals

Save as provided below, Cyprus does not levy any withholding tax on interest paid to non-Cyprus tax resident individuals or to individuals who are not considered (for the purposes of the SDC (as defined below)) to be domiciled in Cyprus.

In addition, individuals who are not tax resident for tax purposes in Cyprus pursuant to the provisions of the General Healthcare System Law (the "**GHS Law**"), should not be liable for General Healthcare System contributions ("**GHS**").

Non-Cyprus Tax Resident Companies

Cyprus does not levy any withholding tax on interest paid to non-Cyprus tax resident companies, except from companies (a) resident in a country which is included in Annex I of the EU list of non-cooperative jurisdictions on tax matters, or (b) incorporated or registered in a country included in Annex I and which are not resident in another jurisdiction that is not included in Annex I.

As at the date of this Offering Circular, the countries on the EU list of non-cooperative jurisdictions are American Samoa, Anguilla, Bahamas, British Virgin Islands, Costa Rica, Fiji, Guam, Marshall Islands, Palau, Panama, Russia, Samoa, Trinidad and Tobago, Turks and Caicos Islands, US Virgin Islands and Vanuatu.

The above withholding tax in relation to the non-cooperative jurisdictions will not apply in cases where the interest is paid or credited to a non-Cyprus tax resident company in relation to securities listed on any recognised stock exchange.

The obligation for the withholding tax in respect of SDC on interest payments, as described above, is not applicable to the Capital Securities, since the Cyprus Tax Department confirmed to the Issuer by way of a tax ruling dated 28 February 2023 that:

(a) there is no obligation for the Issuer to withholding SDC upon payments of interest or payments of principal to a holder of the Capital Securities which is a company tax resident in a jurisdiction included in Annex I or which is a company incorporated or registered in a jurisdiction included in Annex I and is not resident in another jurisdiction that is not included in Annex I; and

(b) there is no obligation for the Issuer to collect the declaration for exemption from the deduction of SDC (Form T.D.624).

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 a 30 per cent. withholding tax 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**"). However, a 3 per cent. withholding tax pursuant to the provisions of the SCDF Law applies if that interest is derived from corporate bonds listed on a recognised stock exchange.

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.

The interest received by, or credited to, an individual who is a tax resident in Cyprus, irrespective of whether they are domiciled or non-domiciled, is subject to withholding tax pursuant to the provisions of the GHS Law at the rate of 2.65 per cent.

Cyprus tax resident companies

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

(a) a 12.5 per cent. withholding tax 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) a 30 per cent. withholding tax 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; or

(c) a 3 per cent. withholding tax 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, provided that this interest is derived from corporate bonds listed on a recognised stock exchange.

Cyprus tax resident individuals and companies

The obligation for the withholding tax in respect of SDC on interest payments, as described above, is not applicable to the Capital Securities, since the Cyprus Tax Department confirmed to the Issuer by way of a tax ruling dated 26 October 2021 that:

(a) there is no obligation for the Issuer to withhold SDC or GHS upon payments of interest to the holders of the Capital Securities;

(b) there is no obligation for the Issuer to collect the deduction exemption declaration from holders of the Capital Securities;

(c) in case of Cypriot domiciled holders of the Capital Securities (as the term is defined in the SDC Law) or Cypriot tax resident companies, it is the sole responsibility of such individual or company to pay the SDC on the interest income via self-assessment; and

(d) in case of Cypriot tax resident individual holders of the Capital Securities (as the term is defined in the Cypriot Income Tax Law) it is the sole responsibility of the individual to pay GHS on the interest income via self-assessment.

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

Interest 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.

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 disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the done/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 disponer 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:

(i) it is not issued at a discount of more than 10 per cent.;

(ii) it does not carry rights akin to share rights, it is not convertible into shares; and

(iii) 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 26 May 2023.

Listing

2. Application has been made to the Luxembourg Stock Exchange for the Capital Securities to be admitted to trading on the Euro MTF Market and to be listed on the Official List on or around the Issue Date.

Clearing Systems

3. The Capital Securities have been accepted for clearance through Euroclear and Clearstream. The ISIN for this issue is XS2638438510 and the Common Code is 263843851.

   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

Yield

4. There is no explicit yield to maturity. The Capital Securities do not carry a fixed date for redemption and the Issuer may not, and under certain circumstances is not permitted to, make payments on the Capital Securities at the full stated rate. The interest rate is also subject to periodic resetting.

   For information purposes only, the yield in respect of the Capital Securities from (and including) the Issue Date to (but excluding) the First Reset Date, and assuming no Principal Write-Down and no cancellation of interest during such period, would be 11.875 per cent. per annum. The yield is calculated on a semi-annual basis at the Issue Date on the basis of the issue price of 100 per cent. and the Initial Rate of Interest. It is not an indication of the actual yield for such period or of any future yield.

No significant change or material adverse change

5. There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 March 2023 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2022.

Litigation

6. Neither the Issuer nor any of its 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 Issuer 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.

Documents available

7. For as long as the Capital Securities remain outstanding, physical/electronic copies of the following documents will be available free of charge upon request from the Issuer and at the office of the Listing Agent during normal business hours on any weekday:

(i) the Group Annual Financial Report 2021;

(ii) the Group Annual Financial Report 2022;

(iii) the Announcement of the Group Financial Results for the quarter ended 31 March 2023;

(iv) the 2023 Financial Results Presentation;

(v) the Group's Pillar 3 disclosures for the year ended 31 December 2021;

(vi) the Group's Pillar 3 disclosures for the year ended 31 December 2022;

(vii) the Group's Interim Pillar 3 disclosures for the three months ended 31 March 2023;

(viii) the Memorandum and Articles of Association of the Issuer;

(ix) the Fiscal Agency Agreement (which will include the form of the Global Certificate and the Individual Certificates); and

(x) the Deed of Covenant.

These documents will be published on the website of the Luxembourg Stock Exchange (*www.luxse.com*).

Independent Auditors

8. PwC Ireland, member of the Institute of Chartered Accountants in Ireland, audited, and rendered an unqualified audit report on, the financial statements of the Group as at and for the years ended 31 December 2021 and 31 December 2022.

Registered office of the Issuer

9. The registered office of the Issuer is at 10 Earlsfort Terrace, Dublin 2, D02 T380, Ireland.

Joint Lead Managers transacting with the Issuer and/or the Bank

10. Certain of the Joint Lead Managers and their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates (including the Bank) in the ordinary course of business. Certain of the Joint Lead Managers and their affiliates may have positions, deal or make markets in the Capital Securities, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates (including the Bank), investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates (including the Bank). Some of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer and/or the Bank routinely hedge their credit exposure to the Issuer and/or the Bank consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities,

including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of the Capital Securities. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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