



**Republic of Cyprus**  
acting through the Ministry of Finance

**€9,000,000,000**

**Euro Medium Term Note Programme**

*Arranger*

**UBS INVESTMENT BANK**

*Dealers*

**Deutsche Bank**

**Société Générale**  
**Corporate & Investment Banking**

**UBS Investment Bank**

Under the Euro Medium Term Note Programme (the "**Programme**"), the Republic of Cyprus acting through the Ministry of Finance (the "**Republic**" or "**Cyprus**") may from time to time issue Notes (the "**Notes**") up to a maximum aggregate principal amount of €9,000,000,000 or its equivalent in alternative currencies on the date of the issue of such Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London. Notes may be denominated in the Specified Currencies referred to herein, as specified in a supplement to this Offering Circular (a "**Pricing Supplement**") which will contain the terms of, and pricing details for, each issue of Notes. Notes may be subject to redemption in whole or in part, as specified in the applicable Pricing Supplement.

Notes may be either interest bearing at fixed or variable rates or non-interest bearing and may be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the applicable Pricing Supplement. Notes will be issued in one or more series (each a "**Series**"). Each Series shall be all in bearer form or all in registered form and may be issued in one or more tranches (each a "**Tranche**") on different issue dates and on terms otherwise identical (except in relation to interest commencement dates and matters related thereto).

The Notes will be issued on a continuing basis to or through one or more of Deutsche Bank AG, London Branch, Société Générale and UBS Limited and other dealers appointed in respect of the Programme or a particular Tranche (each a "**Dealer**" and together the "**Dealers**").

Application may be made to the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 ("**FSMA**") (the "**UK Listing Authority**") for Notes issued under the Programme to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**"). References in this Offering Circular to Notes being "listed" (and all related references) shall, unless the context requires otherwise, mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. However, Notes may be listed on any other stock exchange or market and unlisted Notes may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange).

The Republic's long-term foreign currency debt has been rated B(low) with stable outlook by DBRS, B1 (stable) by Moody's Investor Services, Inc., BB- (positive) by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. and B+ (positive) by Fitch Ratings Ltd.

The Republic accepts responsibility for the information contained in this Offering Circular. The Republic having made all reasonable enquiries confirms that this Offering Circular contains all information with respect to the Republic, the Programme and Notes to be issued under the Programme which is material in the context of the issue and offering of Notes, there are no untrue statements of material fact contained in this Offering Circular in relation to the Republic, there is no omission to state a material fact which is necessary in order to make the statements made in this Offering Circular in relation to the Republic or the Programme or the Notes in the light of the circumstances under which they were made not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Republic are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and all reasonable enquiries have been made by the Republic to ascertain such facts and to verify the accuracy of all such information and statements.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Republic or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Republic, the Arranger or the Dealers that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Republic during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Republic or the Dealers to subscribe for or purchase, any of the Notes. The distribution of this Offering Circular and the offering of Notes in certain jurisdictions may be restricted by law and/or regulation. Persons into whose possession this Offering Circular comes are required by the Republic and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Circular, see "Subscription and Sale".

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of Notes and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Republic or the Dealers.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Republic since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Republic since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES. THIS OFFERING CIRCULAR HAS BEEN PREPARED BY THE REPUBLIC FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT AND, IN THE CASE OF REGISTERED NOTES, WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"). PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE NOTES AND DISTRIBUTION OF THIS OFFERING CIRCULAR, SEE "SUBSCRIPTION AND SALE" AND "TRANSFER RESTRICTIONS".

NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Certain monetary amounts included in this document 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 arithmetical aggregation of the figures preceding them.

Unless otherwise specified or the context requires, references herein to "dollars", "U.S. dollars", "U.S.\$" and "\$" are to United States dollars, references to "€" and "Euro" are to the lawful currency of member states of the European Union that have adopted the single currency introduced in accordance with the Treaty establishing the European Community as amended, references to "£" and "Sterling" are to Pounds Sterling and references to "¥" and "Yen" are to Japanese Yen.

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

This Offering Circular includes forward-looking statements. All statements other than statements of historical fact included in this Offering Circular regarding, among other things, Republic of Cyprus' economy, fiscal condition, politics, debt or prospects may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "project", "predict", "aim", "intend", "estimate", "anticipate", "believe", "continue", "could", "should", "would" or similar expressions or the negative thereof or other variations thereof or comparable terminology or discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Although the Issuer believes that expectations reflected in its forward-looking statements are reasonable as at the date of this Offering Circular, there can be no assurance that such expectations will prove to have been correct. The Issuer undertakes no obligation to update the forward-looking statements contained in this Offering Circular or any other forward-looking statement it may make. Forward-looking statements involve inherent risks and uncertainties.

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## **DOCUMENTS INCORPORATED BY REFERENCE**

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement and each supplement to the Offering Circular circulated by the Republic from time to time in accordance with the Dealer Agreement referred to below, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

The Republic will, at the specified offices of the Paying or Transfer Agents, provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the oral or written request of any such person, a copy of any or all of the documents incorporated herein by reference. Written or telephone requests for such documents should be directed to the specified office of any Paying or Transfer Agent.

## OVERVIEW OF THE PROGRAMME AND THE NOTES

*The following does not purport to be complete and is a summary of, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined or used in Form of the Notes and Terms and Conditions of the Notes shall have the same meaning in this Summary:*

<b>Issuer</b>	Republic of Cyprus acting through the Ministry of Finance.
<b>Arranger</b>	UBS Limited.
<b>Dealers</b>	Deutsche Bank AG, London Branch, Société Générale and UBS Limited.
<b>Fiscal Agent</b>	Deutsche Bank AG, London Branch.
<b>Registrar</b>	Deutsche Bank Trust Company Americas
<b>Currencies</b>	U.S. dollars, Euro, Sterling, Swiss Francs, Yen or such other currency as may be agreed between the Republic and the relevant Dealer(s), in all cases subject to applicable laws and regulations.
<b>Amount</b>	Up to €9,000,000,000 (or its equivalent in other currencies calculated as set out herein on the date of issue of such Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London) aggregate principal amount of Notes outstanding at any time. Under the Dealer Agreement, the principal amount of Notes which may be issued under the Programme may be increased or decreased, subject to the satisfaction of certain conditions set out therein. For the purpose of calculating the aggregate principal amount of Notes outstanding, Notes issued at a discount shall be treated as having been issued at their accrued original issue discount calculated by reference to the amortisation yield formula as specified in the applicable Pricing Supplement or, if none is specified in the applicable Pricing Supplement, their face amount and Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Republic.
<b>Form of Notes</b>	<p>Notes of each Tranche of each Series to be issued in bearer form ("<b>Bearer Notes</b>" comprising a "<b>Bearer Series</b>") will initially be represented by interests in a temporary global Note or by a permanent global Note, in either case in bearer form (a "<b>Temporary Global Note</b>" and a "<b>Global Note</b>", respectively), without interest coupons. If the relevant Temporary Global Note or Global Note, as the case may be, are stated in the applicable Pricing Supplement to be issued in new global note ("<b>NGN</b>") form, the Temporary Global Note or Global Note, as the case may be, will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "<b>Common Safekeeper</b>") for Euroclear Bank SA/NV ("<b>Euroclear</b>") and Clearstream Banking, S.A. ("<b>Clearstream, Luxembourg</b>").</p> <p>Temporary Global Notes and Global Notes which are not issued in NGN form ("<b>Classic Global Notes</b>" or "<b>CGNs</b>") will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "<b>Common Depositary</b>"). Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a Global Note or for definitive Bearer Notes (as specified in the relevant Pricing Supplement) on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the "<b>Exchange Date</b>") and, if so specified in the relevant Pricing Supplement, only upon certification as to non-U.S. beneficial ownership. Individual definitive Bearer Notes will only be available in</p>

exchange for interests in a Global Note in certain limited circumstances as described herein.

Notes of each Tranche of each Series to be issued in registered form ("**Registered Notes**" comprising a "**Registered Series**") and which are sold in an "offshore transaction" within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), will initially be represented by interests in a definitive global unrestricted Registered Note (each an "**Unrestricted Global Certificate**"), without interest coupons.

Notes of each Tranche of each Registered Series sold to a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, as referred to in, and subject to the transfer restrictions described in "Subscription and Sale" and "Transfer Restrictions", will initially be represented by a definitive global restricted Registered Note (each a "**Restricted Global Certificate**" and together with any Unrestricted Global Certificates the "**Global Certificates**"), without interest coupons.

If the relevant Global Certificate is held under the New Safekeeping Structure ("**NSS**"), it will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg and, if the relevant Global Certificate is not held under the NSS, will either (a) be deposited with a common nominee for, and registered in the name of a common nominee of, Clearstream, Luxembourg and Euroclear on its issue date or (b) be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**") or other relevant clearing system on its issue date.

Beneficial interests in the relevant Global Certificate will accordingly be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg or by DTC and its direct and indirect participants (including Euroclear and Clearstream, Luxembourg). See "Clearing and Settlement". Individual definitive Registered Notes will only be available in certain limited circumstances as described herein.

**Maturities**

Subject to compliance with all relevant laws and directives, such minimum and/or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.

**Issue Price**

Notes may be issued on a fully-paid or partly paid basis and at par or at a discount to or premium over par.

**Method of Issue**

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in Tranches on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a Pricing Supplement to this Offering Circular.

**Interest Rate**

The Notes may be issued on a fixed rate, variable rate or zero coupon basis.



**Fixed Rate Notes**

Fixed rate interest will be payable in arrear on the date or dates as agreed between the Republic and the relevant Dealer(s) in each year (as specified in the applicable Pricing Supplement).

Interest will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed or, in the case of Euro, on an "**Actual/Actual-ICMA**" basis, as more fully set out in "Terms and Conditions of the Notes – Interest" (unless otherwise specified in the applicable Pricing Supplement).

**Variable Rate Notes**

Variable Rate Notes will bear interest set separately for each Series by reference to LIBOR, LIBID, LIMEAN, EURIBOR or such other benchmark as may be specified in the applicable Pricing Supplement, as adjusted for any applicable margin. Variable Rate Notes may have a maximum interest rate, a minimum interest rate or both.

Interest on Variable Rate Notes will be payable on the last day of each Interest Period and will be calculated on the basis of the actual number of days in the Interest Period concerned divided by 360 or 365/366 in the case of Notes denominated in Sterling or, in the case of Euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of:

- (i) the number of those days falling in a leap year divided by 366; and
- (ii) the number of those days falling in a non-leap year divided by 365) (in each case unless otherwise specified in the applicable Pricing Supplement).

**Interest Periods for Variable Rate Notes**

Such period(s) as the Republic and the relevant Dealer(s) may agree, as indicated in the applicable Pricing Supplement.

**Zero Coupon Notes**

Zero Coupon Notes do not bear interest but will ordinarily be issued at a discount to their principal amount. The amount payable on early redemption of a Zero Coupon Note will be specified in the applicable Pricing Supplement.

**Withholding Tax**

All payments of principal and interest in respect of the Notes will be made free and clear of withholding for or on account of any taxes imposed by or within the Republic, subject to certain customary exceptions.

**Denominations**

Definitive Bearer Notes and definitive Registered Notes will be in such denominations as may be agreed between the Republic and the relevant Dealer(s) and specified in the applicable Pricing Supplement, subject to applicable laws and regulations. However, unless permitted by then current laws, regulations and directives, Registered Notes resold pursuant to Rule 144A shall be in denominations of U.S.\$250,000 (or its equivalent rounded upwards as agreed between the Republic and the relevant Dealer(s)) and higher integral multiples of U.S.\$1,000.

**Optional Redemption**

The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Republic and/or the holders of the Notes and, if so, the terms applicable to such redemption including whether partial redemption is permissible.

**Listing**

Application may be made to list Notes issued under the Programme on the Official List and to admit them to trading on the London Stock Exchange or as otherwise specified in the relevant Pricing Supplement. As specified in the relevant Pricing Supplement, a Series of Notes may be unlisted.

<b>Rating</b>	The Republic's long-term foreign currency debt has been rated B(low) with stable outlook by DBRS, B1 (stable) by Moody's Investor Services, Inc., BB- (positive) by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. and B+ (positive) by Fitch Ratings Ltd.
<b>Status of Notes</b>	Subject to "Terms and Conditions of the Notes – Negative Pledge", the Notes will constitute direct, unconditional and unsecured obligations of the Issuer and the full faith and credit of the Republic of Cyprus will be pledged for the due and punctual payment of all amounts payable in respect of the Notes and Coupons and for the performance of all other obligations of the Issuer pursuant to the Notes and Coupons. The Notes and Coupons of each Series shall at all times rank at least <i>pari passu</i> , without any preference among themselves, with all other unsecured indebtedness of the Issuer, from time to time outstanding. The Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other indebtedness and, in particular, shall have no obligation to pay other indebtedness at the same time or as a condition of paying sums due on the Notes and vice-versa.
<b>Negative Pledge</b>	There will be a negative pledge in respect of any security securing any External Indebtedness of the Issuer, all as more fully set out and subject to the exceptions contained in "Terms and Conditions of the Notes – Negative Pledge".
<b>Cross Default</b>	There will be a cross default in respect of indebtedness of the Republic and the Ministry of Finance, all as more fully set out in "Terms and Conditions of the Notes – Events of Default".
<b>Governing Law</b>	English.
<b>Selling Restrictions</b>	There are restrictions on the sale of Notes and the distribution of offering material in various jurisdictions. See "Subscription and Sale".
<b>Transfer Restrictions</b>	There are restrictions on the transfer of Notes sold pursuant to Regulation S under the Securities Act prior to the expiration of the relevant distribution compliance period and on the transfer of Notes sold pursuant to Rule 144A under the Securities Act. See "Transfer Restrictions".
<b>Clearing Systems</b>	Euroclear and/or Clearstream, Luxembourg and/or DTC, and/or such other clearing system or systems as may be agreed between the Republic and the relevant Dealer(s) and specified in the relevant Pricing Supplement.
<b>Pricing Supplement</b>	The issue price, issue date, maturity date, principal amount, interest rate (if any) applicable to any Notes and any other relevant provisions of such Notes will be agreed between the Republic and the relevant Dealer(s) at the time of agreement to issue such Notes and will be specified in the applicable Pricing Supplement.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, will apply to the Notes referred to in such Pricing Supplement:*

The Notes are issued pursuant to an amended and restated Fiscal Agency Agreement (as amended or supplemented or restated from time to time, the "**Fiscal Agency Agreement**") dated 15 July 2016 and made between the Republic of Cyprus acting through the Ministry of Finance (the "**Issuer**"), Deutsche Bank AG, London Branch as fiscal agent, transfer agent and calculation agent, Deutsche Bank Trust Company Americas, New York City office as registrar, transfer agent and exchange agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented or restated from time to time, the "**Deed of Covenant**"), dated 15 July 2016 and executed by the Issuer. The fiscal agent, the paying agents, the calculation agent, the registrar, the exchange agent 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 "**Calculation Agent**", the "**Registrar**", the "**Exchange Agent**" and the "**Transfer Agents**" and together as the "**Agents**". The Noteholders (as defined in Condition 1(c)) and the holders of the Coupons (if any) (the "**Couponholders**") and, where applicable in the case of interest-bearing Notes in bearer form, talons for further Coupons (the "**Talons**") are deemed to have notice of all of the provisions of the relevant Pricing Supplement (as defined in Condition 1(e)) and of those applicable to them of the Fiscal Agency Agreement.

Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

### 1. Form, Denomination, Title, Specified Currency and Pricing Supplement

#### (a) *Form*

Each Series (as defined in Condition 1(c)) of Notes of which the Note to which these Conditions are attached forms part (in these Conditions, the "**Notes**") is issued either in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"), and Notes comprising each such Series will be issued in each case in the Principal Amount of an Authorised Denomination (as defined in Condition 1(b)). These Conditions must be read accordingly. The Authorised Denomination of this Note is specified on it.

A registered certificate will be issued to each holder of Registered Note(s) in respect of its registered holding or holdings (each a "**Certificate**"). Each Certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar.

Bearer Notes which bear interest are issued with Coupons and, where appropriate, Talons attached.

Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

#### (b) *Denomination*

"**Authorised Denomination**" means (in relation to each Note) the denomination or denominations specified on such Note. Bearer Notes of one Authorised Denomination may not be exchanged for Bearer Notes of another Authorised Denomination (if any).

#### (c) *Title*

Title to the Bearer Notes, the Coupons relating thereto and, where applicable, the Talons relating thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Conditions, "**Noteholder**" and, in relation to a Note, Coupon or Talon, "**holder**", means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), "**person**" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality, "**Series**" means Notes which have identical terms and conditions, other than in respect of the Issue Date (as defined in Condition 5(III)), the date on which interest commences to accrue and related matters, and "**Tranche**" means, in relation to a Series, those Notes of such Series which have the same Issue Date.

(d) *Specified Currency*

The Specified Currency of any Note and, if different, any Specified Principal Payment Currency and/or Specified Interest Payment Currency, are as specified on such Note. All payments of principal in respect of a Note shall be made in the Specified Currency or, if applicable, the Specified Principal Payment Currency and all payments of interest in respect of a Note shall be made in the Specified Currency or, if applicable, the Specified Interest Payment Currency.

(e) *Pricing Supplement and Additional Terms*

References in these Conditions to terms specified on a Note shall be deemed to include references to terms specified in the applicable Pricing Supplement issued in respect of a Tranche which includes such Note (each a "**Pricing Supplement**"). Capitalised terms used in these Conditions in respect of a Note, and not specifically defined in these Conditions, have the meaning given to them in the applicable Pricing Supplement issued in respect of a Tranche which includes such Note. Additional provisions relating to the Notes may be contained in the Pricing Supplement or specified on the Note and will take effect as if originally specified in these Conditions.

## 2. Transfers of Registered Notes and Issue of Certificates

(a) *Transfer of Registered Notes*

A Registered Note may be transferred in whole or in part in an Authorised Denomination upon the surrender of the Certificate issued in respect of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Registered Note a new Certificate in respect of the balance not transferred will be issued to the transferor. Each new Certificate to be issued upon transfer of such Registered Note will, within three business days of receipt of such form of transfer, be mailed at the risk of the holder entitled to the new Certificate to such address as may be specified in such form of transfer. Registered Notes may not be exchanged for Bearer Notes and Bearer Notes may not be exchanged for Registered Notes.

(b) *Transfer Free of Charge*

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(c) *Closed Periods*

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal (being, for the purposes of these Conditions, unless the context otherwise requires, the amount payable on redemption of a Note) of that Note, (ii) during the period of 15 days prior to any date on which Notes of the relevant Series may be redeemed by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption in whole or in part in accordance with Condition 6 or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b)).

(d) *Regulations*

All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes 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 a Registered Note upon request.

**3. Status**

The Notes and Coupons of all Series constitute (subject to Condition 4) direct, unconditional and unsecured obligations of the Issuer and the full faith and credit of the Republic of Cyprus is pledged for the due and punctual payment of all amounts payable in respect of the Notes and the Coupons and for the performance of all other obligations of the Issuer pursuant to the Notes and Coupons. The Notes and Coupons of each Series shall at all times rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsecured indebtedness of the Issuer, from time to time outstanding. The Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other indebtedness and, in particular, the Issuer shall have no obligation to pay other indebtedness at the same time or as a condition of paying sums due on the Notes and/or Coupons and vice versa.

**4. Negative Pledge**

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer undertakes that it will not create any Encumbrance (other than a Permitted Encumbrance) upon the whole or any part of the present or future revenues or assets of the Issuer to secure (i) any present or future External Indebtedness of the Issuer or (ii) any guarantees or indemnities in respect of External Indebtedness of any other person, without at the same time or prior thereto securing the outstanding Notes equally and rateably with such External Indebtedness, and the instrument creating any such Encumbrance shall expressly provide therefor.

As used in these Conditions: "**Encumbrance**" means any mortgage, charge, pledge, lien or other arrangement creating security other than:

- (i) any lien to create a charge to secure obligations of less than a year;
- (ii) any lien arising by operation of law; and
- (iii) any charge over any asset acquired by the Issuer and securing its purchase price (together with interest and other related charges).

"**External Indebtedness**" means any indebtedness in respect of moneys borrowed or raised which:

(A)

- (i) is in the form of or represented by notes, bonds, debentures, loan stock or other securities, in each case which are listed or capable of being quoted, listed or ordinarily dealt with in or traded on any stock exchange; or
- (ii) is an obligation for the payment of money in respect of a derivative transaction (which for the avoidance of doubt shall include any swap transaction), such derivative transaction being entered into in connection with hedging the interest rate or foreign exchange exposure in respect of an obligation that qualifies under (i) above;

and

- (B) is expressed to be governed by law other than the law of the Republic of Cyprus.

"**Permitted Encumbrance**" means any Encumbrance in respect of any Securitisation, *provided that* the aggregate outstanding principal amount of indebtedness in respect of all such Securitisations outstanding on the date of the creation of such Encumbrance does not exceed 15% of the total public debt of the Issuer at such time (as determined by reference to the most recently available annual report of the Public Debt Management Office acting on behalf of the Republic of Cyprus), and *provided further that* where all or part of any Securitisation is to be fully or partially repaid or refinanced with the proceeds of a Securitisation then the

existing outstanding principal amount of indebtedness to be repaid will not be taken into account for the purpose of the foregoing determination; and

"**Securitisation**" means any securitisation of existing or future assets and/or revenues, provided that: (i) any Encumbrance created by the Issuer in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the sole source of repayment for the money advanced or payment of any other liability; and (iii) there is no other recourse to the Issuer in respect of any default by any person under the securitisation.

## 5. Interest

One or more of the following provisions apply to each Note, as specified on such Note.

### (I) *Fixed Interest Rates*

This Condition 5(I) applies to a Note the interest basis for which is specified on such Note as being Fixed Interest Rate.

#### (a) *Interest Rate and Accrual*

Each Note bears interest on its Calculation Amount (as defined in Condition 5(III)) from (and including) the Interest Commencement Date (as defined in Condition 5(III)) in respect thereof to (but excluding) the next succeeding Reference Date specified on such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate specified on such Note. Such interest is payable in arrear on each Reference Date in each year and on the Maturity Date specified on such Note if that date does not fall on a Reference Date.

The first payment of interest on a Note will be made on the Reference Date next following the relevant Interest Commencement Date. If the Interest Commencement Date is not a Reference Date, the first payment of interest on a Note will be the amount specified on the relevant Note as being the Initial Broken Amount. If the Maturity Date is not a Reference Date, interest from (and including) the preceding Reference Date (or from (and including) the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the amount specified on the relevant Note as being the Final Broken Amount.

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation or surrender, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at the rate and in the manner provided in this Condition 5(I) (both before and after judgment) until the Relevant Date (as defined in Condition 8) (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

#### (b) *Calculations*

Interest in respect of a period of less than the period between Reference Dates (or, in the case of the first interest period, the period between the Interest Commencement Date and the first Reference Date) will be calculated using the applicable Fixed Rate Day Count Fraction (as defined in Condition 5(III)).

### (II) *Variable Interest Rates*

This Condition 5(II) applies to a Note the interest basis for which is specified on such Note as being Variable Interest Rate.

#### (a) *Interest Payment Dates*

Each Note bears interest on its Calculation Amount (as defined in Condition 5(III)) from (and including) the Interest Commencement Date (as defined in Condition 5(III)) in respect thereof and such interest will be payable in arrear on each Interest Payment Date (as defined in Condition 5(III)).

(b) *Rate of Interest*

Each Note bears interest at a variable rate which may be based on one or more interest rate or exchange rate indices or as otherwise specified on such Note (each a "**Benchmark**"). The dates on which interest shall be payable on a Note, the Benchmark and the basis for calculation of each amount of interest payable in respect of such Note on each such date and on any other date on which interest becomes payable in respect of such Note, and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any amount due but unpaid in respect of such Note shall be as set out below, unless otherwise specified on such Note. Subject to Condition 5(II)(c), the rate of interest ("**Rate of Interest**") payable from time to time will, unless otherwise specified on such Note, be determined by the Calculation Agent on the basis of the following provisions:

- (i) At or about the Relevant Time (as defined in Condition 5(III)) on the relevant Interest Determination Date (as defined in Condition 5(III)) in respect of each Interest Period (as defined in Condition 5(III)), the Calculation Agent will:
  - (A) in the case of a Note which specifies that the Primary Source for Interest Rate Quotations shall be derived from a specified page, section or other part of a particular information service (each as specified on such Note), determine the Rate of Interest for such Interest Period which shall, subject as provided below, be (x) the Reference Rate (as defined in Condition 5(III)) so appearing in or on that page, section or other part of such information service (where such Reference Rate is a composite quotation or interest rate per annum or is customarily supplied by one person) or (y) the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates of the persons at that time whose Reference Rates so appear in or on that page, section or other part of such information service, in any such case in respect of deposits in the relevant Specified Currency made with or by such person or persons for a period equal to the duration of such Interest Period; and
  - (B) in the case of a Note which specifies that the Primary Source for Interest Rate Quotations shall be the Reference Banks specified on such Note and in the case of a Note falling within Condition 5(II)(b)(i)(A) but in respect of which (x) no Reference Rate appears at or about such Relevant Time or (y) the Rate of Interest for which is to be determined by reference to quotations of persons appearing in or on the relevant page, section or other part of such information service as provided in Condition 5(II)(b)(i)(A) but in respect of which less than two Reference Rates appear at or about such Relevant Time, request the principal offices in the Relevant Banking Centre (as defined in Condition 5(III)) of each of the Reference Banks specified on such Note (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 5(II)(g)) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in the relevant Specified Currency for a period equivalent to the duration of such Interest Period. Where this Condition 5(II)(b)(i)(B) applies, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of such Reference Rates as calculated by the Calculation Agent.
- (ii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B) in respect of a Note, more than one but not all of such Reference Banks provide such relevant quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be determined as aforesaid on the basis of the Reference Rates quoted by those Reference Banks.
- (iii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B) only one or none of such

Reference Banks provide such Relevant Rates, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be whichever is the higher of:

- (A) the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(II)(b)(i)(A) or (B) or Condition 5(II)(b)(ii) applied; and
- (B) the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates in respect of the relevant currency which banks in the Relevant Financial Centre for such Specified Currency or, if the Specified Currency is Euro, in the Euro- zone selected by the Calculation Agent (after consultation with the Issuer) are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to such Interest Period to leading banks carrying on business in that Relevant Financial Centre, provided that, if the banks so selected by the Calculation Agent are not quoting as aforesaid, the Rate of Interest shall, subject as provided below, be the rate of interest specified in Condition 5(II)(b)(iii)(A).

(c) *Minimum/Maximum Rates*

If a Minimum Interest Rate is specified on a Note, then the Rate of Interest applicable to that Note shall in no event be less than it and if a Maximum Interest Rate is specified on a Note, then the Rate of Interest applicable to that Note shall in no event exceed it.

(d) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest in the manner provided for in this Condition 5 and calculate the amount of interest payable (the "**Interest Amounts**") in respect of each Authorised Denomination of the relevant Notes (in the case of Bearer Notes) and the minimum Authorised Denomination (in the case of Registered Notes) for the relevant Interest Period. The Interest Amounts shall be calculated by applying the Rate of Interest adjusted, if necessary, by any Spread (as defined in Condition 5(III)) and/or Spread Multiplier (as defined in Condition 5(III)) to each Authorised Denomination (in the case of Bearer Notes) and the minimum Authorised Denomination (in the case of Registered Notes), and multiplying such product by the applicable Variable Rate Day Count Fraction (as defined in Condition 5(III)) rounding, if necessary, the resultant figure to the nearest unit of the relevant currency (half of such unit being rounded upwards or, in the case of Yen downwards). The determination of the Rate of Interest and the Interest Amounts by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(e) *Notification of Rate of Interest and Interest Amounts*

The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, each of the Agents, the Noteholders (in accordance with Condition 15) and if the relevant Notes are for the time being listed on any stock exchange (each an "**Exchange**") and the rules of that Exchange so require, the Exchange as soon as possible after their determination but in no event later than two Relevant Business Days (as defined in Condition 5(III)) after their determination. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended by the Calculation Agent (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) *Interest Accrual*

Interest will cease to accrue on each Note on the due date for redemption unless, upon due presentation or surrender, payment of principal is improperly withheld or refused. In such event interest will continue to accrue at the rate and in the manner provided in this Condition 5(II) (both before and after judgment) until the Relevant Date (as defined in Condition 8) (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).



(g) *Calculation Agent and Reference Banks*

The Issuer will procure that, so long as any Note to which this Condition 5(II) applies remains outstanding, there shall at all times be a Calculation Agent for such Note and, so long as the Primary Source for Interest Rate Quotations for such Note is Reference Banks, there shall at all times be four Reference Banks with offices in the Relevant Banking Centre. The Issuer will also ensure that, in the case of any Note the determination of interest for which falls within Condition 5(II)(b)(i)(A) and in respect of which no Reference Rate appears at or about the Relevant Time, or in respect of which less than two Reference Rates appear at or about the Relevant Time, there shall be four Reference Banks appointed for such Note with offices in the Relevant Banking Centre. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank then the Issuer will appoint another Reference Bank with an office in the Relevant Banking Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint the London office of a leading bank engaged in the London and international interbank markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(III) *Definitions*

As used in these Conditions:

**"Accrual Period"** means, in relation to Actual/Actual-ICMA below, the actual number of days in the relevant period from and including the Start Date to but excluding the Payment Date.

**"Actual/Actual-ICMA"** means:

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

where:

**"Determination Period"** means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

**"Determination Date(s)"** means the date(s) specified in the applicable Pricing Supplement or, if none is so specified, the Interest Payment Date(s).

**"Actual Calculation Period"** means, in relation to Actual/Actual-ICMA above, the actual number of days from and including one Interest Period Date to but excluding the next Interest Period Date.

**"Business Day Convention"** means either:

- (A) the **"FRN Convention"**, in which case interest on a Note shall be payable on each Interest Payment Date which numerically corresponds to its Interest Commencement Date or, as the case may be, the preceding Interest Payment Date in the calendar month which is the Specified Interest Period specified on such Note after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Interest Payment Date occurred, provided that:

- (1) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Relevant Business Day (as defined below) in that calendar month;
  - (2) if an Interest Payment Date would otherwise fall on a day which is not a Relevant Business Day, then the relevant Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Relevant Business Day; and
  - (3) if such Interest Commencement Date or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Relevant Business Day, then all subsequent Interest Payment Dates in respect of such Note will be the last day which is a Relevant Business Day in the calendar month which is the Specified Interest Period specified on such Note after the calendar month in which such Interest Commencement Date or, as the case may be, the preceding Interest Payment Date occurred; or
- (B) the "**Modified Following Business Day Convention**", in which case interest on a Note shall be payable on such Interest Payment Dates as may be specified on such Note, provided that, if any Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date will be the first following day which is a Relevant Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Relevant Business Day; or
- (C) the "**Following Business Day Convention**", in which case interest on a Note shall be payable on such Interest Payment Dates as may be specified on such Note, provided that, if any Interest Payment Date would otherwise fall on a date which is not a Relevant Business Day, the relevant Interest Payment Date will be the first following day which is a Relevant Business Day; or
- (D) such other Business Day Convention as may be specified on the relevant Note.

"**Calculation Amount**" means the amount specified as such on any Note, or if no such amount is so specified, the Principal Amount of such Note as specified on such Note or, if such Note is amortising or redeemed in part, the principal amount outstanding on such Note at the time of determination of the Calculation Amount.

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

"**Fixed Rate Day Count Fraction**" means, unless otherwise specified on the relevant Note, a fraction the numerator of which is the number of days in the relevant calculation period based on a year of 12 months of 30 days each and the denominator of which is 360 or, in the case of Euro, the Actual/Actual-ICMA basis.

"**Interest Commencement Date**" means, in the case of the first issue of a Note or Notes of a Series, the Issue Date or such other date as may be specified as the Interest Commencement Date on such Note and, in the case of a further issue of a Note or Notes of such Series, means the most recent Reference Date or, as the case may be, Interest Payment Date in relation to the first issue of Notes preceding the date on which such further Note or Notes are issued or if there is no such date, the Interest Commencement Date in respect of such first issue, or in any case such other date as may be specified as the Interest Commencement Date on such Note.

"**Interest Determination Date**" means, in respect of any Interest Period, the date which falls that number of days (if any) specified on the relevant Note on which banks and foreign exchange markets are open for business in the Relevant Banking Centre prior to the first day of such Interest Period or if the Specified Currency is Euro, the day falling two TARGET Business Days prior to the first day of such Interest Period.

"**Interest Payment Date**" means each date which falls in the Specified Interest Period specified on the relevant Note after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date or as is otherwise specified as such on the relevant Note, in each case as adjusted by the Business Day Convention specified on such Note.

**"Interest Period"** means the period beginning on (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date.

**"Issue Date"** means, in respect of any Note or Notes, the date of issue of such Note or Notes.

**"Number of Actual Calculation Periods"** means, in relation to Actual/Actual-ICMA above, the number of Actual Calculation Periods normally ending in any year.

**"Payment Date"** means, in relation to Actual/Actual-ICMA above, the date on which interest for the relevant period falls due.

**"Reference Rate"** means, for any Note, the bid, offered or mean of bid and offered rate, as specified on such Note, for the variable rate specified on such Note.

**"Relevant Banking Centre"** means, for any Note, the Relevant Banking Centre specified on such Note or, if none is so specified, London.

**"Relevant Business Day"** means:

- (A) in the case of a currency other than Euro, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the Relevant Financial Centre; and/or
- (B) in the case of Euro, a day on which the TARGET system is operating (a **"TARGET Business Day"**); and/or
- (C) in the case of any currency, a day on which banks and foreign exchange markets are open for business in such other financial centre or centres specified on the relevant Note.

**"Relevant Financial Centre"** means:

- (A) in the case of a currency other than Euro, the principal financial centre for the relevant currency; and
- (B) in the case of Euro, such financial centre or centres as may be specified on the relevant Note.

**"Relevant Time"** means the local time in the Relevant Banking Centre at which it is customary to determine bid, mean and offered rates in respect of deposits in that currency in the interbank market in that Relevant Banking Centre (which, if the relevant Benchmark is EURIBOR, shall be the Euro-zone) or, if no such customary local time exists, 11.00 hours in the Relevant Banking Centre.

**"Spread"** means the percentage rate per annum specified on the relevant Note.

**"Spread Multiplier"** means the percentage rate or number applied to the relevant Rate of Interest, as specified on the relevant Note.

**"Start Date"** means, in relation to Actual/Actual-ICMA above, the date from which interest for the relevant period begins to accrue.

**"TARGET System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

**"Variable Rate Day Count Fraction"** means, unless otherwise specified on the relevant Note, a fraction the numerator of which is the actual number of days in the relevant Interest Period and the denominator of which is 360 or, in the case of Sterling, 365 or, in the case of Euro, the actual number of days in the relevant calculation period divided by 365 (or, if any portion of such calculation period falls in a leap year, the sum of (i) the actual number of days in that portion of such calculation period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of such calculation period falling in a non-leap year divided by 365).

(IV) *Zero Coupon*

This Condition 5(IV) applies to a Note the interest basis for which is specified on such Note as being Zero Coupon.

References to the amount of interest payable (other than as provided below), Coupons and Talons in these Conditions are not applicable. Where a Note becomes repayable prior to its Maturity Date and is not paid when due, the amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as determined in accordance with Condition 6(c)(iii). Where a Note is to be redeemed on its Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified on such Note. Such interest shall continue to accrue (on the same basis as referred to in Condition 5(I)) (both before and after judgment) to the Relevant Date.

## 6. Redemption, Purchase and Cancellation

### (a) *Final Redemption*

Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount ("**Redemption Amount**") being its Principal Amount or such other amount as is specified on such Note or if the Note is specified to have a variable redemption amount, the amount calculated in accordance with the basis specified on such Note on the applicable Maturity Date or other date(s) specified on such Note or, if such Note has applicable to it on the Maturity Date or such date(s) an interest basis which is specified on such Note as Variable Interest Rate, on the applicable Interest Payment Date falling in the applicable Redemption Month specified on such Note.

### (b) *Purchases*

Subject to applicable laws and regulations, the Issuer may at any time purchase Notes at any price (provided that in the case of Bearer Notes they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases are in compliance with all relevant laws, regulations and directives. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 11.

### (c) *Early Redemption of Notes the Interest Basis for which is Zero Coupon*

This Condition 6(c) applies to a Note the interest basis for which is specified on such Note as Zero Coupon.

- (i) The amount payable in respect of any Note upon redemption of such Note pursuant to Condition 6(d) or (e), if applicable, or upon it becoming due and payable as provided in Condition 9, shall be the Amortised Face Amount (calculated as provided below) of such Note.
- (ii) Subject to Condition 6(c)(iii), the "**Amortised Face Amount**" of any Note shall be the sum of (A) the Reference Price specified on such Note and (B) the aggregate amortisation of the difference between the Reference Price and the Principal Amount of such Note from the Issue Date to the date on which the Note becomes due and payable calculated at a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified on such Note applied to the Reference Price in the manner specified on such Note. Where the specified calculation is to be made for a period of less than one year, it shall be made using the applicable Fixed Rate Day Count Fraction.
- (iii) If the amount payable in respect of any Note upon redemption of such Note pursuant to Condition 6(d) or (e), if applicable, or upon it becoming due and payable as provided in Condition 9, is not paid when due, the amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in Condition 6(c)(ii), except that Condition 6 shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this Condition 6(c)(iii) will continue to be made (both before and after judgment) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the Principal Amount of such Note together with any interest which may accrue on such Note in accordance with Condition 5(IV).

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

If so provided on a Note, the Issuer may, subject to compliance with all relevant laws, regulations and directives, on giving to the holder of such Note irrevocable notice in accordance with Condition 15 of not more nor less than the number of days specified on such Note (which shall be not less than 5 business days) redeem all or, if so specified on such Note, some of the Series of Notes of which such Note forms part, on the date or dates specified on such Notes (which shall, in the case of a Note which has applicable to it at the time of redemption an interest basis which is specified on such Note as Variable Interest Rate, be an Interest Payment Date) at the amount specified on such Note as the Call Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d). If some only of the Notes of a Series are to be redeemed at any time, the Notes to be redeemed shall be determined by the drawing of lots. In the case of a partial redemption by way of lot, the notice to Noteholders shall also contain the serial numbers and Principal Amount of the Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and Exchange requirements.

(e) *Redemption at the Option of Noteholders*

If so provided on a Note, the Issuer shall, subject to compliance with all relevant laws, regulations and directives, at the option of the holder of such Note, redeem such Note on the date or dates specified on such Note (which shall, in the case of a Note which has applicable to it at the time of redemption an interest basis which is specified on such Note as Variable Interest Rate, be an Interest Payment Date) at the amount specified on such Note as the Put Redemption Amount together with interest accrued to (but excluding) the date fixed for redemption. To exercise such option the holder must deposit such Note with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at their respective specified offices, together with a duly completed notice of redemption ("**Redemption Notice**") in the form obtainable from any Agent not more nor less than the number of days specified on such Note prior to the relevant date for redemption. Unless otherwise specified on such Note, no Note (or Redemption Notice) so deposited may be withdrawn (except as provided in the Fiscal Agency Agreement) without the prior consent of the Issuer. Notice of not more nor less than the number of days specified on such Note (which shall be not less than 15 business days) of the commencement of any period for the deposit of Notes for redemption pursuant to this Condition 6(e) shall be given by the Issuer to Noteholders in accordance with Condition 15.

(f) *Cancellation*

All Notes redeemed or purchased in accordance with this Condition 6, and any unmatured Coupons or Talons attached to or purchased with them, will be cancelled forthwith and may not be resold or re-issued.

## 7. Payments

(a) *Bearer Notes*

- (i) Payments of Principal and Interest: Payments of principal and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Bearer Notes or Coupons, as the case may be, at the specified office of any Paying Agent outside the United States and its possessions:
- (1) in respect of payments denominated in a Specified Currency other than U.S. dollars, Euro or Sterling, at the option of the holder either by a cheque in such Specified Currency drawn on, or by transfer to an account in such Specified Currency maintained by the payee with a bank in the Relevant Financial Centre of such Specified Currency, which in the case of Australian dollars shall be Melbourne and which in the case of New Zealand dollars shall be Wellington;
  - (2) in respect of payments denominated in U.S. dollars, subject to Condition 7(a)(ii), at the option of the holder either by a U.S. dollar cheque drawn on a bank in New York City or

by transfer to a U.S. dollar account maintained by the payee with a bank outside the United States;

- (3) in respect of payments denominated in Euro by cheque or transfer to a Euro account with a bank in a city in which banks have access to the TARGET System;
  - (4) in respect of payments denominated in Sterling, by a Sterling cheque drawn on, or, at the option of the holder or by transfer to a Sterling account with, a bank in the City of London; or
  - (5) as may otherwise be specified on such Notes.
- (ii) Payments in the United States: Notwithstanding the foregoing, payments in respect of Bearer Notes denominated in U.S. dollars may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (1) the Maturity Date of such Bearer Notes is not more than one year from the Issue Date for such Bearer Notes or (2) (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bearer Notes in the manner provided above when due, (b) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (c) such payment is then permitted by United States law. If, under such circumstances, a Bearer Note is presented for payment of principal at the specified office of any Paying Agent in the United States or its possessions in circumstances where interest (if any is payable against presentation of the Bearer Note) is not to be paid there, the relevant Paying Agent will annotate the Bearer Note with the record of the principal paid and return it to the holder for the obtaining of interest elsewhere.
- (iii) Payments on Business Days: Subject as provided on a Note, if any date for payment in respect of any Bearer Note or Coupon comprising all or part of a Tranche 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 Condition 7(a), "**business day**" means a day on which banks are open for business in the relevant place of presentation and:
- (1) (in the case of a payment in a Specified Currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant Specified Currency, on which dealings may be carried on in the Relevant Financial Centre of such Specified Currency; or
  - (2) (in the case of payment in Euro) which is a TARGET Business Day.

If the due date for redemption or repayment of any Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note. Interest accrued on a Bearer Note the interest basis for which is specified on such Note as Zero Coupon from its Maturity Date shall be payable on repayment of such Bearer Note against presentation thereof.

(b) *Registered Notes*

- (i) Payments of Principal: payments of principal in respect of Registered Notes shall be made against surrender of the relevant Certificates representing such Notes at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below. If the amount of principal being paid is less than the Principal Amount of the relevant Registered Note, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Republic or a Noteholder) issue a new Certificate with a Principal Amount equal to the remaining unpaid Principal Amount.
- (ii) Payments of Interest: Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the

holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank. For these purposes, a "Bank" means a bank in the Relevant Financial Centre for such currency and, in the case of euro, in a city in which banks have access to the TARGET System.

- (iii) Payment Initiation: Where payment is to be made by transfer to an account in the relevant Specified Currency, payment instructions (for value the due date, or if that is not a Relevant Business Day, for value the first following day which is a Relevant Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the last day on which the Registrar is open for business preceding the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent, on a day on which the Registrar is open for business and on which the relevant Certificate is surrendered.
- (iv) Delay in Payment: Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Relevant Business Day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(b)(ii) arrives after the due date for payment.
- (v) Payment Not Made in Full: If the amount of principal or interest which is due on any Registered Note is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid on such Registered Note.

(c) *Payments Subject to Law, etc.*

All payments are subject in all cases to any fiscal or other laws, regulations and directives applicable in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) *Appointment of Agents*

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

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(a)(ii).

Notice of any such change or any change in the specified office of any Agent will promptly be given to the Noteholders in accordance with Condition 15.

(e) *Unmatured Coupons and Unexchanged Talons*

- (i) Bearer Notes the interest basis for which is specified on such Notes as being Fixed Interest Rate, other than Notes which are specified to be Long Maturity Notes (being Notes whose Principal Amount is less than the aggregate interest payable thereon on the relevant dates for payment of interest under Condition 5(I)(a)), should be surrendered for payment of principal together with all unexpired Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Principal Amount

due for payment on such Note. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10). If the date for payment of principal is any date other than a date for payment of interest, the accrued interest on such principal shall be paid only upon presentation of the relevant Note.

- (ii) If so specified on a Bearer Note, upon the due date for redemption of any Bearer Note either the interest basis for which is specified on such Note as being Variable Interest Rate at any time or which is a Long Maturity Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note either the interest basis for which is specified on such Note as being Variable Interest Rate at any time or which is a Long Maturity Note, is presented for redemption without all unmatured Coupons relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption of such Bearer Note shall be made only against the provisions of such indemnity as the Issuer may require.

(f) *Talons*

Except where such Talon has become void pursuant to Condition 7(e)(iii), on or after the Reference Date or, as the case may be, the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 10).

## 8. Taxation

All payments in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, the "Taxes") of whatever nature imposed, levied, collected, withheld or assessed by or within The Republic of Cyprus or any administrative subdivision of, or any authority in or of The Republic of Cyprus having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders or, as the case may be, the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (i) in the case of Bearer Notes or Coupons:
  - (a) to a holder (or to a third party on behalf of a holder) where such holder is liable to such Taxes in respect of such Bearer Note or Coupon by reason of it having some connection with the relevant jurisdiction other than the mere holding of such Bearer Note or Coupon; or
  - (b) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days.
- (ii) in the case of Registered Notes:
  - (a) to a holder (or to a third party on behalf of a holder) where such holder is liable to such Taxes in respect of such Registered Note by reason of it having some connection with the relevant jurisdiction other than the mere holding of such Registered Note or the receipt of the relevant payment in respect thereof; or
  - (b) if the Certificate in respect of such Registered Note is required to be surrendered and is surrendered more than 30 days after the Relevant Date except to the extent that the holder



thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Fiscal Agent on or prior to such due date) the date on which notice is duly given to the Noteholders in accordance with Condition 15 that such moneys have been so received and are available for payment. References in these Conditions to "**principal**" shall be deemed to include "**Amortised Face Amount**", "**Redemption Amount**", "**Call Redemption Amount**", "**Put Redemption Amount**" and "**Early Redemption Amount**" and any premium payable in respect of the Notes and any reference to "**principal**" and/or "**interest**" shall be deemed to include any additional amounts which may be payable under this Condition 8.

## 9. Events of Default

### (a) *Events of Default*

If any of the following events (each an "**Event of Default**") occurs and is continuing, then all of the Notes of the relevant Series may by written notice addressed and delivered by the holders of at least 25 per cent. of the aggregate principal amount of the outstanding (as defined in the Fiscal Agency Agreement) Notes of such Series to the Fiscal Agent, be declared immediately due and payable at the Early Redemption Amount specified on such Notes or, if none is so specified, at the Principal Amount specified on such Notes, together with interest accrued to the date of redemption or, in relation to Notes of a Series the interest basis for which is specified on such Notes as Zero Coupon, the Amortised Face Amount of such Notes whereupon, unless prior to the date of such notice the Issuer shall have cured or otherwise rectified the relevant event of default, all of the Notes of such Series shall become immediately due and payable as aforesaid:

#### (i) *Non-Payment*

The Issuer fails to pay any principal of or interest on any of the Notes when due and such failure continues for a period of 20 days; or

#### (ii) *Breach of Other Obligations*

The Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or, if capable of remedy, is not remedied within 60 days after notice of such default shall have been given to the Fiscal Agent by any Noteholder; or

#### (iii) *Cross Default*

Any present or future indebtedness becomes due and payable prior to the stated maturity thereof by reason of default, or any such indebtedness is not paid at the maturity thereof (as extended by any grace period originally applicable thereto), or any such indebtedness in the form of a guarantee or indemnity is not honoured when due and called upon (as extended by any grace period originally applicable thereto), provided that the aggregate amount of all indebtedness in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds EUR 100,000,000 or its equivalent in any other currency or currencies; or

#### (iv) *Moratorium*

A moratorium on the payment of principal of, or interest on, all or any part of the indebtedness of the Issuer or any State Agency shall be declared or any such moratorium occurs de facto or the Issuer or any State Agency is unable to pay its debts as they fall due or commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of all or any part of its indebtedness; or

#### (v) *Unlawfulness or Invalidity*

The validity of the Notes is contested by the Issuer or any person acting on behalf of the Issuer or the Issuer or any person acting on behalf of the Issuer shall deny any of the Issuer's

obligations under the Notes or it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Fiscal Agency Agreement or any of such obligations shall be or become unenforceable or invalid; or

(vi) *IMF*

The Republic of Cyprus ceases to be a member of the IMF or to be eligible to use the general resources of the IMF pursuant to Article 26 of the IMF Articles of Agreement; or

(vii) *Consents etc.*

Any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer to enter into or perform its obligations under the Notes or the Fiscal Agency Agreement or for the validity or enforceability thereof shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect or shall be modified in a manner which adversely affects any rights or claims of any of the Noteholders or Couponholders.

The Issuer shall give notice of any such declaration promptly to Noteholders.

(b) *Rescission of the Declaration of Acceleration*

If the Fiscal Agent receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Notes of a Series to the effect that the Event(s) of Default giving rise to a declaration of acceleration made pursuant to Condition 9(a) in respect of the Notes of such Series is or are cured or is or are waived by them following any such declaration and that such holders request the Fiscal Agent to rescind the relevant declaration, the Fiscal Agent shall, by notice in writing to the Issuer and the Noteholders of such Series, rescind the relevant declaration, whereupon it shall be rescinded and shall have no further effect. No such rescission shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

(c) *Terms*

As used in these Conditions:

"**IMF**" means the International Monetary Fund; and

"**State Agency**" means any agency, authority, central bank, department, government, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, the Republic of Cyprus.

## 10. Prescription

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date in respect thereof.

## 11. Meetings of Noteholders and Modification

(a) *General*

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders of a Series to consider matters relating to the Notes of such Series, including the modification of any provision of these Conditions or the provisions of the Fiscal Agency Agreement. The following is a summary of selected provisions contained in the Fiscal Agency Agreement.

For the purposes of this Condition 11:

- (i) "**Cross-Series Modification**" means a modification involving (i) the Notes of any Series or any agreement governing the issuance or administration of the Notes of any Series (including the Fiscal Agency Agreement), and (ii) the Debt Securities of one or more other series or any agreement governing the issuance or administration of such other Debt Securities;
- (ii) "**Debt Securities**" means the Notes of any Series and any other bills, bonds, debentures, notes or other debt securities issued by the Issuer in one or more series with an original stated

maturity of more than one year, and includes any such obligation, irrespective of its original stated maturity, that formerly constituted a component part of a Debt Security;

- (iii) **"holder"**, in relation to a Note of any Series, means (i) in the case of Registered Notes, the person in whose name the Note of such Series is registered in the books and records of the Issuer and/or the Registrar or (ii) in the case of Bearer Notes, the bearer of the Note of such series, and, in relation to any other Debt Security, means the person the Issuer is entitled to treat as the legal holder of the Debt Security under the law governing that Debt Security;
- (iv) **"Modification"**, in relation to the Notes of any Series, means any modification, amendment, supplement or waiver of the Conditions of the Notes of such Series or any agreement governing the issuance or administration of the Notes of such Series (including the Fiscal Agency Agreement and the Deed of Covenant), and has the same meaning in relation to the Debt Securities of any other series, save that any of the foregoing references to the Notes of any Series or any agreement governing the issuance or administration of the Notes of such Series shall be read as references to such other Debt Securities or any agreement governing the issuance or administration of such other Debt Securities;
- (v) **"outstanding"**, in relation to any Note of a Series, means a Note of such Series that is outstanding within the meaning of the Fiscal Agency Agreement and, in relation to the Debt Securities of any other series, will be determined in accordance with the applicable terms and conditions of that Debt Security;
- (vi) **"Reserved Matter"**, in relation to the Notes of any Series, means any modification of the terms and conditions of the Notes of such Series or of any agreement governing the issuance or administration of the Notes of such Series (including the Fiscal Agency Agreement and the Deed of Covenant) that would:
  - (a) change the date on which any amount is payable on the Notes of such Series;
  - (b) reduce any amount, including any overdue amount, payable on the Notes of such Series;
  - (c) change the method used to calculate any amount payable on the Notes of such Series;
  - (d) reduce the redemption price for the Notes of such Series or change any date on which the Notes of such Series may be redeemed;
  - (e) change the currency or place of payment of any amount payable on the Notes of such Series;
  - (f) impose any condition on or otherwise modify the Issuer's obligation to make payments on the Notes of such Series;
  - (g) change any payment-related circumstance under which the Notes of such Series may be declared due and payable prior to their stated maturity;
  - (h) change the seniority or ranking of the Notes of such Series;
  - (i) change the law governing the Notes of such Series;
  - (j) change any court to whose jurisdiction the Issuer has submitted or any immunity waived by the Issuer in relation to any proceedings arising out of or in connection with the Notes of such Series;
  - (k) change the principal amount of outstanding Notes of such Series or, in the case of a Cross-Series Modification, the principal amount of Debt Securities of any other series required to approve a proposed modification in relation to the Notes of such Series, the principal amount of outstanding Notes of such Series required for a quorum to be present, or the rules for determining whether a Note of such Series is outstanding for these purposes; or
  - (l) change the definition of a Reserved Matter,

and has the same meaning in relation to the Debt Securities of any other Series save that any of the foregoing references to the Notes or any agreement governing the issuance or

administration of the Notes (including the Fiscal Agency Agreement and the Deed of Covenant) shall be read as references to such other Debt Securities or any agreement governing the issuance or administration of such other Debt Securities; and

- (vii) "**Series**" means a tranche of Debt Securities, together with any further tranche or tranches of Debt Securities that, in relation to each other and to the original tranche of Debt Securities, are (i) identical in all respects except for their date of issuance or first payment date, and (ii) expressed to be consolidated and form a single series, and includes the Notes of any Series and any further issuance of Notes of such Series.

(b) *Convening Meetings of Noteholders*

A meeting of Noteholders of a Series:

- (i) may be convened by the Issuer at any time; and
- (ii) will be convened by the Issuer if an Event of Default in relation to the Notes has occurred and is continuing and a meeting is requested in writing by the holders of not less than 10 per cent. of the aggregate principal amount of the Notes of the relevant Series then outstanding.

(c) *Quorum*

- (i) The quorum at any meeting at which Noteholders of any Series will vote on a proposed Modification to, or a proposed Modification of:
  - (a) a Reserved Matter will be one or more persons present or represented at the meeting and holding not less than 66 2/3 per cent. of the aggregate principal amount of the Notes of such Series then outstanding; and
  - (b) a matter other than a Reserved Matter will be one or more persons present or represented at the meeting and holding not less than 50 per cent. of the aggregate principal amount of the Notes of such Series then outstanding.
- (ii) The quorum for any adjourned meeting will be one or more persons present or represented at the meeting and holding:
  - (a) not less than 66 2/3 per cent. of the aggregate principal amount of the Notes of such Series then outstanding in the case of a proposed Reserved Matter modification; and
  - (b) not less than 25 per cent. of the aggregate principal amount of the Notes of such Series then outstanding in the case of a non-Reserved Matter modification.

(d) *Non-Reserved Matters*

The terms and conditions of the Notes of a Series and any agreement governing the issuance or administration of the Notes of a Series (including the Agency Agreement and the Deed of Covenant) may be modified in relation to any matter other than a Reserved Matter with the consent of the Issuer and:

- (i) the affirmative vote of a holder or holders of more than 50 per cent. of the aggregate principal amount of the outstanding Notes of such Series represented at a duly called and quorate meeting of Noteholders of such Series; or
- (ii) a written resolution signed by or on behalf of a holder or holders of more than 50 per cent. of the aggregate principal amount of the outstanding Notes of such Series.

(e) *Reserved Matters*

Except as provided by Condition 11(f) below, the terms and conditions of the Notes of a Series and any agreement governing the issuance or administration of the Notes of a Series (including the Fiscal Agency Agreement and the Deed of Covenant) may be modified in relation to a Reserved Matter with the consent of the Issuer and:

- (i) the affirmative vote of a holder or holders of not less than 75 per cent. of the aggregate principal amount of the outstanding Notes of such Series represented at a duly called and quorate meeting of Noteholders of such Series; or
- (ii) a written resolution signed by or on behalf of a holder or holders of not less than 66 2/3 per cent. of the aggregate principal amount of the Notes of such Series then outstanding.

(f) *Cross-Series Modifications*

In the case of a Cross-Series Modification, the terms and conditions of the Notes of a Series and Debt Securities of any other series, and any agreement governing the issuance or administration of the Notes of a Series (including the Fiscal Agency Agreement) or Debt Securities of such other series, may be modified in relation to a Reserved Matter with the consent of the Issuer and:

- (i) the affirmative vote of not less than 75 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called and quorate meetings of the holders of the Debt Securities of all the series (taken in the aggregate) that would be affected by the proposal and/or proposed modification; or
- (ii) a written resolution signed by or on behalf of the holders of not less than 66 2/3 per cent. of the aggregate principal amount of the outstanding Debt Securities of all the series (taken in the aggregate) that would be affected by the proposal and/or proposed modification; and
- (iii) the affirmative vote of more than 66 2/3 per cent. of the aggregate principal amount of the outstanding Debt Securities represented at separate duly called and quorate meetings of the holders of each series of Debt Securities (taken individually) that would be affected by the proposal and/or proposed modification; or
- (iv) a written resolution signed by or on behalf of the holders of more than 50 per cent. of the aggregate principal amount of the then outstanding Debt Securities of each series (taken individually) that would be affected by the proposal and/or proposed modification.

A separate meeting will be called and held, or a separate written resolution signed, in relation to the proposed modification of the Notes of a Series and the proposed modification of each other affected series of Debt Securities.

(g) *Proposed Cross-Series Modifications*

A proposed Cross-Series Modification may include one or more proposed alternative modifications of the terms and conditions of each affected series of Debt Securities or of any agreement governing the issuance or administration of any affected series of Debt Securities, provided that all such proposed alternative modifications are addressed to, and may be accepted by, any holder of any Debt Security of any affected series.

(h) *Partial Cross-Series Modification*

If a proposed Cross-Series Modification is not approved in relation to a Reserved Matter in accordance with Condition 11(f) above, but would have been so approved if the proposed modification had involved only the Notes of a Series and one or more, but less than all, of the other series of Debt Securities affected by the proposed modification, that Cross-Series Modification will be deemed to have been approved, notwithstanding Condition 11(f) above, in relation to the Notes of such Series and Debt Securities of each other series whose modification would have been approved in accordance with Condition 11(f) above if the proposed modification had involved only the Notes of such Series and Debt Securities of such other series, provided that:

- (i) prior to the Record Date for the proposed Cross-Series Modification, the Republic has publicly notified holders of the Notes of such Series and other affected Debt Securities of the conditions under which the proposed Cross-Series Modification will be deemed to have been approved if it is approved in the manner described above in relation to the Notes of such Series and some but not all of the other affected series of Debt Securities; and
- (ii) those conditions are satisfied in connection with the proposed Cross-Series Modification.

(i) *Written Resolutions*

A "**written resolution**" is a resolution in writing signed by or on behalf of holders of the requisite majority of the Notes of a Series and will be valid for all purposes as if it was a resolution passed at a quorate meeting of Noteholders of such Series duly convened and held in accordance with these provisions. A written resolution may be set out in one or more documents in like form each signed by or on behalf of one or more Noteholders of such Series.

(j) *Binding Effect*

A resolution duly passed at a quorate meeting of holders duly convened and held in accordance with these provisions, and a written resolution duly signed by the requisite majority of Noteholders of any Series, will be binding on all Noteholders of such Series, whether or not the holder was present at the meeting, voted for or against the resolution or signed the written resolution.

(k) *Manifest Error; Technical Amendments, etc.*

Notwithstanding anything to the contrary herein, the terms and conditions of the Notes of a Series and any agreement governing the issuance or administration of the Notes of a Series (including the Fiscal Agency Agreement) may be modified by the Issuer without the consent of Noteholders of such Series:

- (i) to correct a manifest error or cure an ambiguity; or
- (ii) if the modification is of a formal or technical nature or for the benefit of Noteholders of such Series.

The Issuer will publish the details of any modification of the Notes of a Series made pursuant to this Condition 11(i) within ten days of the modification becoming legally effective.

(l) *Outstanding Notes*

In determining how many Notes are outstanding for the purposes of Condition 9 or whether holders of the requisite principal amount of outstanding Notes of a Series have voted in favour of a proposed modification or whether a quorum is present at any meeting of Noteholders of a Series called to vote on a proposed modification, a Note of a Series will be deemed to be not outstanding, and may not be voted for or against a proposed modification or counted in determining whether a quorum is present, if, on the Record Date for the proposed modification:

- (i) the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued;
- (ii) the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Republic has previously satisfied its obligation to make all payments due in respect of the Note in accordance with its terms;
- (iii) the Note has become void or claims in respect of the Note have become prescribed;
- (iv) the Note is a mutilated or defaced Bearer Note which has been surrendered in exchange for a replacement Note;
- (v) (for the purpose only of determining how many Bearer Notes are outstanding and without prejudice to their status for any other purpose) the Note is alleged to have been lost, stolen or destroyed and in respect of which a replacement Note has been issued;
- (vi) the Note is (i) a Temporary Global Note which has been exchanged for a Permanent Global Note pursuant to its provisions or (ii) a Permanent Global Note which has been exchanged for definitive Bearer Notes pursuant to its provisions;
- (vii) the Note is an Unrestricted Global Certificate which has been exchanged for an interest in a Restricted Global Certificate pursuant to its provisions, and vice versa;

- (viii) the Note is a Global Certificate which has been exchanged for a definitive Certificate pursuant to its provisions; or
- (ix) the Note is held by the Republic, by a department, ministry or agency of the Republic, or by a corporation, trust or other legal entity that is controlled by the Republic or a department, ministry or agency of the Republic and, in the case of a Note held by any such above-mentioned corporation, trust or other legal entity, the holder of the Note does not have autonomy of decision, where:
  - (a) the holder of a Note for these purposes is the entity legally entitled to vote the Note for or against a proposed modification or, if different, the entity whose consent or instruction is by contract required, directly or indirectly, for the legally entitled holder to vote the Note for or against a proposed modification;
  - (b) a corporation, trust or other legal entity is controlled by the Republic or by a department, ministry or agency of the Republic if the Republic or any department, ministry or agency of the Republic has the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of, or elect or appoint a majority of, the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity; and
  - (c) the holder of a Note has autonomy of decision if, under applicable law, rules or regulations and independent of any direct or indirect obligation the holder may have in relation to the Republic:
    - (I) the holder may not, directly or indirectly, take instruction from the Republic on how to vote on a proposed modification; or
    - (II) the holder, in determining how to vote on a proposed modification, is required to act in accordance with an objective prudential standard, in the interest of all of its stakeholders or in the holder's own interest; or
    - (III) the holder owes a fiduciary or similar duty to vote on a proposed modification in Condition 11 the interest of one or more persons other than a person whose holdings of Notes (if that person then held any Notes) would be deemed to be not outstanding under this Condition 11(l).

Save for the purposes of Condition 11(l)(ix), in the case of any Notes represented by a NGN, the Fiscal Agent shall rely on the records of Euroclear and Clearstream, Luxembourg in relation to any determination of the nominal amount outstanding of each NGN.

(m) *Outstanding Debt Securities*

In determining whether holders of the requisite principal amount of outstanding Debt Securities of another series have voted in favour of a proposed Cross-Series Modification or whether a quorum is present at any meeting of the holders of such Debt Securities called to vote on a proposed Cross-Series Modification, an affected Debt Security will be deemed to be not outstanding, and may not be voted for or against a proposed Cross-Series Modification or counted in determining whether a quorum is present, in accordance with the applicable terms and conditions of that Debt Security.

## **12. Replacement of Bearer Notes, Coupons, Talons and Certificates**

If any Bearer Note, Coupon, Talon or Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Notes, Coupons and Talons) or the Transfer Agent in New York City (in the case of Certificates) subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may

require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Coupons, Talons or Certificates must be surrendered before replacements will be issued.

### **13. Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes of any Series in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes of any Series).

References in these Conditions to the Notes of any Series include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13 and forming a single series with the Notes of such Series.

### **14. Agents**

In acting under the Fiscal Agency Agreement, the 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.

### **15. Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). If such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

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

### **16. Currency Indemnity**

In relation to each Series, the Specified Currency is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes and the Coupons, including damages. Any amount received or recovered in a currency other than the relevant Specified Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer will only constitute a discharge to the Issuer to the extent of the Specified Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Specified Currency amount is less than the Specified Currency amount expressed to be due to the recipient under the Notes or the Coupons, the Issuer will indemnify such recipient against any loss sustained by such recipient as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchases. These indemnities constitute separate and independent obligations from the Issuer's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Noteholder or Couponholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Notes and/or the Coupons or any judgment or order. No proof or evidence of any actual loss may be required.

### **17. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.



## 18. Governing Law and Jurisdiction

### (a) *Governing Law*

The Fiscal Agency Agreement, the Notes, the Coupons and the Talons 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.

### (b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Coupons or the Talons and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons or the Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

### (c) *Waiver of Immunity*

The Issuer hereby irrevocably waives, to the extent permitted by applicable law and international conventions, (i) any immunity from jurisdiction it may have in any Proceedings in the courts of England, and (ii) except as provided below, any immunity from attachment or execution to which its assets or property might otherwise be entitled in any Proceedings in the courts of England, and agrees that it will not claim any such immunity in any such Proceedings.

Notwithstanding the foregoing, the above waiver shall not constitute a waiver of immunity from attachment or execution in respect the following:

- (i) assets and property of the Republic of Cyprus located in the Republic of Cyprus or elsewhere necessary for the proper functioning of the Republic of Cyprus as a sovereign state;
- (ii) the premises and property of the Republic of Cyprus' diplomatic and consular missions;
- (iii) assets and property of the Republic of Cyprus outside the Republic of Cyprus not used or intended to be used for a commercial purpose;
- (iv) assets and property of the Republic of Cyprus' central bank or monetary authority;
- (v) assets and property of a military character or under the control of a military authority or defence agency of the Republic of Cyprus; or
- (vi) assets and property forming part of the cultural heritage of the Republic of Cyprus.

For the purposes of the foregoing, "**property**" includes, without limitation, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.

The foregoing constitutes a limited and specific waiver by the Issuer solely for the purposes of the Notes, and under no circumstance shall it be construed as a general waiver by the Issuer or a waiver with respect to proceedings unrelated to the Notes.

### (d) *Consent to Enforcement etc.*

Subject as provided in Condition 18(c) above, the Issuer irrevocably and generally consents in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

(e) *Agent for Service of Process*

The Issuer irrevocably appoints the High Commissioner of Cyprus for the time being in London at the High Commission of Cyprus in London as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 15. Nothing shall affect the right to serve process in any manner permitted by law.

## FORM OF THE NOTES

### Bearer Notes

Bearer Notes of each Tranche of a Bearer Series will initially be represented by a Temporary Global Note, or by a Global Note, each without Coupons. If the Temporary Global Note or the Global Note, as the case may be, is stated in the applicable Pricing Supplement to be issued in NGN form, the Temporary Global Note or the Global Note, as the case may be, will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Temporary Global Note or the Global Note, as the case may be, with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Temporary Global Notes or Global Notes which are issued in CGN form will be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Temporary Global Note or the Global Note, as the case may be, is a CGN, upon the initial deposit of such Notes with the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Temporary Global Note or the Global Note, as the case may be, is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by such Notes and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Interests in the Temporary Global Note will be exchanged in whole or in part for interests in a Global Note representing Bearer Notes of the relevant Tranche, or for definitive Bearer Notes of the relevant Tranche (as specified in the relevant Pricing Supplement), not earlier than 40 days after the later of the commencement of the offering of the relevant Tranche and the relevant Issue Date and, unless specified to the contrary in the relevant Pricing Supplement, upon certification as to non-U.S. beneficial ownership.

Each Temporary Global Note, Global Note, definitive Bearer Note, Talon and Coupon will bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code." The sections of the U.S. Internal Revenue Code referred to in the legend provide that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of Bearer Notes or any related Coupons.

### *Summary of Provisions Relating to Bearer Notes while in Global Form*

Each Global Note will contain provisions which apply to the Bearer Notes while they are in global form, some of which modify the effect of the Terms and Conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

*Exchange:* Interests in a Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Bearer Notes if the Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or another 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, by such holder giving notice to the Fiscal Agent and by surrender of the Global Note by such holder to or to the order of the Fiscal Agent on or after the Exchange Date (as defined below). In exchange for the Global Note, the Republic shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Bearer Notes having attached to them, in the case of interest bearing Notes, all Coupons in respect of interest which has not already been paid on the Global Note and, where appropriate, Talons for further coupons, security printed in accordance with any applicable legal and stock exchange requirements. On exchange in full of the Global Note, the Republic will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Bearer Notes. "**Exchange Date**" means a day falling not less than 40 days after that on which the notice requiring exchange is given to the Fiscal Agent and on which banks are open

for business in the city in which the specified office of the Fiscal Agent is located and in which Euroclear and Clearstream, Luxembourg or, if relevant, such other clearing system are located.

*Payments:* Principal, premium (if any) and interest in respect of the Global Note shall be paid to its holder against presentation and (if no further payment falls to be made on it) surrender of it to, or to the order of, the Fiscal Agent, in the case of interest only, at an office outside the United States and its possessions (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for the purpose). If the Global Note is a CGN, the Fiscal Agent shall endorse or cause to be endorsed such payment or cause such payment to be endorsed in the appropriate Exhibit to the Global Note (such endorsement being prima facie evidence that the payment in question has been made). If the Global Note is a NGN, the Republic shall procure that details of each such payment shall be entered pro rata in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Republic's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "**business day**" set out in Condition 7(a).

*Notices:* So long as a Global Note is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, notices required to be given to Noteholders may be given by their being delivered to Euroclear, Clearstream, Luxembourg or, as the case may be, such other clearing system, rather than by publication as required by the Conditions.

*Prescription:* Claims in respect of principal and interest in respect of the Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in "Terms and Conditions of the Notes-Taxation").

*Purchase and Cancellation:* Cancellation of any Note represented by a Global Note which is required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the Global Note on its presentation to or to the order of the Fiscal Agent for notation in the appropriate Exhibit to the Global Note. Interest-bearing Notes may only be purchased by the Republic if they are purchased together with the right to receive all future payments of interest thereon.

*Default:* The holder of a Global Note may exercise the right to declare Notes represented by the Global Note due and payable under Condition 9 by stating in the notice to the Fiscal Agent the principal amount of Notes (which may be less than the outstanding principal amount of the Global Note) to which such notice relates. If principal in respect of any Notes is not paid when due, the holder of a Global Note may from time to time elect that direct rights ("**Direct Rights**") under the provisions of (and as defined in) a deed of covenant (the "**Deed of Covenant**") executed by the Republic as of 15 July 2016 (a copy of which is available for inspection at the specified office of the Fiscal Agent) shall come into effect in respect of a principal amount of Notes up to the aggregate principal amount in respect of which such failure to pay principal has occurred. Such election shall be made by notice to the Fiscal Agent and presentation of the Global Note to or to the order of the Fiscal Agent for reduction of the principal amount of Notes represented by the Global Note by such amount as may be stated in such notice by endorsement in the appropriate Exhibits to the Global Note. Upon each such notice being given, the Global Note shall become void to the extent of the principal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect, for whatever reason.

*Call Option:* The Republic's call option in Condition 6(d) of the Terms and Conditions of the Notes may be exercised by the Republic giving notice to the Noteholders within the time limits set out in and containing the information required by Condition 6(d) except that the notice shall not be required to contain the serial numbers of Notes drawn for redemption in the case of a partial redemption of Notes and accordingly no drawing of Notes for redemption will be required. In the event that any option of the Republic is exercised in respect of some but not all of the Notes of any Series, the rights of account holders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other alternative clearing system (as the case may be).

*Put Option:* The Noteholders' put option in Condition 6(e) of the Terms and Conditions of the Notes may be exercised by the holder of a Global Note giving notice to the Fiscal Agent of the principal amount of Notes in respect of which the option is expressed and where the Global Note is a CGN, presenting the Global Note for endorsement within the time limits specified in Condition 6(e). Where the Global Note is a NGN, the Republic

shall procure that details of such exercise shall be entered pro rata in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

*NGN Nominal Amount:* Where the Global Note is a NGN, the Republic shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

## **Registered Notes**

Registered Notes of each Tranche of a Registered Series which are sold in an "**offshore transaction**" within the meaning of Regulation S ("**Unrestricted Notes**") will initially be represented by interests in an Unrestricted Global Certificate, without interest coupons, and Registered Notes of any Tranche resold pursuant to Rule 144A ("**Restricted Notes**") will initially be represented by a Restricted Global Certificate, without interest coupons.

If the relevant Global Certificate is held under the NSS, it will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg and, if the relevant Global Certificate is not held under the NSS, will either (a) be deposited with a common nominee for, and registered in the name of a common nominee of, Clearstream, Luxembourg and Euroclear or (b) be deposited with a custodian for, and registered in the name of a nominee of, DTC or other relevant clearing system on its Issue Date.

Any Global Certificate registered in the name of a nominee of DTC, and any individual definitive Restricted Notes, will bear a legend applicable to purchasers who purchase the Notes pursuant to Rule 144A as described under "Transfer Restrictions".

### *Summary of Provisions Relating to Registered Notes while in Registered Global Form*

Each Global Certificate will contain provisions which apply to the Registered Notes while they are in global form, some of which modify the effect of the Terms and Conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

*Payments:* Each payment, other than Notes cleared through DTC, will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be (i) except in the case of Notes cleared through DTC, on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January; and (ii) in the case of Notes to be cleared through DTC, on the fifteenth DTC business day before the due date for payment thereof (the "**DTC Record Date**")

Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. dollars will be made or procured to be made by the Registrar in the relevant Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Registrar or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Registrar who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payment, on or prior to the third DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency. The Registrar, after the Exchange Agent has converted amounts in such Specified Currency into U.S. dollars, will deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency.

*Notices:* So long as a Global Note is held on behalf of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system, notices required to be given to Noteholders may be given by their being delivered to Euroclear, Clearstream, Luxembourg, DTC or, as the case may be, such other clearing system, rather than by mailing as required by the Conditions.

*Prescription:* Claims in respect of principal and interest in respect of a Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

*Purchase and Cancellation:* Cancellation of any Note represented by a Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Global Certificate by notation in the Register of such reduction by the Registrar.

*Default:* The holder of a Global Certificate may exercise the right to declare Notes represented by the Global Certificate due and payable under Condition 9 by stating in the notice to the Fiscal Agent the principal amount of Notes (which may be less than the outstanding principal amount of the Global Certificate) to which such notice relates. If principal in respect of any Notes is not paid when due (but subject as provided below), the holder of a Global Certificate may from time to time elect that Direct Rights shall come into effect in respect of a principal amount of Notes up to the aggregate principal amount in respect of which such failure to pay principal has occurred. Such election shall be made by notice to the Registrar of reduction of the principal amount of Notes represented by the Global Certificate by such amount as may be stated in such notice by notation in the Register of such principal amount of Notes formerly represented hereby as the principal amount of Notes in respect of which Direct Rights have arisen under the Deed of Covenant. Upon each such notice being given, the Global Certificate shall become void to the extent of the principal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect, for whatever reason.

No such election may however be made unless the transfer of the whole or a part of the holding of Notes represented by the Global Certificate shall have been improperly withheld or refused.

*Call Option:* The Republic's call option in Condition 6(d) of the Terms and Conditions of the Notes may be exercised by the Republic giving notice to the Noteholders within the time limits set out in and containing the information required by Condition 6(d) except that the notice shall not be required to contain the serial numbers of Notes drawn for redemption in the case of a partial redemption of Notes and accordingly no drawing of Notes for redemption shall be required. Where Notes of a Series are represented by an Unrestricted Global Certificate and a Restricted Global Certificate then in circumstances where less than the aggregate principal amount of Notes represented by such Global Notes are to be redeemed, the principal amount of Notes to be redeemed will be allocated between such Global Notes on a pro rata basis (or as near thereto as may be practicable).

*Put Option:* The Noteholders' put option in Condition 6(e) of the Terms and Conditions of the Notes may be exercised by the holder of a Global Certificate giving notice to the Fiscal Agent of the principal amount of Notes in respect of which the option is exercised and presenting the Global Certificates for endorsement within the time limits specified in Condition 6(e).

For provisions relating to registration of title to Registered Notes in a name other than a depository or its nominee for Clearstream, Luxembourg, Euroclear or DTC and the issuance of definitive Registered Notes, see "Clearing and Settlement-Individual Definitive Registered Notes".

## **Euro Equivalent**

For the purpose of calculating the Euro equivalent of the principal amount of Notes outstanding under the Programme from time to time, the Euro equivalent of Notes denominated in another currency shall be determined, at the discretion of the Republic, either as of the date of issue of such Notes (the "**Agreement Date**") or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in either case on the basis of the Exchange Rate on the relevant date of calculation. As used herein, the "**Exchange Rate**" means the spot rate for the sale of Euro against the purchase of such other relevant currency in the London foreign exchange market as quoted by any leading bank selected by the Republic at its discretion on the Agreement Date or on the preceding day on which commercial banks and foreign exchange markets are open for business in London.

The Euro equivalent of any Zero Coupon Note and any other Note issued at a discount shall be calculated, in relation to a currency other than Euro, in the manner specified above and with the Exchange Rate so determined to apply in respect of any other Euro equivalent determination for the same Notes and, in relation to the principal amount, by reference to the amortisation yield formula as specified in the Conditions applicable to such Notes as of the same dates as specified in the preceding paragraph or, if no formula is so specified, the principal amount of the Notes.

**Partly-Paid Notes**

The provisions relating to partly-paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement. While any instalments of the subscription moneys due from the holder of partly-paid Notes are overdue, no interest in a Temporary Global Note or a Global Note representing such Notes may be exchanged for an interest in a Global Note or for definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any partly-paid Notes within the time specified, the Republic may forfeit such Notes and shall have no further obligation to their holder in respect of them or in respect of any amount then paid-up.

## **USE OF PROCEEDS**

The net proceeds of any issue of Notes will be used by the Republic for its general financing and debt management purposes.



## ENFORCEMENT OF CIVIL LIABILITIES

The Republic is a sovereign state, and substantially all of the assets and property of the Republic are located in the Republic of Cyprus. Consequently, it may not be possible for investors to obtain or enforce judgments of courts in England, the United States or anywhere else against the Republic. The Republic has, in the terms and conditions of the Notes, agreed to a limited waiver of immunity for the purposes of legal proceedings in the Courts of England arising out of or in connection with the Notes. The Republic has not waived immunity from execution or attachment in respect of:

- (i) assets and property of the Republic of Cyprus located in the Republic of Cyprus or elsewhere necessary for the proper functioning of the Republic of Cyprus as a sovereign state;
- (ii) the premises and property of the Republic of Cyprus' diplomatic and consular missions;
- (iii) assets and property of the Republic of Cyprus outside the Republic of Cyprus not used or intended to be used for a commercial purpose;
- (iv) assets and property of the Republic of Cyprus' central bank or monetary authority;
- (v) assets and property of a military character or under the control of a military authority or defence agency of the Republic of Cyprus; or
- (vi) assets and property forming part of the cultural heritage of the Republic of Cyprus.

For these purposes of the foregoing, "property" has been defined to include, without limitation, accounts, bank deposits, cash, revenues, securities and rights, including rights against third parties.

There is a risk that, notwithstanding that there may be very limited assets or property of the Republic located outside the Republic of Cyprus at any time, a foreign court judgment would not be recognised or enforced against certain assets of the Republic in certain jurisdictions without the Republic first having specifically consented to such enforcement at the time when the enforcement is sought. There is no assurance that the Republic would agree to this at the relevant time.

## REPUBLIC OF CYPRUS

### Location, area and population

Cyprus is situated in the eastern part of the Mediterranean Sea. It is the third largest island in the Mediterranean with an area of 9,251 square km. The capital and largest city of Cyprus is Nicosia with approximately 326,980 inhabitants (2011 Census). Since the Turkish invasion of Cyprus in 1974, an area of approximately 3,420 square km of the Republic of Cyprus, including the northern part of Nicosia, has been occupied by Turkish forces.

It is noted that, as per the Constitution of the Republic of Cyprus, there are two Communities in Cyprus, the Greek Cypriots (including Armenians, Maronites and Latins) and the Turkish Cypriots.

The population at the end of 2015 was approximately 940,100 of which 848,300 lived in the areas of the Republic of Cyprus in which the Government exercises effective control. The estimated composition of the population by community is: Greek Cypriot community: 701,000 or 74.5%; Turkish Cypriot community: 91,800 or 9.8%; Foreign residents: 147,300 or 15.7%. It is noted that the exact population living in the occupied areas of the Republic of Cyprus is unknown, while the majority are Turkish settlers who are illegally in Cyprus.

Approximately 67% of the population live in urban areas and approximately 16% are children under 15 years old, while the proportion of those aged 65 and over is estimated at 15%.

Net migration was positive between 1983 and 2011. Between 2012 and 2015 net migration was negative. In 2015 net migration is estimated at -2,000 people.

### Politics and government

The Constitution of the Republic of Cyprus provides for a presidential system of government with executive power vested in the President of the Republic and the Council of Ministers.

The President of the Republic of Cyprus, who is the Head of State, is elected by universal suffrage for a five year term of office and is eligible for re-election once. In February 2013, the President of the Republic, H.E. Mr Nicos Anastasiades, was elected as the seventh President of the Republic.

Legislative power is vested in the House of Representatives whose members are elected by universal suffrage. Seats in the House of Representatives are allocated on the basis of proportional representation. Twenty-four out of the total of eighty seats are reserved for the Turkish Cypriot community, however, these seats are currently not occupied. The Constitution provides that the term of office of the House of Representatives is five years.

Following the Parliamentary elections of 22 May 2016, the seats in the House were allocated as follows: Democratic Rally 18; AKEL 16; Democratic Party 9; Social Democrats Movement 3; Citizens Alliance 3; Solidarity Movement 3; the Ecological Environmental Movement 2; and ELAM 2. The next House of Representatives elections are due in May 2021.

### International Relations

Cyprus maintains very good relations with its neighbouring countries in the Middle East and North Africa (other than with Turkey, whose forces have occupied the northern part of the country since 1974 (see "*The Cyprus Issue*" below) and with other countries throughout the world.

The Republic is a member of many international organisations, including: the United Nations (1960) and its specialised agencies, the Commonwealth (1961), the Organisation for Security and Cooperation in Europe ("**OSCE**" 1975), the Council of Europe (1961), the World Trade Organisation ("**WTO**"), the World Bank and the International Monetary Fund (the "**IMF**"). Since 2004, Cyprus has been a member of the European Union and since 2008 it has also been a member of the Economic and Monetary Union (the Eurozone).

The focal point of Cyprus' foreign policy is determined by its membership of the European Union. Cyprus has endeavoured to participate actively in the formation and the implementation of the European Union's Common Foreign and Security Policy, an important element of which is the Common Security and Defence Policy.

### **Cyprus-EU Relations**

On 1 May 2004, the Republic of Cyprus became a full member of the EU. Accession to the EU was a natural choice for Cyprus, derived from its civilisation, history, its European outlook and adherence to the ideals of democracy, freedom and justice. Following the accession of Cyprus to the EU, pursuant to Protocol 10 of the Act of Accession 2003, the application of the laws and regulations of the EU (taken together, the "*acquis communautaire*") has been suspended in the areas of the Republic of Cyprus in which the Government of the Republic of Cyprus does not exercise effective control due to the military occupation by Turkey, pending a comprehensive settlement of the Cyprus Issue. According to Protocol 10, in the event of a solution to the Cyprus Issue the Council of the EU, acting unanimously, shall decide on the withdrawal of this suspension. Meanwhile, implementing Aid Regulation 389/2006 (EC) the EU Commission in cooperation with the Government, has been promoting measures of an exceptional and transitional nature to familiarise the Turkish Cypriot community with the *acquis communautaire* and prepare the ground for lifting the current suspension following a solution to the Cyprus Issue. Those measures aim, *inter alia*, to encourage the economic development of the Turkish Cypriot community, with particular emphasis on the economic integration of the island and on improving contacts between the two communities and with the EU.

Strategically situated at the crossroads of Europe, the Middle East, North Africa and Asia, Cyprus is becoming an even more important regional business centre, as well as an international communications and transport hub. Given its modern infrastructure, sound legal system, tax incentives, low crime rate and well educated labour force, Cyprus is a regional operations platform for European and other international companies. Given the significant natural gas discoveries in the country's Exclusive Economic Zone, Cyprus is also a prospective natural gas producer and energy provider for Europe, being able to contribute to both the regional, as well as to the EU's energy security.

Cyprus held the Presidency of the Council of the European Union for the first time from July to December 2012. During this period an agreement on the Unitary Patent Package and on the Single Supervisory Mechanism was reached and negotiations for a Free Trade Agreement with Japan were launched, while the same negotiations with Singapore were completed. Significant progress was also achieved on the Multiannual Financial Framework and the Common European Asylum System.

### **The Cyprus Issue**

In July 1974, the Turkish armed forces invaded Cyprus and since then have been occupying 36.2 % of the territory of the Republic of Cyprus. Due to the Turkish invasion 162,000 Greek Cypriots have been displaced and are to this day prevented from returning to their homes, by the Turkish army. It is estimated that Turkey maintains around 43,000 troops in the occupied area, and in an effort to alter the country's demographic structure, Ankara has brought into Cyprus more than 160,000 settlers from the Anatolia region of Turkey. Since 1974 the number of Turkish Cypriots in the Turkish occupied area has declined from 120,000 to 91,800 at the end of 2015.

The United Nations have in several resolutions of the General Assembly and the Security Council demanded respect for the independence, sovereignty, unity and territorial integrity of the Republic of Cyprus, the return of refugees to their homes and the withdrawal of foreign troops from the island. All of these resolutions have been consistently ignored by Turkey and the Turkish Cypriot leadership.

In November 1983, the so called "Turkish Cypriot administration" unilaterally and illegally declared, in the area occupied by the Turkish troops, the so-called "Turkish Republic of Northern Cyprus". The UN Security Council has condemned these secessionist acts, declared them illegal and invalid and called for their immediate withdrawal. Moreover, the UN Security Council called upon all states not to recognise the purported state of the "Turkish Republic of Northern Cyprus" and not to facilitate or in any way assist the aforesaid secessionist entity. No country other than Turkey has recognised the said illegal regime.

Negotiations for the solution of the Cyprus Issue have been going on intermittently since 1975 under the auspices of the United Nations. The basis for the solution of the Cyprus Issue have been put in place by the relevant UN Security Council resolutions and the two high-level agreements concluded between the leaders of the two communities of Cyprus in 1977 and 1979. President Anastasiades has set the solution of the Cyprus Issue as a top priority, aiming to reach a comprehensive, viable and lasting solution based on the relevant UN resolutions, the UN Charter and International Law and in accordance with European principles and values.

## THE ECONOMY

### Background and characteristics

The economy of Cyprus can generally be characterised as small, open and dynamic, with the service sector representing a significant portion of the economy. The private sector is dominated by small and medium-sized enterprises, and plays a leading role in the economy. The Government's role in the economy is to support the private sector and regulate the markets in order to maintain conditions of macroeconomic stability and a favourable business climate, via the creation of the necessary legal and institutional framework and secure conditions of fair competition.

Since the accession of the country to the European Union in 2004, its economy has undergone significant economic and structural reforms that have transformed the economic landscape. Cyprus became a member of the euro area in 2008 and since then its monetary policy is dictated by the European Central Bank.

The tertiary sector (services) is the biggest contributor to Gross Value Added, accounting for approximately 86.7% in 2016. This development reflects the gradual restructuring of the Cypriot economy from an exporter of minerals and agricultural products in the period 1961-73 and an exporter of manufactured goods in the latter part of the 1970s and the early part of the 1980s, to a tourist destination during the 1980s, and to an international business and services centre during the 1990s and the 2000s. The secondary sector (mainly construction and manufacturing) accounted for around 11% of Gross Value Added in 2016, down from 14% in 2011. The primary sector (agriculture and fishing) is continuously shrinking and reached 2.3% of Gross Value Added in 2016.

### The Macroeconomic Adjustment Programme

Prior to the emergence of the global economic crisis, Cyprus had enjoyed a track record of satisfactory economic growth, low unemployment and relatively stable macroeconomic conditions. However, these positive economic conditions were partly the result of excessive credit expansion and unsustainable consumption levels in the economy, which led to the creation of severe macroeconomic imbalances. In addition, the inadequate regulatory and supervisory framework of the financial sector and the significant exposure of the Cypriot banks to the Greek economy and to Greek sovereign bond holdings at the time, have contributed to the downfall of the financial sector and the Cypriot economy. The result of these imbalances was the loss of access to the international capital markets in June 2011.

Consequently, in June 2012, the Republic of Cyprus submitted an official request to the European Stability Mechanism ("ESM") and the IMF for financial assistance. An agreement was reached in March 2013 for a three-year-period financial assistance programme, which contributed to the gradual stabilisation of the Cyprus economy and the steady recovery in confidence levels. In the period 2013-2016 the Government of Cyprus implemented the EU-IMF macroeconomic adjustment programme undertaking major reforms in the areas of public finance, the banking sector, and structural measures in key sectors of the economy. In 2016, Cyprus exited the Macroeconomic Adjustment Programme withdrawing €7.25 billion of the available €10 billion provided by the international creditors.

### Recent developments

Economic activity contracted by 6% in 2013. In 2014, the recession was contained to 1.5%. In 2015, the Cyprus economy returned to positive territory, recording a growth rate in Gross Domestic Product ("GDP") of 1.7% for the first time since 2011. In 2016 the Cyprus economy accelerated further, recording growth of 2.8%, significantly stronger than the euro area average of 1.7%. Growth has been broad-based, driven by very strong performance in the tourism sector, improved labour market conditions and gradual recovery in investment. In particular, tourist arrivals in 2016 reached a record number exhibiting a growth rate of about 20% as compared to 2015. Moreover, the shipping, business and professional services sectors continued their growth momentum. In expenditure terms, growth was driven by domestic demand, itself driven primarily by private consumption which grew by 2.9% in real terms compared to the previous year. Net exports contributed positively to growth in the years 2013-2015, while in 2016 the trade in goods and services was in balance.

On the fiscal side there has been considerable consolidation of public finances. The fiscal deficit of nearly 6% in 2012 was corrected to close to balance by 2014. Fiscal targets have been achieved with considerable margins both in 2015 and 2016. In 2015, the fiscal deficit fell below the reference value of -3% of GDP at around -1.1%, triggering the abrogation for the Excessive Deficit Procedure. A positive balance of the magnitude of 0.4% was

achieved in 2016. Excluding the recapitalisation of the financial sector, the budget was closed to balance for the past three years. Moreover, the primary balance has been positive since 2014 reaching 3% of GDP in 2016. The correction of fiscal imbalances and the attainment of a close to balanced position, enables the adoption of a neutral fiscal policy stance, providing a positive contribution to the economy through the free operation of automatic stabilisers.

Due to the economic recession, the deterioration in public finances and the state recapitalisation of banks in previous years the ratio of public debt to GDP increased sharply from 56% in 2010 to 107% in 2014. Since then it has remained fairly stable reaching 108% in 2016.

In recent years, the banking sector has undergone a deep transformation in terms of regulatory framework, governance and business focus.

The capital position continues to strengthen with an average Core Equity Tier 1 reaching 16.1% and overall Solvency Ratio at 17% at the end of 2016.

Specific measures have been adopted in order to tackle the main challenge faced that is the high level of Non-Performing Exposures ("NPEs"). These measures include, *inter alia*, the Foreclosure and Insolvency Frameworks, which introduce incentives for all stakeholders and especially for delinquent borrowers, to come to terms and negotiate a restructuring of their obligations. The serious efforts by banks' management and the Government have resulted in the reduction of NPEs in absolute numbers by around €4.2 billion in December 2016 compared to the end of 2014. However, the level of NPEs in relation to total lending has remained fairly stable since 2014 due to the concurrent reduction in the stock of gross loans.

Confidence is gradually being regained and strengthened, as exhibited by a year-on-year increase in total deposits of about 6% in 2016 compared to the previous year. The Emergency Liquidity Assistance to the Bank of Cyprus was fully repaid in January 2017, constituting an important positive development in its liquidity and funding position.

The swift recovery, the correction of important imbalances and the resilience exhibited by specific sectors of the Cypriot economy has been reflected in the rating upgrades of the sovereign. The current Republic of Cyprus credit ratings are: DBRS: B; Fitch: BB-; Moody's: B1; Standard & Poor's: BB+.

It is also noted that the recent explorations for hydrocarbon reserves that have taken place in the Exclusive Economic Zone of Cyprus have revealed sizeable reserves in natural gas, notably in the "Aphrodite" field, which has the potential to lead to a significant stream of revenues and investment opportunities for the Cypriot economy in the medium to long-term.

The following table shows Gross Domestic Product indicators (based on constant 2005 prices) in million euros and other relevant macroeconomic indicators:

	2011	2012	2013	2014	2015	2016
	(€ million)					
<b>Gross Domestic Product (GDP)</b>	16,838	16,307	15,336	15,101	15,355	15,790
Primary sector.....	317	285	269	248	270	275
Secondary sector.....	2,189	1,853	1,588	1,509	1,523	1,631
– Manufacturing .....	841	736	631	655	678	719
– Construction .....	1,058	850	654	579	565	617
Tertiary sector.....	12,205	12,109	11,541	11,436	11,622	11,887
<b>Domestic Demand</b> .....	17,330	16,617	15,014	14,796	15,243	15,837
Private consumption .....	10,894	10,750	10,117	10,186	10,376	10,678
Fixed investment.....	3,348	2,662	2,319	1,913	2,142	2,697
<b>Exports of goods and services</b> .....	9,254	9,003	9,190	9,580	9,584	9,930
<b>Imports of goods and services</b> .....	9,746	9,313	8,868	9,275	9,473	9,977
<b>Memorandum items</b>						
Per capita GDP at current prices (€) .....	23,188	22,534	21,021	20,607	20,806	20,984
Per capita GDP at PPS <sup>(1)</sup> (EU28=100).....	96	91	84	82	81	N/A
Real GDP change (%).....	0.3	-3.2	-6.0	-1.5	1.7	2.8

(1) "PPS" stands for "Purchasing Power Standards".

## Labour Market and Inflation

The economic deceleration that began in 2009 was gradually reflected in the labour market developments albeit with some time lag, causing significant employment losses and resulting in higher unemployment rates. This effect was particularly pronounced in the recession years 2012 to 2014. In particular, unemployment increased from 5.4% in 2009 peaking at 16.6% in the third quarter of 2014, with new entrants and persons employed in the construction and tourism sectors in particular being severely affected. Since then the normalisation of the economy, the resulting improvement in confidence levels and the rebound witnessed in certain economic sectors have had an impact on labour market developments.

More specifically, the unemployment rate fell to around 13% in 2016, while employment recorded an increase by about 2.7% in 2016. However, youth unemployment and long-term unemployment remain at high levels, albeit on a downward trend since late 2013. On average during 2016 the youth unemployment and long-term unemployment recorded was 29.1% and 5.7% respectively down from 32.5% and 6.8% recorded during 2015.

The flexibility of the labour market and the active labour market policies implemented by the Government has contributed to the downward trend of unemployment. Such policies include the National Youth Action Plan and Activation Measures for the unemployed, women and youth, the long term unemployed as well as for the Guaranteed Minimum Income beneficiaries.

Wages have exhibited a swift adjustment reflecting the economic situation prevailing at the time influenced by changing economic fundamentals. Unit labour costs derive from the change in nominal compensation per employee and the change in productivity and constitute an important indicator of competitiveness. Compensation per employee in 2016 declined by around 0.6% compared to 2015, contributing to a cumulative decline in nominal unit labour costs of 9.6% over the period 2012 to 2016, which further improved cost competitiveness.

The flexibility in the labour market has resulted in a decrease in labour costs of businesses, allowing them to provide goods and services at reduced prices. Harmonised Index of Consumer Prices (**HICP**) in 2016 was negative for the fourth year in a row averaging -1.2% during the course of 2016, mainly reflecting the significant decline in oil prices and the subsequent drop in the cost of energy products. Core HICP inflation averaged at -0.7% during 2016.

The following table shows labour market and price developments for the periods indicated:

	2011	2012	2013	2014	2015	2016
Population (000s, average).....	850.9	863.9	861.9	852.5	847.7	853.1
Labour Force (000s, average).....	432.2	436.7	433.9	432.3	421.0	422.3
Employment (000's, average).....	405.7	392.7	369.5	363.0	369.7	379.8
Unemployment rate, Labour Force Survey (%)...	7.9	11.8	15.9	16.1	14.9	13.0
Productivity growth (%).....	0.3	0.0	0.0	0.2	-0.2	0.1
Employment growth (%).....	0.0	-3.2	-5.9	-1.8	1.9	2.7
Compensation per employee (%).....	2.1	1.5	-5.4	-3.8	-1.1	-0.6
Real Compensation per employee (%).....	-1.2	-0.9	-5.0	-2.5	1.0	0.8
Unit labour cost changes (%).....	1.8	1.5	-5.4	-4.0	-0.9	-0.7
Rate of inflation, HICP (%).....	3.5	3.1	0.4	-0.3	-1.5	-1.2

## EXTERNAL POSITION

### Balance of Payments

As Cyprus is a small, open market-oriented economy balance of payment transactions have significant importance in measuring transactions with the rest of the world, as well as external performance. The imports and exports of goods and services, as a percentage of GDP, averaged approximately 114% from 2006 to 2016, however, they averaged 123.3% across 2015 and 2016.

Historically, Cyprus has recorded current account deficits in the balance of payments. The current account deficit was particularly high in 2009 and 2010 reaching 13% and 11% of GDP respectively, before moderating and averaging 4.6% of GDP between 2011 and 2016. The improvement in the current account deficit is attributed mainly to the improvement in the trade balance. In 2016 the current account recorded a deficit of 5.3% of GDP or €941.8 million.

As far as the structure of the current account is concerned, exports of services are much more important than the exports of goods. Domestic exports of goods comprise mainly agricultural and manufactured products, both of industrial and agricultural origin, and are exported primarily to European markets and the Middle East. Regarding imports, due to the fact that Cyprus does not have any heavy industry, imports of goods such as transportation vehicles, intermediate inputs, capital goods, durable consumer goods and oil have a significant share in total imports. As regards the main trading partners of Cyprus, these are the European Union, other European and Middle Eastern countries.

The trade deficit in goods widened to €3,846 million in 2016 compared to a deficit of €3,167 million in the previous year due to decreased exports of goods by 11.3%. The increase in the deficit was furthermore attributed to the increase in imports of goods, and particularly the import of a single item, a yacht, of the order of €563 million. The exports of goods remained stable at €2,440 million.

The services balance recorded a surplus of €3,847 million in 2016 improving by €620 million relative to 2015 owing to an increase in exports and a decrease in imports. Regarding exports of services, which recorded an increase of 6.6% as compared to 2015, the largest contributors were Financial Services, Travel and Transport, with a share of 80% in total services exports. Regarding the imports of services, a decrease of 1.3% compared to the previous year was recorded, reflecting a decrease primarily in the category of Other Business Services (professional and management consulting services).

The Primary Income account deteriorated registering a deficit of €482.6 million in 2016, relative to a deficit of €62.5 million in 2015. This development was driven by the category of Other Investment as the amount of interest received decreased more than offsetting the reduction in interest payable. The deficit in the Secondary Income account, which includes current transfers, improved mostly due to the decrease in the government contribution to European Union funds.

The financing of the current account in 2016 was mainly in the category of Direct Investment through an increase in equity and investment fund shares and in the category of Other Investment through increase in currency and deposits.

Statistical data in the field of balance of payments, international investment positions and external debt statistics are collected and compiled by the Central Bank of Cyprus ("**CBC**"). The balance of payments, international investment position and external debt statistics are generally consistent with the methodology of the sixth edition of the IMF Balance of Payments Manual. Regulations, agreements, guidelines and recommendations applicable to members of the European Union and Eurozone also impact the overall structure of Cyprus's balance of payments statistics. Statistical methods and techniques regarding Cyprus's data are published in the ECB's European Union Balance of Payments/International Investment Position Statistical Methods, updated on an annual basis. Cyprus's balance of payments documentation of compilation practices is also included in the IMF's Balance of Payments Statistics Yearbook ("**BOPSY**"), reviewed and updated by the CBC as required by the IMF BOPSY annual production procedures. Deviations from international or regional guidelines are generally annotated in the ECB and IMF publications.

As from October 2014, the Central Bank of Cyprus publishes external statistics data compiled in accordance with the new international methodological standards which relate to the European System of Accounts ("**ESA 2010**") and the Balance of Payments Methodology ("**BPM6**"). The revised methodology has been implemented as from the series of 2008. Data under the old methodology (ESA 95 and BPM5) are not comparable.



The following table presents a summary of Cyprus' balance of payments under BPM6:

	2013	2014	2015	2016
	<i>(€ million)</i>			
CURRENT ACCOUNT BALANCE .....	-896	-761	-514	-942
Goods .....	-2,939	-2,812	-3,167	-3,846
Services .....	3,269	3,172	3,226	3,847
Primary Income .....	-851	-637	-63	-483
Secondary Income .....	-375	-484	-511	-460
CAPITAL ACCOUNT .....	NA	147	50	NA
FINANCIAL ACCOUNT .....	-344	-1,251	356	-1,060
Direct investment .....	-304	-1,397	8528	1,037
Portfolio investment .....	-12,695	-3,111	-2,066	-4,000
Financial derivatives .....	-49	8,511	-5,582	-2,798
Other investment .....	12,741	2,966	-5,224	1,582
Reserve assets .....	-36	6	-5	-23
NET ERRORS AND OMISSIONS .....	298	-637	820	-155
Balance on goods and services .....	330	361	59	0.4
<b>Current Account Balance (% of GDP)</b>	<b>-4.9</b>	<b>-4.3</b>	<b>-2.9</b>	<b>-5.3</b>

### Real Effective Exchange Rate

According to the IMF, during 2016 a small increase was recorded in the real effective exchange rate ("**REER**") of Cyprus vis-à-vis its peers. Based on the index set to 100 points at year 2010, the REER increased to 89.49 points from 89.30 the year before. Despite the increase the level of REER remains lower than any level recorded since 2001. The real effective exchange rate is an indicator for competitiveness and has been affected by the domestic price developments. The depreciation in the real effective exchange rate may imply that domestic exports are more price competitive while imports may be more expensive than domestically-produced goods.

### International investment position

The international investment position ("**IIP**") reflects, at a specific point in time, the amount of claims and liabilities of residents with respect to non-residents, including gold reserves and foreign currency reserves of the country.

The difference between claims and liabilities constitutes the net international investment position, which based on the sign (positive or negative), characterises the country as a net creditor or debtor, respectively, with respect to the rest of the world.

Cyprus' liabilities towards the rest of the world remain significantly higher than foreign assets owned by its residents. Under the new BPM6 methodology, for which IIP data is available from 2008 onwards, the investment position of Cyprus gradually deteriorated between the years 2008 to 2011 before stabilising in the period 2012-2014 and recording an improvement in 2015-2016.

Under BPM6, the net investment position was weakened by the new treatment of ship-owners, whereby ships registered in Cyprus are treated as Cypriot economic residents independently of the location of their activities (residency concept). Ship-owners have significant financial liabilities, mostly in terms of loans, due to the capital intensive nature of the industry while the ships are real assets not captured in the IIP statistics. The impact of the shipping treatment has affected most significantly the Other Investment and Direct Investment categories. The Other Investment category is further negatively affected by the non-resident deposits at domestic Monetary Financial Institutions.

The international investment position of Cyprus recorded an improvement in 2016, showing a net liability position at €22,453 million, compared with €22,985 million in 2015. The decrease in net liabilities of Cyprus is mainly due to the improvement of other investments and, to a lesser extent, direct investment and derivatives. In contrast, portfolio investment, deteriorated in 2016, mainly due to the issue of long term debt securities.

## Net International Investment Position

	2013	2014	2015	2016
	<i>(€ million)</i>			
FINANCIAL ACCOUNT .....	-25,167	-25,885	-22,985	-22,453
Direct investment .....	-7,013	-8,049	322	774
Portfolio investment .....	3,329	405	-1,036	-2,521
Financial derivatives .....	190	857	-150	256
Other investment .....	-22,338	-19,831	-22,861	-21,737
Reserve assets .....	666	733	741	775
Net International Investment Position (% of GDP)	-138.9	-147.3	-130.3	-125.4

## External Debt

The external debt includes all liabilities of residents of Cyprus vis-à-vis other countries, broken down by institutional sector (Monetary Authorities, General Government, Monetary Financial Institutions, and Other Sectors), by type of financial instrument and by duration of liabilities (long-term, short-term). The external debt does not include liabilities related to equity, financial derivatives and direct investment. This constitutes the main statistical difference between the External Debt position and the liabilities of the International Investment Position.

As at the end of 2016, long-term lending comprised approximately 58% of total external debt excluding intercompany lending and is comprised of loans and debt securities. Short-term lending is comprised of currency, short-term deposits and loans. Monetary Financial Institutions continue to be significant holders of external debt by 20% of the total external debt position in the form of currency and deposits. However, the largest category is "Other Sectors" with 50% of external debt, which is mainly the result of the inclusion of the liabilities of ship-owners. The General Government has also increased its share in the external debt position since 2013 due to borrowing from EU-IMF in the form of loans and international capital markets in the form of debt securities.

In 2016, the external debt of Cyprus increased to €106,912 million compared to €97,082 million in 2015. This is due to increases recorded under Other Sectors and Intercompany Lending, and mitigated by the decrease in the liabilities of the deposit-taking corporations (related to the non-resident deposits). In terms of maturity, the deterioration recorded under Other Sectors is primarily due to the increase in short-term and long term debt in the form of loans and debt securities.

### Gross External Debt

	2013	2014	2015	2016
€ million .....	103,234	97,609	97,082	106,912
% of GDP .....	570	556	550	597

### Composition of Gross External Debt

	<i>(€ million)</i>			
	2013	2014	2015	2016
General Government .....	10,617	12,478	14,430	15,361
Central Bank .....	7,653	3,032	307	344
Deposit-taking Corporations, except the Central Bank .....	24,870	24,179	26,044	21,167
Other Sectors .....	44,828	41,852	42,060	53,355
Direct investment: intercompany lending .....	15,267	16,067	14,178	16,686

## PUBLIC FINANCES

### Medium Term Budgetary Objective

Maintaining a durable fiscal position safeguarding the sustainability of public finances is of overriding importance to achieving positive long-term economic prospects in Cyprus.

In this context, the objectives are:

- Abiding to the rules of the Stability and Growth Pact namely the expenditure and debt rules that will facilitate the containment of the level of expenditures as a percentage to GDP and allow for a steady decline of debt to GDP ratio.
- The maintenance of the achieved Medium Term Budgetary Target for Cyprus of a balanced position in structural terms.
- The adoption of a neutral fiscal stance locking in the achievements of 2016 and safeguarding the sustainability of a comfortable primary surplus position over the medium term of about 3% of GDP and maintain at least such a level thereafter.

### Developments in 2016

The general government budget balance turned positive in 2016 reaching a surplus of 0.4% of GDP in 2016, compared to a deficit of 1.1% of GDP the year before. The primary balance position strengthened further reaching a surplus of 3.0% of GDP compared to a surplus of 1.7% the year before, recording an improvement of about 1.3 % of GDP.

The above performance reflected the improvement of the economic environment and labour market conditions, despite some negative factors on the revenue side, notably the decrease in dividend income from the Central Bank of Cyprus and the reduction in immovable property tax receipts, as a reduction by 75% on last year's tax was effected in July 2016.

Total revenue increased in absolute terms to €7,019 million in 2016 from €6,917 million in 2015 exhibiting a positive rate of growth of 1.5%. This year-on-year increase in total revenue is mainly attributed to higher revenue from taxes on production and imports stemming from an increase in VAT receipts, associated with the improvement of the economic performance, as well as from an increase in social contributions as a result of the improved labour market conditions. As a share of GDP, total revenue in 2016 remained at the same level as in 2015, at 39.2% of GDP.

More specifically, revenue from taxes on production and imports reached €2,733 million in 2016 compared to €2,601 million the year before, exhibiting a positive rate of growth of 5.1% due to the increase in VAT receipts by 5.9% compared to 2015, reflecting the improvement in economic conditions and the increase in private consumption fuelled by the performance in the tourist sector. Current revenue from taxes on income and wealth decreased marginally (by 0.3% from €1,761 million in 2015 to €1,755 million in 2016), stemming from the reduction in immovable property tax receipts. Receipts from withholding tax on interest declined significantly (which may be attributed to the continued reduction in interest rate levels), which in turn also contributed to the reduction of revenues from taxes on income and wealth. These decreases were compensated by an increase in receipts from corporate income tax and capital gains taxes exhibiting a robust growth compared to the year before of the order of 11% and 57%, respectively. Social contributions recorded a positive rate of growth of 3.7%, reaching €1,538 million in 2016 compared to €1,483 million in 2015, reflecting the improvement in labour market conditions. Other current recourses decreased by 3.6% reaching €803 million in 2016 compared to €833 million in 2015; this was mainly due to a decline in the co-financing of projects from EU Structural Funds.

Total expenditure exhibited a negative rate of growth of 2.2% falling to €6,955 million in 2016 from €7,109 million during 2015. The reduction in public expenditure was primarily due to the one-off equity injection to restore the capital base of the Cooperative Credit Institutions of €175 million during 2015, as well as reduced expenditure relating to compensation of employees, intermediate consumption and interest payments.

The decrease of 0.5% in expenditure for compensation of employees was mainly due to lower outlays for retirement gratuities as the wave of early retirements dissipated. Intermediate consumption decreased by 5.6% in 2016 compared to the year before, reaching €646 million compared to €684 million during 2015. This decline is

mainly attributed to lower expenditures for lighting, heating and fuel, reflecting the decrease in oil prices during the year under review. Social transfers recorded an increase of 3.9%, reaching €2,563 million in 2016 compared to €2,468 million in 2015, which may be attributed to an increase in payments related to the Guaranteed Minimum Income ("GMI") scheme by 17.1%, as the scheme was introduced in mid-2014 aiming to better protect vulnerable groups and better target benefits to ensure public support for those most in need, including the working poor. The significant increase in GMI payments is associated with the fact that the scheme reached maturity in 2016. Subsidies exhibited a positive rate of growth of 35.9 % during 2016 (€97.2 million) compared to 2015 (€71.5 million).

Other expenditure recorded a decrease of 39.2%, reaching €481 million in 2016 compared to €791 in 2015, this may be attributed primarily to the equity injection to restore the capital base of the Cooperative Credit Institutions in 2015. Interest payments recorded a decrease from €491 million in 2015 to €465 million in 2016.

The economy continued to operate below potential in 2016 as the output gap was negative, reaching -1.5% of potential output in that year. Consequently, the cyclical component of the budget balance was -0.8% of GDP in 2016, with the cyclically adjusted balance reaching a surplus of 1.1% of GDP. The structural balance was also in surplus by 1.1% of GDP, since one-off items were not recorded during the year under review.

The financial crisis led to an unprecedented increase in public debt. In 2010, the public debt as a share of GDP was 56%, but a combination of fiscal deterioration, state recapitalisation of the financial sector and economic downturn caused a sharp increase in the public debt to GDP ratio. In 2012, the public debt ratio reached 79% increasing to 102% in 2013. The public debt to GDP ratio in 2016 stood at 108%. Given the positive fiscal result of the year, this increase is attributed to the accumulation of liquid assets.

### Public Debt and Government Guaranteed Debt

According to the definition used by Eurostat, public debt consists of the domestic and external debt of the general government excluding public corporations and government agencies borrowing in their own name.

The public debt to GDP ratio remained unchanged in 2016 as compared to 2015 at 108%. In nominal terms the public debt increased to €19,298 million in 2016 from €18,961 million in 2015.

The total outstanding foreign public debt was €15,381 million at the end of 2016 of which €4,202 million was in the form of European Medium Term Notes and €10,882 million was in the form of long-term loans, principally granted by the ESM (€6,300 million), the International Monetary Fund (€1,010 million<sup>1</sup>), the Russian Federation (€2,500 million) and the European Investment Bank (€852 million).

The significant borrowing from the ESM and the IMF has changed many of the public debt structural characteristics. In particular, most debt is now in the form of non-marketable foreign loans. The share of domestic debt and securities recorded a significant respective decline. Moreover, the new borrowing contributed significantly to the increase of the weighted average maturity of debt, the reduction of debt that falls due within 1 to 5 years and a reduction of its average cost. To a lesser extent, the said improvements were attributed to the liability management exercises executed by the Government. The composition of interest rate distribution of debt has changed significantly since 2013 due to the IMF/ESM loans that carry floating interest rates. The share of debt denominated in foreign currencies remains low at 5% of outstanding debt at the end of 2016.

The following table shows a breakdown of general government debt as at the dates indicated.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>(€ million)</i>			
Domestic Debt.....	7,312	5,903	4,427	3,976
Foreign Debt.....	11,207	12,861	14,486	15,351
Total Debt.....	18,519	18,764	18,913	19,327
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<i>(€ million)</i>			

<sup>1</sup> The debt valued according to exchange rate as at 30/12/2016.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Securities .....	7,581	6,679	5,894	6,309
Loans .....	10,938	12,085	13,019	13,018
Total Debt.....	18,519	18,764	18,913	19,327

During 2016, the outstanding amount of government guarantees decreased significantly to €1,971 million from €3,019 million in 2015. This reduction was mainly attributed to the cancellation of a guarantee provided to the Bank of Cyprus of an amount of €1,000 million. Moreover, an amount of €329 million, relating to guaranteed loans granted to Local Authorities and Public Organisations, is included also in the public debt as these entities are part of the general government. Excluding the guarantee provided to the European Financial Stability Facility, the government guarantees amounted to €1,747 million as at the end of 2016. The largest category of beneficiaries of government guarantees are Entities with Public Interest with €1,094 million, or about 63% of total outstanding guarantees, as at the end of 2016.

The second largest category of principal debtors is the Local Authorities with government guarantees of €314 million or about 18% of the total outstanding guarantees for loans excluding the issue of debt instruments. Additionally, there are guarantees provided to corporates and individuals for €183 million and €154 million respectively.

### **Debt record**

The Government has always effected the prompt payment of principal and interest on its domestic and external debt when due.

## **BANKING AND FINANCIAL SYSTEM**

### **General**

The banking system in Cyprus comprises seven locally incorporated banks, five subsidiaries of foreign banks, 22 branches of foreign banking institutions, two representative offices of banking institutions, and 18 Co-operative Credit Institutions which are expected to merge into a single legal entity following an Extraordinary General Meeting Approval held on 30 December 2016. The Central Bank of Cyprus ("**CBC**") is the national Supervisory Authority for all credit institutions and also the Macroprudential Authority for the whole of the financial sector and the National Resolution Authority for banks and investment firms.

### **Central Bank of Cyprus**

The CBC was established in 1963, shortly after Cyprus gained its independence, as an autonomous institution in accordance with the Central Bank of Cyprus Law 1963 and the relevant articles of the Constitution. Today the CBC is governed by the Central Bank of Cyprus Laws 2002 as amended, which ensure the CBC's independence as well as compatibility with the relevant provisions of the Treaty establishing the European Community and the Statute of the European System of Central Banks and of the European Central Bank ("**ECB**"). The law as amended in March 2007 paved the way for the legal integration of the Bank into the Eurosystem in January 2008.

The main functions of the CBC include: implementing the ECB's monetary policy decisions; holding and managing the official international reserves; supervising banks; safeguarding the stability of the financial system; promoting, regulating and overseeing the smooth operation of payment and settlement systems and acting as a banker for the government.

As per the CBC balance sheet of March 2017, the main assets of the CBC were: intra-Eurosystem claims of €6,910 million; securities of Euro area residents denominated in euro €4,130 million; general government debt of €1,185 million. The main liabilities were: liabilities to euro area credit institutions related to monetary policy operations denominated in euro of €9,003 million; banknotes in circulation of €2,201 million and liabilities to other euro area residents (mainly the general government) denominated in euro of €1,290 million. The total balance sheet size was €14,219 million.

### **The banking and co-operative sector**

#### *Recent developments*

The domestic banking sector has continued its stabilisation and strengthening process through the recapitalisation action taken and the restructuring of its activities. The number one priority of the banks is the management of NPEs. In November 2014, the supervision of the Eurozone banking system came under the responsibility of the Single Supervisory Mechanism ("**SSM**"), the supervisory arm of the ECB. Supervision of the significant institutions of the Cypriot banking system, is now performed by joint supervisory teams consisting of ECB and CBC staff, which adhere to SSM rules, regulations and practices. Cypriot banks are now in the same arena as their European counterparts and are assessed on an equal footing. For the less significant institutions, supervision is conducted by the CBC in close cooperation with the SSM.

#### *Deposits and Liquidity*

After the complete removal of restrictions on banking transactions in April 2015, total bank deposits began to increase and experience positive growth rates. Closely connected to the increase of deposits, is the full repayment of Emergency Liquidity Assistance in January 2017, with €3.8 billion being repaid during 2016 and early 2017. The outstanding amount of deposits reached €49,301 million in February 2017 compared to €45,968 million in December 2015.

#### *Capital position and asset impairment*

The Common Equity Tier 1 capital ratio of the Cypriot Banking Sector has continued to improve, reaching 16.1% at the end of December 2016 compared with 15.6% at the end of December 2015 and 14.2% in December 2014. During the same time, risk weighted assets have been reduced by approximately €1.1 billion to €39.3 billion, due to balance sheet deleveraging. Banks' accumulated provisions on lending represented 42.3% of NPEs as at the end of 2016, compared to 38.2% the previous year, reflecting the fact that heavy restructuring activity is being undertaken with a view to cure NPEs of viable customers and thus minimise credit losses.

## *Loans and New Lending*

Total outstanding lending by the locally active banks declined between the end of 2015 and December 2016 by approximately €7.8 billion due to: deleveraging; higher levels of repayments compared to new lending and loan restructuring and related activities. New lending is on an upward trend and reached €2,334 million in 2016 compared to €1,879 million in 2015.

### *Banks' Portfolio composition, Non-Performing Exposures and Provisions coverage*

NPEs represent the major challenge currently facing the banking system. Total NPEs amounted to approximately 46% of total lending at the end of 2016 compared to 45% of total lending at the end of 2015, whereas NPEs over 90 days past due amounted to approximately 34% of total lending at the end of 2016 compared to 36% at the end of 2015.

NPEs in absolute terms are estimated to have reached their peak. Total NPEs amounted to €24.3 billion at the end of 2016, down from €27.3 billion as at the end of 2015. It is noted that NPEs are classified based on the harmonised definition of the European Banking Authority which includes loans that have been restructured and, even though meet the revised repayment program, retain the NPE status for at least 12 months after restructuring before being reclassified as 'performing'. The downward trend in NPEs can be attributed to increased repayments, restructurings successfully completed by the end of the observance period and reclassified as performing facilities, write-offs as well as settlement of debt through swaps with immovable property which ultimately aim at its sale and consequently a faster cash collection.

The restructuring activity has been escalating and the performance of restructured loans has recently been improving, with the outstanding balance of total restructured exposures reaching €13.7 billion at the end of 2016. The CBC has recently imposed restructuring targets to banks aiming to incentivise them to increase the quantity and quality of restructurings of NPEs. The net restructured/forborne balances standing at the end of each month are affected, apart from the new restructurings, by the repayments and migrations out of the "forborne" category due to expiry of the observance period.

In addition, the pace of NPE restructuring has accelerated in recent quarters. The average cure rate (i.e. where no payments due since restructuring have become overdue) of fixed term loans restructured from 1 January 2014 until end December 2016 was 72%. To incentivise banks to further increase the volume and quality of their NPE restructurings the CBC has set quarterly bank-by-bank targets for NPE restructuring since June 2015 and began publishing the aggregate targets and their results in September 2015. One of the targets set relates to early arrears management and aims to incentivise banks to act early with respect to potentially defaulting borrowers in order to contain the formation of new NPEs.

Accumulated provisions on lending represented 42.3% of NPEs at the end of 2016, which represented a significant increase compared to 38.2% as at the end of 2015, reflecting the fact that heavy restructuring activity is being undertaken with a view to cure NPEs of viable customers and minimise credit losses. One of the elements taken into account when formulating provisions is the recoverable amount from the collateral held against the exposure the treatment of which is done in accordance with IFRS and a CBC directive on Impairment.

Banks have taken substantial steps to improve their internal management of loans in arrears in order to further increase the pace of NPE restructuring. They have established internal loan restructuring operations and devoted substantial resources to deal with NPEs and are refining their policies and practices on the basis of experience to date.

Furthermore, several regulation and supervision reforms have been implemented, aiming mainly to reduce the high level of NPEs in the banking system such as the enactment of legislation to accelerate the transfer of title deeds, as well as the legislation on foreclosures and insolvency. In addition, the enactment of the Sale of Credit Facilities and Other Related Matters Law in 2015, along with the amendment of the Business of Credit Institutions Law, allows credit institutions to manage more effectively the properties that have recently been added to their balance sheets through debt to asset swaps. In December 2015, the House of Representatives enacted laws providing tax incentives to borrowers and credit institutions, for properties acquired by the credit institutions through restructurings.

The Credit Agreement for Consumers Relating to Residential Property Law, Law 41(I)/2017 has been enacted and was published in the Official Government Gazette on 9 May 2017. The law, which transposes into Cyprus law the provisions of the EU Directive 2014/17/EU, seeks to create a high level of consumer protection in the field of credit agreements and it includes the obligation to carry out a credit-worthiness assessment of the consumer before

granting the credit. It additionally establishes rules on: (a) the information to be contained in an advertisement for providing loans to consumers for property; (b) the provision of pre-contractual information to the consumer; (c) the calculation of the annual percentage rate cost for comparison purposes; (d) the provision of foreign currency loans; (e) the right of early repayment of loans; and (f) penalties imposed for violation of the provisions of the law. Also there are certain licensing and prudential requirements for the establishment and supervision of credit intermediaries.

The Financial Leasing Law, Law 72(I)/2016, has been enacted and creates a new legal framework for the development and regulation of the provision of financial leasing services with adequate supervision and strict conditions and provides businesses and citizens with an alternative financing tool. The benefits that arise from this law are the following:

- (a) An alternative means of financing is provided where the legal owner is the leasing company or the bank, which consequently generates lower credit risks;
- (b) Contribution is made towards the reduction of NPEs by converting such loans to leasing contracts; and
- (c) More flexibility is provided to the lessee as they have the possibility to terminate the lease and may have to pay lower 'rent' (i.e. instalments) due to lower credit risk of the leasing company or due to an increased acquisition price at the end of the lease period.

In spite of the elevated levels of NPEs, households remain in a net asset position. As per the financial accounts published by the CBC, as at 31 December 2016, the assets and liabilities of households and non-profit institutions amounted to €45,620 million and €25,490 million respectively. By comparison, non-financial corporations are in a net liability position. As at 31 December 2016, the assets and liabilities of non-financial corporations ("NFCs") amounted to €57,809 million and €93,565 million respectively. The NFC exposures should be considered with caution. The figure includes debt related to special purpose entities ("SPEs") (predominantly ship-owning SPEs) which are classified as residents, even though a large proportion of their activities are not related to domestic activity. Excluding the loans of SPEs, the NFC exposures would fall significantly.

#### *Banking sector indicators*

Key aggregate financial indicators for the Cypriot banking sector are compiled on the basis of the consolidated banking data. The aggregate Consolidated Banking Data is used for macro-prudential analysis conducted at the European Central Bank/European System of Central Banks. They contain information on the profitability, balance sheets, asset quality and capital adequacy of EU banks. The data is reported semi-annually by the competent national banking supervisory authorities (either central banks or separate authorities), including the CBC, at national level and are consolidated both across countries (cross-border) and across institutional sectors (cross-sector), in order to obtain a complete overview of all existing risks to the stability of the banking sector.



The following table sets out the key aggregate financial indicators for the Cypriot banking sector (aggregate cross-border and cross sector consolidated data, excluding insurance activities) at the dates indicated.<sup>(1)</sup>

		As at 31 December					
		2012	2013	2014	2015	2016	
1.	<b>Efficiency (%)</b>	Cost-to-income ratio .....	-55.6	-53.4	-40.3	-44.1	-52.5
2.	<b>Profitability (%)</b>	Total profit (loss) after tax and discontinued operations per total equity (Return on equity ratio).....	-69.5	-69.5	-8.1	-7.4	2.3
		Net interest margin.....	2.3	2.4	2.9	2.8	2.6
3.	<b>Assets (% of total assets)</b>	Cash and cash balances with central banks .....	4.5	3.9	11.2	15.3	18.2
		Financial assets held for trading .....	1.5	1.2	0.2	0.7	0.5
		Available-for-sale financial assets.....	2.6	1.9	3.0	3.9	4.1
		Loans and receivables (including finance leases) .....	83.5	86.5	76.2	74.7	69.8
		Held-to-maturity investments.....	4.4	2.5	4.4	1.4	1.2
		Tangible and intangible assets.....	1.6	2.2	2.0	1.4	1.9
		Investments in associates, subsidiaries and joint ventures.....	0.3	0.4	0.4	0.4	0.4
		Total loans and advances.....	82.9	83.6	73.4	73.6	69.1
		Debt instruments .....	8.8	8.1	10.2	6.9	6.4
		Total equity instruments.....	0.3	0.3	0.1	0.2	0.1
4.	<b>Liabilities (% of total assets)</b>	Deposits from central banks	7.8	14.4	11.3	6.4	1.3
		Financial liabilities held for trading	0.1	0.2	0.1	0.0	0.1
		Financial liabilities designated at fair value through profit and loss	0.8	0.0	0.0	0.0	0.0
		Financial liabilities measured at amortised cost	86.4	78.4	76.9	83.1	87.9
		Derivatives-hedge accounting.....	0.1	0.1	0.1	0.1	0.1
		Provisions.....	0.1	0.1	0.3	0.2	0.3
		Total deposits from credit institutions	14.2	13.7	13.1	16.7	12.2
		Total deposits (other than from credit institutions)	71.7	63.8	63.0	65.1	74.9
		Total debt certificates (including bonds)	0.2	0.1	0.3	0.8	0.3
5.	<b>Value of equity (%)</b>	Issued capital per total equity.....	100.5	113.5	41.2	41.4	47.4
		Reserves (including retained earnings) per total equity .....	45.5	48.6	36.1	27.3	18.0
6.	<b>Liquidity ( % of total assets)</b>	Cash and trading assets .....	60	5.1	11.4	16.0	18.8
		Cash, trading and available-for-sale assets ratio.....	8.6	7.0	14.4	19.8	22.9
		Amounts owed to credit institutions.....	14.2	13.7	13.1	16.7	12.2
7.	<b>Capital adequacy (%)</b>	Overall solvency ratio .....	7.3	13.5	15.3	16.6	17.0
		Tier 1 capital ratio .....	6.3	12.3	14.6	16.0	16.6
		Core Tier 1 capital ratio / Common Equity	4.5	11.7	14.2	15.6	16.1
		Tier 1 capital ratio .....					
8.	<b>Capital requirements (% of total capital requirements)</b>	Total capital requirements for credit, counterparty credit and dilution and delivery risks.....	90.1	89.8	89.7	87.8	88.1

(1) Includes the Co-operative Central Bank and all co-operative credit institutions.

## FINANCIAL SECTOR DEVELOPMENTS, MONETARY POLICY AND INTEREST RATE REGIME

### Credit and deposits developments

Total loans to non Monetary Financial Institutions ("MFIs") as at the end of 2016 amounted to €55,151 million (a decrease of €7,557 million compared to €62,708 million the end of 2015). As at 31 March, 2017 the annual growth rate of total loans stood at -5.1%; compared to -11% as at 31 December 2016. The volume of total loans has exhibited negative growth rates since May 2013. Notwithstanding this, new lending exhibits an upward trend.

In 2013 total deposits decreased by a net amount of €15,247 million. Part of the outflows represents cashless deposit setoff against loan repayments. Deposit outflows decreased considerably in 2014 with net transactions amounting to -€1,883 million, whilst in 2015 net transactions turned positive and reached €90.8 million. It is noteworthy that the elimination of external capital restrictions in April 2015 had no material impact on deposit flows. As regards most recent developments, the deposit base has increased and is experiencing positive growth rates. The outstanding amount of deposits reached €49,009 million in December 2016 compared to €45,967 million in December 2015. The annual growth rate stood at 6.2% in December 2016 compared with -0.2% in December 2015. The outstanding amount of deposits to non MFIs reached €49,301 million in February 2017.

Certain regulatory and supervisory arrangements will be implemented, including the adoption of new accounting standards introducing the notion of expected loss for provisioning purposes (instead of the incurred loss), the creation of several capital buffers and the minimum requirement for own funds and eligible liabilities (MREL) to absorb losses based on credit institutions' recovery and resolution framework. The introduction of all of the above new requirements, will involve a substantial increase in funding costs for credit institutions.

The loans to, and deposits by, MFIs (excluding the CBC) for the dates shown are set out below:

	As at 31 December					As at 31 March
	2012	2013	2014	2015	2016	2017
	(€ million)					
Total MFI <sup>(1)</sup> loans to non-MFIs	72,467	63,598	61,516	62,739	55,182	55,151
Total MFI deposits by non-MFIs	70,157	46,993	46,124	45,968	49,009	49,301

  

	As at 31 December					As at 31 March
	2012	2013	2014	2015	2016	2017
	(Annual growth rates % <sup>2</sup> )					
Total MFI loans to non-MFIs	6.2	(12.2)	(2.3)	(3.4)	(11.0)	(5.1)
Total MFI deposits by non-MFIs	1.7	(22.4)	(4.0)	(0.2)	6.2	7.1

(1) MFI stands for Monetary Financial Institutions excluding the CBC.

### Interest rates on loans and deposits

Deposit rates offered by Cypriot MFIs to households and non-financial corporations recorded a sharp decrease during 2013. This decrease was mainly due to the Directive issued by the Central Bank of Cyprus in April 2013, pursuant to which those credit institutions that offer deposit rates higher than Euribor + 3.00% are required to accumulate additional capital. Between April 2013 and December 2014 new business deposit rates with agreed maturity up to one year declined by an average of 1.84% for non-financial corporations, and by an average of 2.15% for households. Deposit rates exhibited a further sharp decline in March 2015, following the CBC's decision to further narrow the maximum spread between Euribor and deposit interest rates that banks can offer from 3.00% to 2.00%. Since then, new business deposit rates for both households and non-financial corporations have stabilised at historically low levels. More specifically, in February 2017 the average rate on new deposits with an agreed maturity of up to one year from households reached 1.32% compared to 1.53% in February 2016, whilst the average rate on new deposits with an agreed maturity of up to one year from non-financial corporations remained in February 2017 compared to February 2016 unchanged, at 1.36%.

In line with deposit rates, lending rates to non-financial corporations recorded a significant decrease reaching 3.95% in February 2017 for loans up to €1 million and 3.16% for loans over €1 million. Lending rates to households for housing purposes declined to 2.9% in February 2017. As a euro area member, monetary policy is formulated at euro area level, that is, by the Governing Council of the ECB. In March 2016, the ECB decided to provide further monetary stimulus to combat the prolonged low inflation period and ensure that inflation rate returns to levels that are below, but close to, 2% over the medium term by further lowering the key ECB interest rates. More specifically, the interest rate on the main refinancing operations of the Eurosystem was lowered by 0.05% to 0.1% and the rate on the marginal lending facility by 0.05% to 0.25%. The rate on the deposit facility was lowered by 0.1% to -0.4%.

The ECB continued to support money markets through standard liquidity providing measures and non-standard measures such as the asset purchase programme with the aim of effectively addressing the prolonged period of low inflation in the euro area.

## TAXATION

### Cyprus Taxation

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

#### *Income Tax and Special Contribution for the Defence of the Republic*

The Tax Reform introduced in July 2002 and in force as from 1 January 2003, is based on a new philosophy. The essentially territorial system, which was in place up to then, was replaced by taxation of worldwide income earned by Cypriot residents and taxation of Cyprus source income earned by non-residents. Under the provisions of the Income Tax Law 118(I)/2002, as amended (the "**Income Tax Law**") a person is resident for tax purposes in Cyprus where in the case of a physical person that person is present in Cyprus for a period or periods exceeding in aggregate 183 days in the tax year and in the case of a company its management and control is exercised in Cyprus. The tax year for the purpose of the Income Tax Law coincides with the calendar year.

Under the provisions of the Income Tax Law, both individuals and companies tax resident in Cyprus that receive or are credited with interest, are exempt from income tax, but they are subject to a 30% withholding pursuant to the provisions of the Special Contribution for the Defence of the Republic Law N117(I)/2002, as amended.

A Cypriot tax resident – whether an individual or a company that receives or is credited with interest in the ordinary course of its business, including interest closely connected with the ordinary course of its business, is subject only to income tax for such interest considered as trading income. The rate of tax payable is 12.5%. Interest earned by open-ended or close-ended Collective Investment Schemes is also considered as trading income and subject only to income tax.

During 2015, the House of Representatives enacted into laws a number of significant tax law proposals, within the framework of Tax Reform. The amendments to the Cyprus Tax Legislation are in an effort to modernise the framework of the Cyprus tax system and improve Cyprus' competitiveness in attracting foreign investments.

The amendment 116(I)/2015 of Special Defence Tax Contribution Law 117(I)/2002 introduced the term of "domicile". For the purposes of the Special Contribution Law, an individual has a "domicile in the Republic" if he/she has a domicile of origin in Cyprus based on the provisions of the Wills and Succession Law (i.e. domicile of the father at the time of birth). It is provided that regardless of the domicile of origin, any individual who is resident in Cyprus, as defined in accordance with the provisions of the ITL for at least 17 out of the last 20 years prior to the relevant tax year, will be deemed domiciled in Cyprus for the purposes of this Law. Under the "non-domicile" rules, Cyprus tax resident individuals who are not domiciled in Cyprus are exempt from special contribution for defence taxation on dividend, interest and rental income. Hence, the amendment makes the holding of investments in dividend/interest earning assets e.g. shares, bonds by non-Cyprus domiciled individuals more attractive. Moreover an anti-abuse provision has been introduced in the SDC Law in relation to the taxation of dividends when these are paid to a company beneficially owned indirectly by Cyprus resident and domiciled individual(s). The anti-avoidance measure has been introduced to guard against possible abuse of the deemed distribution provisions by Cyprus resident and domiciled individuals. It does not affect companies owned directly or indirectly by non-resident or non-domiciled shareholders. It is noted that individuals who have "domicile in the Republic" may be considered as non-domiciled for the purposes of the Special Contribution Law under certain conditions.

Persons (physical and legal) who, pursuant to the provisions of the Income Tax Law, are not residents in Cyprus for tax purposes are neither liable to any income tax charge nor subject to any withholding of special contribution for the defence of the Republic, for interest earned in the Republic.

The Notes issued by the Republic fall under the definition of the term "title", as defined by the Income Tax Law and any profit earned by a person from the disposal of these Notes is exempt from income tax.

#### *Stamp Duty*

The Stamp Duty Law, 19/1963, as amended provides that:

"(1) every instrument specified in the First Schedule shall be chargeable with duty of the amount specified in the said Schedule as the proper duty applicable thereon if it relates to any asset situated in the Republic or to subjects or matters which shall be carried on or take place in the Republic irrespective of the place where the document is drafted."

However, in respect of Notes issued by the Republic, no stamp duty is chargeable on the issue and transfer of the Notes.

### **FATCA (Foreign Account Tax Compliance Act)**

On 2 December 2014, the Intergovernmental Agreement based on the Model I Agreement of FATCA (Foreign Account Tax Compliance Act), was signed between the Government of the Republic of Cyprus and the Government of the United States of America in order to improve International Tax Compliance. The Agreement provides for reporting and the exchange of financial information for the US Persons and is based on reciprocity. The first exchange of financial information concerning the year 2014 was on 30 September 2015. The Tax Department is the Competent Authority for the implementation of the Agreement and the exchange of the information.

### **Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (Early Adopters)**

On 29 October 2014, the Government of the Republic of Cyprus, signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information, in order to comply with its provisions intending to improve international tax compliance by further building on their relationship with respect to mutual assistance in tax matters.

More specifically, Cyprus joined the states/jurisdictions which committed to early adoption of the new global standard on automatic exchange of financial information (early adopters) of the Global Forum (OECD). This standard obliges countries and jurisdictions to obtain all financial information from their financial institutions and exchange it automatically with other jurisdictions on an annual basis. With respect to Cyprus, the intended first information exchange is September 2017. The Global Forum invites its members to establish in their national legal framework the provisions prescribed in the global standard in order to create rapidly a truly global system of automatic information exchange, which leaves no hiding places for tax evasion. To that respect the Republic of Cyprus has issued a Decree by virtue of Assessment and Collection of Taxes Law (Article 6(16)) signalling the commitment to the standard.

### **Automatic Exchange of Country-by-Country Reporting**

In light of the recent international tax developments the OECD has developed, via its Base Erosion Profit Shifting ("BEPS") action plan, 15 Actions which establish a comprehensive set of measures that refer to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.

Action 13 under BEPS Action Plan provides for the Multinational Groups (with consolidated revenue of €750 million and above) to file to Tax authorities information on their global allocation of the income, economic activity and taxes paid. This will enable the tax authorities to identify and prevent tax avoidance schemes, safeguarding that profits are taxed where income is generated. In that respect 57 countries including Cyprus, have signed the Multilateral Competent Authority Agreement ("**the Agreement**") for the Automatic Exchange of Country by Country Reporting. Cyprus signed the Agreement on 1 November 2016 and has embedded in its national legal orders the provisions of the Agreement via the issuance of a Ministerial Decree with effect from 1 January 2017.

### **Global Forum Phase 2 Supplementary Report**

Regarding Cyprus' Global Forum on Transparency and Exchange of Information for Tax Purposes Supplementary Report and rating the following are noted: The initiation of a supplementary review of the Global Forum OECD in 2014 resulted in the compilation of a Supplementary Report on Cyprus following an onsite visit performed by a Global Forum assessment team. The conclusion of the report is of an overall rating of "Largely Compliant", recognizing the significant progress made and compliance with the standard.

The Supplementary Report on Cyprus was approved by the OECD Global Forum's Peer Review Group in September 2015, where Cyprus was significantly upgraded in accordance with the Global Forum Standard. The Supplementary Report was officially adopted by the Global Forum members during the Global Forum Plenary meeting that took place on 29-30 October 2015.

### **The Proposed Financial Transaction Tax ("FTT")**

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

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

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

## CLEARING AND SETTLEMENT

### **Book-Entry Ownership**

#### *Bearer Notes*

The Republic will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Bearer Series of Notes. In respect of Bearer Notes, a Temporary Global Note or a Global Note in bearer form without coupons will be deposited with a common depositary for Clearstream, Luxembourg and Euroclear. Transfers of interests in Bearer Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear.

If the Temporary Global Note or the Global Note, as the case may be, is stated in the applicable Pricing Supplement to be issued in NGN form, the Temporary Global Note or the Global Note, as the case may be, will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Temporary Global Note or the Global Note, as the case may be, with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Temporary Global Notes or Global Notes which are issued in CGN form will be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Temporary Global Note or the Global Note, as the case may be, is a CGN, upon the initial deposit of such Notes with the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Temporary Global Note or the Global Note, as the case may be, is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by such Notes and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

#### *Registered Notes*

The Republic will make applications to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Unrestricted Global Certificate or a Restricted Global Certificate. Each Global Certificate will have an ISIN and a Common Code.

The Republic and Deutsche Bank Trust Company Americas will make application to DTC or other relevant clearing system for acceptance in its book-entry settlement system of the Restricted Notes represented by each Restricted Global Certificate. Each Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, as set out under "Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend is no longer applicable.

The custodian with whom the Restricted Global Certificates are deposited (the "Custodian") and DTC will electronically record the principal amount of the Restricted Notes held within the DTC system. Investors in Notes of such Series may hold their interests in an Unrestricted Global Certificate only through Clearstream, Luxembourg or Euroclear. Investors may hold their interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such Restricted Global Certificate. The Republic expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with any such payments denominated in U.S. dollars in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. In the case of any such payments which are denominated other than in U.S. dollars, payment of such amounts will be made to the Registrar on behalf of the nominee who will make payment of all or part of the amount to the beneficial holders of interests in such Global Certificate directly in the currency in which such payment was made and/or cause all or part of such payment to be converted into U.S. dollars and credited to the relevant participant's DTC account as aforesaid, in accordance with instructions received from DTC. The Republic

also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Republic nor any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Restricted Global Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate.

#### *Individual Definitive Registered Notes*

Registration of title to Registered Notes in a name other than a depository or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will not be permitted unless (i) in the case of Registered Notes represented by a Restricted Global Certificate, DTC notifies the Republic that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Restricted Global Certificates or ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934, as amended, or is at any time no longer eligible to act as such and the Republic is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC, (ii) in the case of Registered Notes represented by an Unrestricted Global Certificate, Euroclear, Clearstream, Luxembourg or any other clearing system the holder of such Unrestricted Global Certificate 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 (iii) if principal in respect of the relevant Global Certificate is not paid when due. In such circumstances, the Republic will cause sufficient individual definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (a) a written order containing instructions and such other information as the Republic and the Registrar may require to complete, execute and deliver such individual definitive Registered Notes; and
- (b) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual definitive Registered Notes issued pursuant to this paragraph (b) shall bear the legends applicable to transfers pursuant to Rule 144A.

#### **Transfers of Registered Notes**

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

Beneficial interests in an Unrestricted Global Certificate may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through the Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the Restricted Period (as defined in "Subscription and Sale") relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request



through Clearstream, Luxembourg or Euroclear by the holder of an interest in the Unrestricted Global Certificate to the Principal Paying Agent and receipt by the Principal Paying Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant Global Certificates.

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

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

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Principal Paying Agent, the Custodian and the Registrar receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Transfer Restrictions".

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

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

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Republic nor any Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

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

## TRANSFER RESTRICTIONS

Each purchaser of Restricted Notes pursuant to Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that:

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

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

- (4) It understands that the Republic, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more QIBs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (5) It understands that the Restricted Notes will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

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

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Republic to or through any one or more of the Dealers. The arrangements under which the Notes may from time to time be agreed to be sold by the Republic to or through the Dealers are set out in the Amended and Restated Dealer Agreement dated 15 July 2016 (as amended and/or restated from time to time, the "**Dealer Agreement**") and made between the Republic and the Dealers. Any agreement for the sale of Notes will, inter alia, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Republic in respect of such purchase.

### United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S or Rule 144A. Terms used in the preceding sentence have the meanings given to them by Regulation S.

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

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

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

### United Kingdom

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## Germany

This Offering Circular does not constitute a PD-compliant prospectus in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and does therefore not allow any public offering in Germany or any other Member State pursuant to § 17 and § 18 of the German Securities Prospect Act.

Each Dealer has represented and agreed that it has not offered or sold and that it will not offer or sell the Notes in the Federal Republic of Germany other than in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other applicable laws in the Federal Republic of Germany governing the issue, sale and offering of securities.

## Cyprus

Each Dealer has represented, warranted and agreed that:

- (i) it will not provide "investment services", "ancillary services" and/or perform "investment activities" (as such terms are defined in the Investment Services and Activities and Regulated Markets Law of 2007, L.144(I)/2007, as subsequently amended, (the "IFL")) in the Republic of Cyprus;
- (ii) it will not provide such services, ancillary services and/or perform investment activities from a place outside the Republic of Cyprus to persons within, or resident or domiciled in the Republic of Cyprus;
- (iii) it will not perform any action relating to investment services, ancillary services, investment activities in contravention of the IFL and/or the regulations made pursuant to or in relation thereto; and
- (iv) it has otherwise complied with all provisions of the Public Offer and Prospectus Law, Law 114(I)/2005.

## General

No action has been or will be taken in any jurisdiction by the Dealers or the Republic that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular, or any part thereof including any Pricing Supplement, or any other offering or publicity material relating to the Notes, in any jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells, or delivers Notes or has in its possession or distributes this Offering Circular, or any part thereof including any Pricing Supplement, or any such other material, in all cases at its own expense.

Selling restrictions may be modified by the agreement of the Republic and the relevant Dealers. Any such modification will be set out in the Pricing Supplement issued in respect of each Tranche to which it relates or in a supplement to this Offering Circular.

None of the Republic and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Republic and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

Certain of the Dealers and their affiliates have engaged, are currently engaged and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer in the ordinary course of business. Such persons may have received, or may continue to receive, customary compensation. In addition, in the ordinary course of their business activities, the Dealers 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 agencies. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers 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 Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers 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.

## GENERAL INFORMATION

- (1) The establishment of the Programme, the subsequent increase in Programme size and updates have been approved by the House of Representatives of Cyprus and the execution of all documents in connection with the Programme has been authorised by the Ministry of Finance of Cyprus. The Ministry of Finance of Cyprus has also confirmed that all payments in respect of the Notes will be free of Cypriot taxes and that no withholding on account of Cypriot taxes will be required in respect of any such payment and that no Cypriot stamp duties will be payable in respect of the Notes.
- (2) The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the London Stock Exchange will normally be effected for delivery on the third working day after the day of the transaction. However, Notes may be listed on any other stock exchange or market and unlisted Notes may be issued pursuant to the Programme.
- (3) The Republic is not involved in any litigation or arbitration proceedings which are material in the context of the Programme or the issue of Notes under the Programme nor, so far as the Republic is aware, are any such litigation or arbitration proceedings pending or threatened.
- (4) Copies of the following documents will be available for inspection, at the specified offices of each of the Paying Agents in London during normal business hours, for so long as Notes may be issued pursuant to this Offering Circular:
  - (a) Fiscal Agency Agreement (which includes the forms of the Registered Note and Bearer Note, Coupons and Talons)
  - (b) the Deed of Covenant
  - (c) each Pricing Supplement for Notes that are listed on the London Stock Exchange or any other stock exchange and
  - (d) this Offering Circular, together with any supplement to this Offering Circular or further Offering Circular.
- (5) The Bearer Notes have been, and the Registered Notes will be accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. In addition, the Republic may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) Common Code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.
- (6) Each of the Dealers and their affiliates have or may have engaged, and may continue to engage, in investment banking and/or commercial banking transactions with, and may perform services for the Republic and its agencies in the ordinary course of business. See "Subscription and Sale – General" for further information.

**THE REPUBLIC**  
acting through the Ministry of Finance

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