

Offering Circular dated 1 February 2019



Republic of Cyprus
acting through the Ministry of Finance

€9,000,000,000
Euro Medium Term Note Programme

A large, stylized handwritten signature in blue ink is positioned to the right of the main text. The signature is fluid and appears to be a personal name.

Ph. Kalozois 01/F./2019
Phaedon Kalozois
Director of Finance
Head of Public Debt Management Office
Ministry of Finance

Arranger
Société Générale
Corporate & Investment Banking

Dealers

Deutsche Bank

Société Générale
Corporate & Investment Banking

IMPORTANT NOTICES

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 and Société Générale and other dealers appointed in respect of the Programme or a particular Tranche (each a "**Dealer**" and together the "**Dealers**").

Application may be made (a) 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 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. 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 relevant Official List and have been admitted to trading on the relevant Regulated Market. The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU 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 relevant Official List and admitted to trading on the relevant Regulated Market (or any other stock exchange).

The Republic's long-term foreign currency debt has been rated BBB (low) by DBRS, Ba2 by Moody's Investor Services, Inc., BBB- by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. and BBB- 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.

None of the Arranger or the Dealers or any of their respective affiliates shall be responsible for any act or omission of the Issuer or any other person in connection with the Programme and/or the issue and offering of Notes thereunder.

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.

MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Pricing Supplement in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended or superseded, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

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.

Amounts payable under the Notes may be calculated by reference to the Euro Interbank Offered Rate or the London Interbank Offered Rate which are provided by the European Money Markets Institute ("EMMI") and the ICE Benchmark Administration Limited ("ICE") respectively. As at the date of this Offering Circular, EMMI does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "BMR") but ICE does appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to the BMR.

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:

Issuer	Republic of Cyprus acting through the Ministry of Finance.
Arranger	Société Générale.
Dealers	Deutsche Bank AG, London Branch and Société Générale.
Fiscal Agent	Deutsche Bank AG, London Branch.
Registrar	Deutsche Bank Trust Company Americas.
Currencies	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.
Amount	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.
Form of Notes	<p>Notes of each Tranche of each Series to be issued in bearer form ("Bearer Notes" comprising a "Bearer Series") will initially be represented by interests in a temporary global Note or by a permanent global Note, in either case in bearer form (a "Temporary Global Note" and a "Global Note", 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 ("NGN") 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 "Common Safekeeper") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg").</p> <p>Temporary Global Notes and Global Notes which are not issued in NGN form ("Classic Global Notes" or "CGNs") will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "Common Depositary"). 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 "Exchange Date") 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.

Rating	The Republic's long-term foreign currency debt has been rated BBB (low) by DBRS, Ba2 by Moody's Investor Services, Inc., BBB- by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. and BBB- by Fitch Ratings Ltd.
Status of Notes	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.
Negative Pledge	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".
Cross Default	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".
Governing Law	English.
Selling Restrictions	There are restrictions on the sale of Notes and the distribution of offering material in various jurisdictions. See "Subscription and Sale".
Transfer Restrictions	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".
Clearing Systems	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.
Pricing Supplement	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 24 August 2018 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.

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)).

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.

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).

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.

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.

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.

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, unexpired 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 unexpired 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 unexpired 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:

"**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;

"**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;

"**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;

"**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;

"**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;

"**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

"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(I).

Save for the purposes of Condition 11(I)(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 depositary 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 246,900 inhabitants (2017 estimate). 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 2017 was approximately 956,800 of which 864,200 lived in the areas of the Republic of Cyprus in which the Government of the Republic of Cyprus (the "**Government**") exercises effective control. The estimated composition of the population by community is: Greek Cypriot community: 713,500 or 74.6%; Turkish Cypriot community: 92,600 or 9.7%; foreign residents: 150,700 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 in Cyprus illegally.

Approximately 68% 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 also estimated at 16%.

Except for the years 2012-2015, net migration has been positive since 1983. Net migration in 2017 was 6,201 persons compared to 2,499 persons in 2016.

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. In February 2013, the President of the Republic, H.E. Mr. Nicos Anastasiades, was elected as the seventh President of the Republic. In February 2018 Mr. Nicos Anastasiades was re-elected as 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 for members 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 (the "**EU**") 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 EU. 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 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 on the basis of a proposal from the Commission, 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 facilitate the reunification of Cyprus by encouraging the economic development of the Turkish Cypriot community with particular emphasis on the economic integration of the island including improving contact between the two communities and with the EU, and on preparation for the future application of the *acquis communautaire* following a comprehensive settlement.

Cyprus remains faithful to EU values and principles and is committed to working together with fellow member-states for a more unified, stronger and democratic Europe; for its citizens. Cyprus has had the opportunity of actively contributing to the promotion of the EU's objectives during its Presidency of the Council of the EU in 2012. Additionally, Cyprus, being at the core of the EU as a Eurozone member since 2008, is a strong advocate of a more integrated and cohesive EU. In this context, and regarding examples of recent developments in the evolution of EU policies, Cyprus has strongly supported the creation of and proudly participates in the Permanent Structured Cooperation mechanism ("**PESCO**") and has, furthermore, actively supported the adoption of the European Pillar of Social Rights.

The Cyprus Issue

In July 1974, the Turkish armed forces invaded Cyprus and have since then occupied 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 92,600 at the end of 2017.

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 has 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 necessary legal and institutional frameworks and to secure conditions of fair competition.

The tertiary sector (services) is the biggest contributor to Gross Value Added, accounting for approximately 84.7% in 2017. This development reflects the gradual restructuring of the economy of Cyprus 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 13.1% of Gross Value Added in 2017, down from 14.3% in 2011. The primary sector (agriculture and fishing) is continuously shrinking and declined to 2.1% of Gross Value Added in 2017.

The Government, following a severe economic and financial crisis, implemented an EU-IMF macroeconomic adjustment programme between 2013 and 2016, undertaking major reforms in the areas of public finances, the financial sector, the labour market and other structural reforms in key sectors of the economy, which resulted in stabilising and successfully turning the economy into positive growth territory from 2015 onwards. According to the latest estimates, the economy expanded at an accelerated rate of 4.2% in real terms in 2017, following a growth rate of 4.8% in 2016 and 2.0% in 2015.

The fiscal strategy of the Government during the macroeconomic adjustment programme period focused on front-loading the fiscal consolidation effort, which resulted in outperforming targets by considerable margins and achieving primary surpluses averaging 3.1% of Gross Domestic Product ("GDP") p.a. between 2014 and 2017 (inclusive), while at the same time overhauling the institutional framework of public financial management with the introduction of a comprehensive legal framework underpinning sound fiscal policy rules. The results of the reforms in all areas are evident and most importantly reflected in a series of upgrades of the sovereign by the rating agencies. The current Republic of Cyprus credit ratings are: DBRS: BBB (low); Fitch: BBB-; Moody's: Ba2; and Standard & Poor's: BBB-

Recent developments

Cyprus is experiencing strong economic recovery. The economy exhibited a robust growth rate in 2017, with real GDP growth reaching 4.2%, making Cyprus one of the fastest growing economies in the Euro area (according to Eurostat figures).

The economy's robust performance can be attributed to strong gross fixed capital formation and private consumption, as well as to a lesser extent to public consumption. Private consumption benefitted from continued expanding employment across all sectors (which led to a marked decline in unemployment, including long-term unemployment) and rising compensation per employee.

Increased economic activity in 2017 was reflected in all components of domestic demand contributing positively to growth. Private consumption and government consumption expanded at a rate of 4.1% and 3.1%, respectively. Investment accelerated and increased at a rate of 26.8%, primarily due to investments in construction and machinery. Exports were also strong in 2017, exhibiting an increase of 6% mainly due to sustained strong external demand for tourism. Meanwhile, import growth increased at a rate of 12.2%, mainly attributable to imports of transport equipment. This resulted in negative net export growth.

Based on the Statistical Service of Cyprus estimate, GDP (in seasonally adjusted terms) during the first three quarters of 2018 recorded an increase of 3.9% compared to the same period in 2017. From a sectoral point of view, growth in the first nine months of 2018 was attributable to a diverse base of sectors, including mainly: hotels and restaurants; retail and wholesale trade; construction; manufacturing; transport and storage; professional; scientific and technical activities; and administrative and support service activities. A negative growth rate was recorded by the financial and insurance activities sectors.

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” and “Calypso” fields, which have the potential to lead to a significant stream of revenue and investment opportunities for the economy of Cyprus in the medium to long-term.

The following table shows GDP indicators (based on constant 2010 prices) in million Euros and other relevant macroeconomic indicators:

	2013	2014	2015	2016	2017	<i>For the first 9 months of</i> 2018
	<i>(€ million)</i>					
Gross Domestic Product (GDP)	17,728	17,496	17,839	18,698	19,489	15,112
Primary sector.....	371	317	320	332	337	255
Secondary sector.....	1,754	1,666	1,712	1,937	2,235	1,849
– Manufacturing	661	677	716	806	882	689
– Construction	768	674	661	771	978	866
Tertiary sector.....	13,436	13,374	13,583	14,114	14,548	11,219
Domestic Demand	17,314	16,994	17,649	18,716	20,258	15,070
Private consumption	11,629	11,749	12,034	12,572	13,085	10,160
Fixed investment.....	2,514	2,035	2,315	3,283	4,164	2,403
Exports of goods and services	10,177	10,612	11,162	11,673	12,373	9,828
Imports of goods and services	9,826	10,183	11,042	11,768	13,205	9,826
Memorandum items						
Per capita GDP at current prices (€)	21,046	20,657	20,935	21,713	22,770	n/a
Per capita GDP at PPS ⁽¹⁾ (EU28=100).....	84	81	82	84	85	n/a
Real GDP change (%).....	-5.8	-1.3	2.0	4.8	4.2	3.9

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

Labour market

The strong economic activity is reflected in the labour market and consolidates the climate of confidence and stability.

During 2017, employment growth was strong and expanded by 3.8%, following an increase of 4.6% in 2016. For the first nine months of 2018 employment growth was 4.1%.

The unemployment rate, which began to show a downward trend since the second quarter of 2015, fell significantly to approximately 11.1% of the active labour force in 2017, declining from 12.9% in 2016. The downward trend in the unemployment rate has been affected by increased activity fostered by capital investment and heightened demand and improved expectations leading to a sustained job creation. During the first nine months of 2018, unemployment declined further to 8.6% of the labour force.

The composition of unemployment shows that youth and long-term unemployment remain the major challenges in the labour market, but with encouraging signs of de-escalation. Youth unemployment peaked in the third quarter of 2013 at a rate of approximately 40% following thereafter a downward path declining to approximately 17% in the third quarter of 2018. Similarly, long-term unemployment declined from approximately 7.7% in 2014 to about 2.5% in the third quarter of 2018.

Wage developments follow the steady recovery of the economy denoting an improving labour market and labour demand rising faster than supply. Wage growth, as reflected in compensation per employee exhibited a marginal decline of 1.1% in 2016, which turned positive in 2017 recording an increase of 0.7% and a further rise of 1.5% in the first three quarters of 2018. Following a modest increase of 0.3% in 2016, real compensation per employee rose marginally by 0.2% in 2017, and by 0.5% during the first three quarters of 2018.

Unit labour costs followed a similar path to the compensation per employee. After a decline of 1.4% in 2016, unit labour costs exhibited an increase of 0.4% in 2017 expanding further at a rate of 1.9% during the first three quarters of 2018. Regarding productivity, following marginal increases of about 0.2% in 2016 and 0.4% in 2017, a marginal decrease was recorded of about 0.3% during the first nine months of 2018.

Inflation

Inflation, as measured by the Harmonised Indices of Consumer Prices (the ("**HICP**"), turned positive as of December 2016 after its prolonged continuous negative trend since late 2014. The price level in 2017 exhibited an increase of 0.7% and for the first 11 months of 2018 was 0.8%. The recent developments in inflation in Cyprus have been predominantly affected by developments in international oil prices.

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

	2013	2014	2015	2016	2017	<i>For the first 9 months of</i> 2018
Population (000's, average).....	861.9	852.5	847.7	851.6	859.5	n/a
Employment (000's average).....	369.4	362.7	368.1	384.9	399.8	413.3
Unemployment rate, Labour Force Survey (%)	15.9	16.1	14.9	12.9	11.1	8.6
Productivity growth (%).....	0.1	0.5	0.5	0.2	0.4	-0.3
Employment growth (%).....	-5.9	-1.8	1.5	4.6	3.8	4.1
Compensation per employee (%).....	-5.4	-3.5	-1.2	-1.1	0.7	1.5
Real Compensation per employee (%).....	-5.0	-2.2	0.9	0.3	0.2	0.5
Unit labour cost changes (%).....	-5.5	-4.0	-1.7	-1.4	0.4	1.9
Rate of inflation, HICP (%).....	0.4	-0.3	-1.5	-1.2	0.7	0.5

EXTERNAL POSITION

Balance of Payments

As Cyprus is a small, open economy, balance of payments transactions take on great importance in measuring transactions with the rest of the world and external performance. The import and export of goods and services, as a percentage of GDP, have averaged approximately 123% between 2012 and 2017 (inclusive).

Cyprus records surpluses in the services account and deficits in the goods account. Primary export categories of services are transport, travel and financial services, as well as telecommunication, computers and information services. Domestic exports of goods comprise agricultural products, manufactured products of agricultural origin and pharmaceuticals. Imports of goods such as transportation vehicles, intermediate inputs, capital goods, durable consumer goods and oil comprise the majority share in total imports. The main trading partners of Cyprus are the European Union, Eastern European and Middle Eastern countries.

Cyprus hosts a number of companies, which statistically fall under the definition of Special Purpose Entities ("SPEs"). The assets and liabilities of these enterprises strongly influence the external statistics of the country and their interaction with the domestic economy is negligible. The main types of SPEs identified thus far in Cyprus are financial companies, mainly financing, holding and factoring/invoicing companies, as well as non-financial, mainly ship-owning, companies.

Historically, Cyprus has recorded current account deficits in the balance of payments. In the years 2012 to 2017, the current account deficit averaged 5% of GDP. Since 2015, the underlying performance in the trade balance, adjusted for the impact of SPEs, has been positive reflecting stronger performance in the export of services which outweighed the increase in imports itself associated with strong growth.

The current account balance recorded a deficit of €1,643 million in 2017 (8.4 % of GDP) compared to a deficit of €35 million in 2016 (5.1% of GDP). This deterioration was mainly attributed to a deterioration of the trade balance in goods, which recorded a deficit of €4,756 million compared to a deficit of €3,886 million in 2016 with imports of goods, mostly ships and aircraft, being significantly higher compared to 2016. The increase recorded in imports of intermediate, capital and consumer goods was mainly due to the improvement in domestic demand.

The increase in the imports of goods was additionally attributed to an increase in the value of oil imports, as a result of the increase in international oil prices. In contrast, the service sector balance recorded an improvement from a surplus of €3,774 million in 2016 to a surplus of €4,066 million in 2017. The main drivers in the improved performance was the travel category which recorded a surplus of €1,602 million compared to a surplus of €1,500 million the year before, and the telecommunications, computer and information category which recorded a surplus of €823 million in 2017 compared to €660 million the year before.

The current account balance was negatively affected by the deterioration recorded in primary income. More specifically, the deficit of the primary income account increased to €534 million in 2017 from €374 million the year before. The widening of the deficit is mainly attributed to portfolio investments and more specifically to the larger amount of interest paid relative to the amount of interest received. The secondary income account recorded a deficit of €419 million in 2017 representing a small improvement of €30 million in comparison to 2016.

Excluding the impact of SPEs the deterioration of the current account is less profound, with the deficit in 2017 at 3.2% of GDP compared to 0.4% the year before. The current account deficit in 2017 was mainly financed via borrowing by the private sector and to a lesser extent by the Government.

In the first nine months of 2018 the current account balance recorded an improvement with the deficit declining to €339 million from €446 million in the same period of 2017. Following the trend of recent years, this development is attributed mainly to a surplus in the trade balance, driven by continued strong performance of the tourism sector. Primary and secondary income accounts recorded a deficit of €678 million in the first 9 months of 2018 compared to a deficit of €672 million in the same period of 2017. The financing of the deficit during the first nine months of 2018 occurred mainly through private and public borrowing.

Based on the principle of double-entry accounting, the balance of the financial account is, by definition, equal to the balance of the current and capital accounts. In practice, however, this correlation is weak since, firstly, transactions

cannot always be correctly attributed to the respective periods and, secondly, there are gaps in the statistical coverage of almost all sub-accounts. All these discrepancies are reflected in the “net errors and omissions” account.

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

Balance of Payments

	2014	2015	2016	2017	For the first 9 months of 2018
	(<i>€ million</i>)				
Current Account Balance.....	-761	-259	-935	-1,643	-339
Goods	-2,812	-2,970	-3,886	-4,756	2,818
Services	3,172	3,113	3,774	4,066	3,157
Primary Income	-637	109	-374	-534	-378
Secondary Income	-484	-511	-449	-419	-300
Capital Account	147	49	37	103	70
Financial Account.....	-1,251	-283	-866	-1098	250
Direct investment	-1,397	8,415	1,804	-4,540	-1,618
Portfolio investment	-3,111	-2,066	-3,236	31	-531
Financial derivatives.....	285	-877	345	197	-98
Other investment	2,966	-5,750	3,853	3,219	2,466
Reserve assets.....	6	-5	-23	-6	24
Net errors and Omissions.....	-637	-74	-32	441	520
Balance on goods and services	361	143	-112	-690	339
Current account balance (per cent. of GDP)	-4.3	-1.5	-5.1	-8.4	-1.6
Current account balance excl. SPEs (per cent. of GDP)	-5.8	1.0	-0.4	-3.2	n/a

Real Effective Exchange Rate

During the first ten months of 2018, the Nominal Effective Exchange Rate (“NEER”) index and the Real Effective Exchange Rate (“REER”) index appreciated, reflecting the strengthening of the Euro against currencies of trade partners. Since the peak of the crisis in 2013, the REER index, in fact, registered a remarkable improvement. Overall, the general path of the REER index as well as the widening gap between the NEER and REER indices was influenced by developments in the nominal value of the Euro and by domestic developments, specifically the lower inflation recorded in Cyprus compared with its trading partners.

The REER index, the inflation rate and unit labour costs are important measures of the competitiveness of an economy. Lower unit labour costs and a lower REER in Cyprus compared with competing countries, suggest that domestic exports tend to be more price competitive. In general, inflation is related to both variables mentioned above and therefore also reflects the degree of competitiveness of the Cyprus economy. The adoption of measures affecting salaries and other benefits both in public and private sectors have reduced unit labour costs for the whole economy, thus improving competitiveness and supporting the recovery of the Cyprus economy in the medium term.

International investment position

The international investment position (“IIP”) reflects, at a specific point in time, the amount of claims and liabilities of residents vis-à-vis 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 vis-à-vis the rest of the world, respectively. The values of external assets and liabilities are influenced not only by transactions but also by changes in market prices, exchange rates, reclassifications and other volume changes.

Cyprus' liabilities towards the rest of the world remain significantly higher than foreign assets owned by its residents. Due to the inclusion of SPEs any entities owning ships registered in Cyprus are treated as Cypriot economic residents independent of the location of their activities (i.e. the residency concept). Ship-owning is associated with significant financial liabilities, mostly in terms of loans, due to the capital-intensive nature of the industry while the ships, being real assets, are not captured by the IIP statistics. The impact of the treatment of ship owning operations has affected most significantly the “other” and direct investment categories. Therefore, the IIP figures net of the impact of SPEs

are also presented in this section. A further contributor to the negative investment position constitutes the government financing. The loans obtained by private and public residents are included in the “other” investment category, itself being the largest contributor to the negative IIP.

Foreign direct investment provides by far the largest contribution in separate asset and liability terms, however in net terms the largest impact is registered in the “other” investment category.

IIP has been recording an improvement in recent years declining from a negative balance of €25,885 million as at 31 December 2014 to €1,533 million as at 30 September 2018. Excluding the impact of SPEs the IIP improved from €12,620 million as at 31 December 2014 to €6,206 million as at 30 September 2018. In terms of investment position by type, the private sector, and the general government are in a negative net IIP position while the Central Bank has a sizeable positive net position.

The IIP deteriorated in 2017 recording a net liability position of €23,785 million as at 31 December 2017 compared to €22,746 million as at 31 December 2016. An improvement was recorded in “other” and portfolio investment categories. In contrast, direct investment deteriorated and to a large extent outweighed the aforementioned improvement. Adjusting for the impact of SPE’s, the IIP improved to a net liability position of €8,452 million or 43.2% of the GDP as at 31 December 2017.

The international investment position improved in the first nine months of 2018, showing a net liability position of €1,533 million, compared to €2,583 million in the previous quarter and €23,785 million at end 2017. The decrease in Cyprus’ net liabilities was due to the improvement in other investment.

Net International Investment Position

	As at 31 December				As at 30
	2014	2015	2016	2017	September
					2018
			(€ million)		
Financial Account	-25,885	-25,733	-22,746	-23,785	-21,533
Direct investment	-8,049	-1,690	-2,975	-8,629	-8,137
Portfolio investment	405	-1,036	-2,439	764	-367
Financial derivatives.....	857	-150	266	426	335
Other investment	-19,831	-23,597	-18,373	-17,086	-14,110
Reserve assets.....	733	741	775	740	746
Net International Investment Position (% of GDP)	-147.0	-145.0	-123.0	-121.5	n/a
Net International Investment Position excl. SPEs (% of GDP)	-71.7	-71.0	-47.3	-43.2	n/a

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 (i.e. long-term and 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.

The gross external debt declined to €102,439 million as at 30 September 2018 compared to €108,512 million as at 31 December 2017. This improvement was mainly due to a decrease in the debt of monetary financial institutions (excluding the CBC) and a decrease in intercompany lending. Government debt on the other hand, recorded an increase, which mitigated the above improvements.

Most of this debt is associated with “other” sectors (€46,745 million or 45.6% of the total as at 30 September 2018), deposit taking corporations (€15,870 million or 15.5% of the total as at 30 September 2018) and the general government (€16,180 million or 15.8% of the total as at 30 September 2018). Gross external debt can be further allocated into three categories: long-term debt, short-term debt and direct investment intercompany lending. At 30

September 2018 long-term debt amounted to €2,938 million and corresponded to 52% of the total amount of external debt, whilst short-term debt amounted to €2,489 or 26% and intercompany lending amounted to €23,011 million or 22% of the total.

Financial SPEs exert considerable influence on the gross external debt of the country and, since their assets and liabilities are not in the same instrument category, the associated SPE data highly impact the net external debt figures of Cyprus. In the case of non-financial SPEs, mainly ship-owning SPEs, their influence is even more pronounced as these entities are owners of movable equipment. These assets are matched on their balance sheets by financial liabilities incurred for their financing. Since real assets are not included in external statistics the gross external debt position is negatively influenced. The gross external debt excluding the impact of SPEs in relation to GDP has followed a declining trend in recent years.

Gross External Debt	<i>As at 31 December</i>				<i>As at 30</i>
	2014	2015	2016	2017	2018
€million.....	97,609	101,608	106,593	108,512	102,439
Gross External Debt (per cent. of GDP).....	554	573	576	554	n/a
Gross External Debt excl. SPEs (per cent. of GDP)	334	341	314	297	n/a

Composition of Gross External Debt (€ million)	<i>As at 31 December</i>				<i>As at 30</i>
	2014	2015	2016	2017	2018
General Government.....	12,478	14,430	15,361	15,567	16,180
Central Bank.....	3,032	370	444	454	633
Deposit-taking Corporations, except the Central Bank	24,179	26,044	21,109	19,727	15,870
Other Sectors.....	41,852	41,790	48,205	46,419	46,745
Direct investment: intercompany lending.....	16,067	18,973	21,474	26,346	23,011

PUBLIC FINANCES

Medium Term Budgetary Objective

Taking into account the fiscal developments during the last five years whereby the budget balance exhibited a comfortable surplus position, the Government intends to maintain a growth-friendly albeit prudent fiscal stance, building on the favourable economic environment, in order to further support investment.

The main Government policy objective is to safeguard stability and growth. In order to achieve this, the medium term budgetary objective is a balanced budget in structural terms, allowing automatic stabilisers to operate freely and raising the growth potential of the economy through high value-added investments. The Government's fiscal policy stance is formulated based on a prudent macro-economic scenario, which locks in the fiscal achievements and respects the national medium-term objective of a balanced budget.

Particular focus is placed on a gradual and sustained reduction of public-debt to GDP ratio. To this end, the Government's fiscal policy aims at continuing to achieve high primary surpluses, which will support the resumption of a downward trend of the debt-to-GDP at a satisfactory pace, following the one-off spike realized in 2018 as a result of the decisive action undertaken by the Government to address challenges in the banking sector.

The medium-term fiscal strategy of the Government is consistent with the fiscal rules embedded in the public financial management framework through, inter alia, the enactment of the Fiscal Responsibility and Budget Systems Law. According to this, the overall budgetary position rule establishes that the general government structural fiscal balance is balanced or in surplus in the medium term. During 2017, the structural balance showed a surplus of approximately 1.4% of GDP and is currently forecast to remain in surplus averaging 1.4% in 2018-2021.

Developments in 2017

The general government budget balance was positive in 2017, reaching a surplus of 1.8% of GDP, compared to a surplus of 0.3% of GDP in 2016, reflecting the improvement in the economic environment and labour market conditions. Primary balance reached a surplus of 4.3% of GDP in 2017 compared to a surplus of 3.0% in 2016, recording an improvement of about 1.3 percentage points of GDP.

Total revenue of the general government exhibited an increase of 8.7% in 2017, reaching €7,638 million compared to €7,028 million the year before, despite the revenue losses brought by the total abolition of the immovable property tax and the termination of the temporary tax on emoluments, as of 1 January 2017, which resulted in revenue losses amounting to about 0.3 and 0.2 percentage points of GDP, respectively. These losses were fully compensated by the strong performance of VAT receipts, corporate tax receipts and capital gains taxes, which recorded growth rates of 15.9%, 10.3% and 6.3%, respectively, reflecting strong economic activity, improving corporate performance backed by an increase in private consumption.

Total expenditure in 2017, as a percent of GDP, exhibited a decline, falling to 37.3% of GDP from 37.7% in 2016. In absolute terms, total expenditure rose to €7,294 million in 2017 from €6,969 million in 2016 exhibiting an increase of about 4.7%. Compensation of employees increased by approximately 4.4%, attributed mainly to the termination of the temporary contribution on public sector emoluments amounting to about 0.2 percentage points of GDP, as well as from the restructuring of security forces resulting in the employment of professional personnel with a fiscal cost estimated at approximately 0.2 percentage points of GDP. Despite these developments, as a percentage of GDP, compensation of employees decreased to 12% in 2017 compared to 12.2% in 2016.

Developments in the first 11 months of 2018

The general government budget balance was positive during the first 11 months of 2018, with a surplus of €780 million, compared to a surplus of €477 million during the corresponding period in 2017, increasing to 3.7% as a percentage of GDP compared to 2.4% during the corresponding period in 2017. During the first 11 months of 2018, primary balance recorded a surplus of approximately €1,211 million compared to a surplus of €934 million during the same period in 2017, recording an improvement as a percentage of GDP of about 1.1 percentage points rising from 4.8% to 5.9%. The above positive performance reflects the improving economic environment and labour market conditions.

Total revenue increased to €7,065 million during the first 11 months of 2018 from €6,552 million during the corresponding period of 2017, exhibiting a positive rate of growth of 7.8%. This year-on-year growth in total revenue is mainly attributed to revenue from taxes on production and imports stemming from an accelerated rate of growth from VAT receipts, which is associated with higher consumption levels and elevated investment activity, as well as from an increase in corporate and personal income tax. This is as a result of an increase in economic activity, employment levels and nominal earnings.

Revenue from taxes on production and imports was €2,969 million during the first 11 months of 2018 compared to €2,732 million during the corresponding period the year before, exhibiting a positive rate of growth of 8.7% attributed mainly to an acceleration in VAT receipts at a rate of 13.6% compared to the corresponding period the year before, reflecting an increase in private consumption fuelled by the performance of the tourist sector, as well as increased activity in the construction sector. Revenue from taxes on income and wealth increased 5.3% rising in absolute terms from €1,469 million during the first 11 months of 2017 to €1,547 million during the corresponding period of 2018. Receipts from corporate income tax and capital gains taxes in the first 11 months of 2018 both exhibited robust growth of 8.4% and 15.6%, respectively, compared to the same period in 2017. Personal income tax receipts also recorded an increase in the first 11 months of 2018, of approximately 13% compared to the same period in 2017, reflecting an increase of the tax base.

Social contributions recorded a positive rate of growth of 8.9% in the first 11 months of 2018, reaching €1,657 million, compared to €1,521 million during the corresponding period the year before; this reflects improving conditions in the labour market both in terms of employment and wage levels. Other current resources exhibited an increase of 13.5% reaching €818 million during the first 11 months of 2018, compared to €721 million in the same period of 2017.

Total expenditure in the first 11 months of 2018 exhibited a positive rate of growth of 3.5% rising to €6,285 million, compared with €6,075 million during the corresponding period of 2017.

Compensation of employees recorded a positive rate of growth of about 3.2%, reaching €2,066 million in the first 11 months of 2018, compared to €2,002 million during the same period of 2017. The increase in this category of expenditure is mainly attributed to the provision of annual increments and Cost of Living Allowance, as well as employment level changes. Intermediate consumption recorded an increase of about 10.3%, reaching €336 million during the first 11 months of 2018, compared to €377 million during the same period of 2017 due to increased expenditure for pharmaceutical products and desalinated water.

Subsidies exhibited a positive rate of growth of 42.3%, reaching €47 million during the first 11 months of 2018, compared to €33 million during the corresponding period of same. Social payments reached €2,355 million during the first 11 months of 2018, representing a growth of approximately 4 % compared to €2,667 million during the corresponding period of 2017. Gross fixed capital formation reached €295 million during the first 11 months of 2018, remaining at the same level as in the corresponding period of 2017. Interest payments decreased to €431 million in the first 11 months of 2018, a decrease of 5.7% from €457 million during the corresponding period of 2017.

Impact on public finances from recent developments in the banking sector

The sale of the Cyprus Cooperative Bank (“CCB”), the second largest bank in the country and which was state owned, was initiated in March 2018 and completed in September 2018.

In view of an identified funding gap, public financial support measures were deemed necessary to facilitate the sale of certain assets and the customer deposits. These measures mainly consisted of (i) the issue by the Government of bonds with a principal value of €3,190 million, which were purchased by CCB, in addition to which the Government deposited a further amount of €351 million with the CCB; and (ii) a counter-guarantee by the State of the guarantees provided by the CCB to Hellenic Bank (“HB”), including an asset protection scheme on a portfolio of the transferred assets.

The actions relating to the sale of CCB as well as the ESTIA scheme will impact the general government balance. Under the ESTIA scheme the Republic will provide fiscal support to eligible non-performing borrowers that meet certain eligibility criteria in order for them to be able to service their loans (see “*Banking and Financial System*”). The implementation of the scheme would involve annual payments amounting to on average €33 million over a period of 25 years, that is an accumulated maximum total cost of €814 million. The annual impact from recent

Government actions regarding the banking sector is estimated at 0.4 percentage points of increased debt servicing costs resulting from the issuance of bonds and 0.1 percentage points from the financing of the ESTIA Scheme.

Public Debt and Government Guaranteed Debt

The Public debt to GDP ratio exhibited a noticeable decline as at 31 December 2017 falling to 96.1% compared to 105% as at 31 December 2016. In nominal terms, public debt declined to €18,814 million at 31 December 2017 from €19,509 million at 31 December 2016.

The issuance of domestic government bonds of €3,190 million to facilitate the sale of the CCB in July 2018 (see “*Banking and Financial System*”) resulted in a one-off increase of public debt. As of November 2018, total outstanding debt was €22,624 million. Scheduled debt repayments for December 2018 amounted to approximately €76 million.

Outstanding short-term debt was €252 million as at 30 November 2018 or 1.1% of Cyprus' total debt. Outstanding long-term debt was €22,373 million as at 30 November 2018 and was fairly equally distributed between loans and securities. Additionally, debt in the form of currency and deposits reached €135 million as at 30 November 2018. The total outstanding foreign public debt was €16,297 million as at 30 November 2018 of which €6,007 million was in the form of Euro Medium-Term Notes and €9,857 million was in the form of long-term loans, principally granted by the European Stability Mechanism (€6,300 million), the Russian Federation (€1,875 million), the European Investment Bank (€33 million) and the International Monetary Fund (€94 million¹). The share of debt denominated in foreign currencies remains low at 3.1% of outstanding debt as at 30 November 2018 and relates exclusively to the loan from the International Monetary Fund.

The following table shows a breakdown of general Government debt as at the dates indicated:

Gross External Debt	As at 31 December					As at 30 November
	2013	2014	2015	2016	2017	2018
	(€ million)					
Short-Term Debt	2,734	1,814	399	300	200	252
Long-Term Debt	15,873	17,095	18,654	19,091	18,485	22,237
Currency and Deposits	100	104	112	119	129	135
Total Debt	18,706	19,014	19,164	19,509	18,814	22,624
Securities	7,577	6,599	5,863	6,281	6,564	11,017
Loans	11,030	12,311	13,189	13,109	12,121	11,472
Currency and Deposits	100	104	112	119	129	135
Total Debt	18,706	19,014	19,164	19,509	18,814	22,624

Figures may not add up due to rounding.

The outstanding amount of government guarantees as at 30 June 2018 was €1,906 million. Excluding the guarantees provided to general government entities of €291 million, for loans which are already included in the public debt, the total guarantee stock was €1,615 million.

The largest category of guarantee beneficiaries are public interest entities with €63 million or a 51% share of the total outstanding guarantees as at 30 June 2018. The second largest category of principal debtors are the Local Authorities with government guarantees of €291 million or approximately 15% of the total outstanding guarantees as at 30 June 2018. Additionally, as at 30 June 2018 there were guarantees provided to corporations and individuals for €329 million (17%) and €164 million (9%) respectively.

The above-mentioned government guarantees do not incorporate the asset protection scheme provided by CCB to HB guaranteed by the Republic for any unexpected losses, which was approved in July 2018 in the amount of €2,608 million.

¹ The debt valued according to exchange rate as at 30 November 2018.

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, 21 branches of foreign banking institutions and two representative offices of banking institutions. The Central Bank of Cyprus is the national Supervisory Authority for all credit institutions and also the Macroprudential Authority for the entire 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 CBC into the Euro system 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.

The total balance sheet of CBC in November 2018 was €18,012 million. The main assets were: intra-Euro system claims of €10,149 million, securities of Euro area residents denominated in Euro of €5,290 million lending to credit institutions relating to monetary policy operations €30 million. The main liabilities were: liabilities to Euro area credit institutions related to monetary policy operations denominated in euro of €1,170 million, banknotes in circulation of €2,376 million and liabilities to other Euro area residents (mainly the general government) denominated in Euro of €2,538 million.

The banking sector

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 until year end 2017, when total deposits amounted to €49,417 million. The outstanding amount of deposits in November 2018 declined to €47,532 million with the bulk of the decrease being attributable to non-residents from third countries. As at end November 2018, total funding from the ECB was €30 million.

Capital position

The Common Equity Tier 1 capital ratio of the Cypriot banking sector reached 14.1% in September 2018, compared to 14.9% in December 2017. The CET1 capital ratio decreased due to the impact from the sale of the CCB to the HB, which led, on the one side, to the reduction of the risk weighted assets, and in parallel, to a reduction of the risk profile of HB after the transaction, and hence to a reduction in its capital requirements. Since December 2017 risk weighted assets declined by €7.7 billion to €28.8 billion in September 2018. The aggregate solvency ratio of the sector was 15.7% in September 2018, compared to 16.3% in December 2017.

Loans and New Lending

Total outstanding lending by the locally active banks decreased by approximately €1.5 billion the first 11 months of 2018 due to higher levels of repayments compared to new lending. New lending has stabilised and in the first 11 months of 2018 it reached €1,680 million and €1,087 million for non-financial corporations and households respectively.

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

Non-performing exposures ("NPEs") represent the major challenge currently faced by the banking system, amounting to approximately 32.0% of total lending in September 2018 compared to 42.5% on December 2017, whereas NPEs over 90 days past due amounted to approximately 23.9% of total lending in September 2018 compared

to 32.6% on December 2017. NPEs in absolute terms also exhibit a downward trend to €1.2 billion in September 2018, down from €20.9 billion in December 2017.

Accumulated provisions on lending increased to 52.3% of NPEs in September 2018, compared to 47.3% as at the end of 2017, thus facilitating restructuring activity with a view to cure NPEs of viable customers.

NPEs are classified based on the harmonised definition of the European Banking Authority which includes loans that have been restructured and, even though they meet the revised repayment programme, they retain their NPE status for at least 12 months after restructuring before being reclassified as performing. The significant decrease of NPEs in the first nine months of 2018 which exceeded €9.7 billion, is mainly attributed to the transfer of €5.7 billion NPEs of the CCB to a non-monetary financial institution, the sale of NPE portfolios (including the sale of €2.7 billion NPEs by Bank of Cyprus in June 2018), as well as increased repayments, restructurings successfully completed and reclassified as performing facilities, write-offs and settlement of debt through swaps with immovable property.

Banks have taken steps to improve their internal management of loans in arrears, 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. The outstanding balance of total restructured exposures reached €7.4 billion in September 2018.

Both core domestic banks have partnered with foreign debt specialists and established independent debt servicing companies: Pepper Cyprus, a fully owned subsidiary of Pepper Europe (UK), has partnered with Bank of Cyprus whilst APS Debt Servicing Cyprus was created as a joint venture of Czech APS Holding and HB. Also, Altamira Asset Management (Cyprus) is responsible for the debt servicing of the NPEs of the residual entity of CCB.

Regulatory and supervisory arrangements

Certain regulatory and supervisory arrangements are in the introductory stage, including the creation of capital buffers and the minimum requirement for own funds and eligible liabilities (MREL) to absorb losses based on credit institutions' recovery and resolution framework, which will involve a substantial increase in funding costs for credit institutions. In addition, in 2018, the new accounting standard IFRS 9 was adopted, which introduces the notion of expected loss for provisioning purposes, instead of the incurred loss.

Three Pillar strategy to tackle the NPE

The policy strategy for the reduction of NPEs which has started in 2018 and will be fully implemented in early 2019, consists of the following three basic pillars:

I. Pillar I: Strengthening the effectiveness of the legal framework related to the management of NPEs

In recent years, legal and supervisory reforms have been implemented, aiming mainly to facilitate the reduction of 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, sale of loans and insolvency. In addition, the amendment of the Business of Credit Institutions Law, allows credit institutions to manage more effectively the properties in their balance sheets through debt to asset swaps. Moreover, 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.

Amendments undertaken in 2018 span a wide range of laws and affect foreclosure, insolvency, sale of loans, securitisation as well the courts regime and aim to strengthen the effectiveness of the legal framework in place which relates to the management of NPEs. Major provisions of the legal amendments include:

Foreclosure

- Clarification that old court decisions for the sale of property can be implemented under the new foreclosure procedure.
- Widen the means of servicing of notices to the debtors.
- Shortening of the time period within which a reserve price is applied when foreclosing property.
- Enhancement of the right of the bank to participate in the foreclosure process.
- Regulation of the provision of information to prospective buyers.

- Enabling of electronic auctions.

Sale of Loans

- Allow for split of mortgages.
- Amendments of definitions to ensure that all credit facilities are included.
- Ensure the results of the transfer are regulated (transfer of rights, priority, continuation of proceedings, safeguarding of documents).
- Allow access of credit buyers to the data exchange mechanism for purposes of assessing the borrowers' indebtedness.

Insolvency

- Removal of impediments to the restructuring process.
- Amendments of definitions to ensure effective restructurings.
- Removal of all protection in case borrower receiving state subsidy defaults.

Securitization

- Ensuring the proper functioning of the securitization market.
- Vesting the Central Bank of Cyprus the power to authorise, regulate and supervise the activity of securitizations.
- Limiting to the securitization of credit facilities originated or acquired by credit or financial institutions or by credit acquiring companies.

The aforementioned legal amendments were enacted by the House of Representatives in July 2018.

Courts' Law

- According to the draft law (currently at legal vetting), specific judges will be appointed who will be responsible for handling of (i) financial disputes arising between the borrower and the creditor regarding the amount of the credit facility which is delayed or exceeded and (ii) foreclosure related disputes. Applications or appeals filed with the District Court for these matters shall be examined and completed within 60 days of their submission.

The Government's main priority is the systemic monitoring of the effectiveness of the new framework. So far, there has been some utilization of the sale of loans framework, mainly with the sale of NPEs by Bank of Cyprus indicating effectiveness of the framework as well as some utilization of foreclosure law with the Banks starting to initiate the process by sending confirmation letters to debtors.

II. Pillar II: Addressing mortgage or SME loans having the primary residence as collateral through burden sharing between credit institutions and the State (ESTIA scheme).

Under Pillar II, the Government addresses the most challenging segment among NPEs, which are mortgage NPEs collateralised with the primary residence, and has put in place a scheme to support borrowers that encounter difficulties in repaying their loans backed by primary residences. In general terms, banks will have the obligation to restructure eligible loans, based on predetermined criteria. On this basis, the State will provide financial assistance to borrowers, covering one third of borrowers' restructured loan repayment obligations.

Eligible loans have to fulfil the following criteria:

- Eligible loans have to be linked to the borrower's primary residence with a current open market value of no more than €350,000.
- At least 20% of the total balance of the borrower's credit exposures are over 90 days past due as at 30 September 2017.

In addition, and in order to exclude free riders or strategic defaulters, borrowers have to fulfil a set of means-based criteria to verify their income and debt servicing capacity.

The participating banks/and other financial institutions (including Credit Acquiring Companies) will be obliged to restructure the eligible loans and offer restructured loans to borrowers at certain terms.

The European Commission approved the Scheme in December 2018 under EU State aid rules. The Commission concluded that the scheme is well-targeted and limited in time and scope and although it will provide an indirect advantage to banks by increasing the amount of repayment they are likely to receive from the NPEs, this indirect aid would not create undue distortions of competition.

The Scheme is expected to become operational in early 2019.

III. Pillar III: Sale of CCB

Under Pillar III, the Government, as the main shareholder of the CCB proceeded with the sale of part of the bank's assets and liabilities to HB. The sale of the CCB, the second largest bank which was state owned, was initiated in March 2018. On 19th June 2018, the European Commission's DG Competition approved the state aid for financing the orderly market exit of the former CCB as compatible with EU state aid rules following the undertaking by the Government, of the obligation to implement a list of Commitments regarding among others, the treatment of the sold assets and liabilities, the set up and activities of the residual entity and the framework conditions to allow the efficient workout of NPEs.

The relevant sale agreement sets out that parts of the CCB's assets and liabilities will be fully integrated into HB, while the rest will remain in the CCB's residual entity to be owned by the state.

On 3 September 2018, the transfer of the operations of the former CCB to HB was completed. According to the provisions of the relevant sales agreement, the two parties concluded the valuation of the assets and liabilities transferred to HB in December 2018. In particular, the following assets and liabilities were transferred to HB, based on current unaudited book values:

Assets

- Loans of €4,272 million
- Bonds of €4,074 million
- Cash and deposits with banks of €1,014 million
- Other assets of €79 million

Liabilities

- Customer deposits of €8,779 million
- Liabilities to banks and other liabilities of €116 million
- Off-balance sheet liabilities such as letters of guarantee

Whilst total assets transferred for the completion of the sales agreement amounted to €9,439 million after a valuation adjustment, assets totalled €9,144 million. Based on the above, the net asset value transferred, after valuation adjustments, was €247 million, for which HB paid €74 million.

Additionally, HB assumed the employment of 1,100 CCB staff members and the rental of the branch network with an option to purchase 72 branches within 12 months.

Against the State's deposit of €3,540 million with the CCB (€3,190 million Government bonds plus €351 million cash placements), CCB pledged assets in return. The pledge covers the CCB's NPEs as well as other non-core assets with a total nominal value of approximately €8.3 billion. After the valuation conclusion the pledged assets with HB are:

- Non-performing loans of €6,885 million gross book value,
- Performing loans of €486 million including loans to local authorities amounting to €62 million,
- All immovable property of the bank including branches of €681 million,
- Cash and deposits with banks of €81 million, and
- Other receivables and participations in other entities of €120 million.

The state deposit as well as the above assets will remain in the residual entity. The residual entity's sole and single activity will be to manage the assets within in its perimeter, with the objective of divesting, liquidating or winding down the assets in an orderly manner but with a view to maximising the value and speed of repayment to the State. Based on the aforementioned list of commitments undertaken by the Government, the governance of the residual entity will be formed so that the residual entity will be chaired and managed by highly-specialised experts with the required international experience in the management of NPEs and real estate assets. The daily management of the assets will be undertaken by a fully private specialised servicing company with no financial link to the residual entity or to the State.

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 a national level and is 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.

		<i>As at 31 December</i>				<i>As at 30 June</i>
		2014	2015	2016	2017	2018
Efficiency (%)	Cost-to-income ratio	-40.3	-44.1	-52.6	-53.6	-70.9
Profitability (%)	Total profit (loss) after tax and discontinued operations per total equity (Return on equity ratio)	-8.1	-7.4	1.7	-1.1	3.9
	Net interest margin	2.9	2.8	2.6	2.3	2.3
Assets	Cash and cash balances with central banks...	11.2	15.3	18.2	22.4	21.1
(% of total assets)	Financial assets held for trading	0.2	0.7	0.5	0.3	0.1
	Available-for-sale financial assets	3.0	3.9	4.2	5.2	4.9
	Loans and receivables (including finance leases)	76.2	74.7	69.9	64.7	62.3
	Tangible and intangible assets	2.0	1.4	1.9	1.8	1.8
	Investments in associates, subsidiaries and joint ventures	0.4	0.4	0.4	0.3	0.3
	Total loans and advances	73.4	73.64	69.1	64.1	58.9
	Debt instruments	10.2	6.9	6.4	6.9	10.8
	Total equity instruments	0.1	0.2	0.1	0.1	0.1
Liabilities	Deposits from central banks	11.3	6.4	1.3	1.4	1.3
(% of total assets)	Financial liabilities held for trading	0.1	0.0	0.1	0.1	0.0
	Financial liabilities measured at amortised cost	76.9	83.1	87.9	88.8	89.2
	Derivatives-hedge accounting	0.1	0.1	0.1	0.1	0.0
	Provisions	0.3	0.2	0.3	0.4	0.3
	Total deposits from credit institutions...	13.1	16.7	12.2	11.9	9.0
	Total deposits (other than from credit institutions)	63.0	65.1	74.9	75.7	79.3
	Total deposits from credit institutions (including bonds)	13.1	16.7	12.2	11.9	9.0
	Total debt certificates (including bonds)	0.3	0.8	0.3	0.4	0.3
Value of equity	Issued capital per total equity	41.2	41.4	47.8	54.1	59.2
(%)	Reserves (including retained earnings) per total equity	36.1	27.3	17.1	15.3	-7.6

		<i>As at 31 December</i>				<i>As at 30 June</i>
		2014	2015	2016	2017	2018
Liquidity (% of total assets)	Cash and trading assets	11.4	16.0	18.8	22.7	21.2
	Cash, trading and available-for-sale assets ratio	14.4	19.8	22.9	27.9	26.2
	Amounts owed to credit institutions	13.1	16.7	12.2	11.9	9.0
Capital adequacy (%)	Overall solvency ratio	15.3	16.6	16.8	16.3	15.5
	Tier 1 capital ratio.....	14.6	16.0	16.4	15.4	14.7
	Core Tier 1 capital ratio / Common Equity Tier 1 capital ratio	14.2	15.6	15.9	14.9	14.2
Capital requirements (%)	Total capital requirements for credit counterparty credit and dilution and delivery risks	89.7	87.8	88.1	88.7	88.9

FINANCIAL SECTOR DEVELOPMENTS, MONETARY POLICY AND INTEREST RATE REGIME

Credit and deposits developments

Total loans to Non-Monetary Financial Institutions ("MFIs") as at 30 November 2018 amounted to €39,888 million, reflecting a decrease of €1.5 billion within 2018.

The outstanding deposits decreased to €47,352 million in November 2018 compared to €49,417 million in December 2017, affected by the developments regarding CCB. Since September 2018 and the completion of the sale of CCB to HB, deposits have stabilised.

The loans to, and deposits by, MFIs (excluding the CBC), in amounts and growth rate, were:

Total Amounts	As at 31 December					As at 30 November
	2013	2014	2015	2016	2017	2018
	(€ million)					
Total MFI loans to non-MFIs	63,598	61,516	62,739	55,306	51,351	39,888
Total MFI deposits by non-MFIs	46,993	46,124	45,968	49,009	49,417	47,352

Growth rate (%)	For the year					For the first 11 months
	2013	2014	2015	2016	2017	2018
Total MFI loans to non-MFIs	(12.2)	(2.3)	(3.4)	11.8	7.2	(0.22)
Total MFI deposits by non-MFIs	(22.4)	(4.0)	(0.2)	6.6	0.8	(0.04)

Interest rates on loans and deposits

In November 2018, the average rate on new deposits from households, with an agreed maturity of up to one year, dropped to 0.54% compared to 1.17% in December 2017, whilst for non-financial corporations it dropped to 0.46% compared to 1.32% in December 2017. Lending rates to households for housing purposes declined to 2.93% in November 2018 compared to 3.39% in December 2017, whilst lending rates to for non-financial corporations were 3.53% for loans up to €1 million and 3.12% for loans over €1 million.

As a Euro area member, monetary policy is formulated at Euro area level, 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 below, but close to, 2% over the medium term by further lowering the key ECB interest rates. More specifically, the Eurosystem's main refinancing operations interest rate was lowered to 0.00%, the rate on marginal lending facility to 0.25%, and the rate on deposit facility to -0.4%. During 2018 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 of 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 of 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 or can be considered a Cyprus tax resident if he spends more than 60 days in Cyprus in a tax year subject to certain conditions 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.

The amendment of 119(I)/2017 of Income Tax Law introduced the 60-day-rule for tax residency in Cyprus, which co-exists with the rules introduced for persons not domiciled in Cyprus (see below). So, besides the 183-day rule, an individual is resident for tax purposes in Cyprus if that individual meets all the following conditions:

- Is not a tax resident of another state;
- Does not stay for more than 183 days in another state;
- Stays in Cyprus for at least 60 days;
- Exercises any business in Cyprus or renders salaried services in Cyprus;
- Has a permanent residence in Cyprus which the individual owns or rents.

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. Under the provisions of the Income Tax Law, Cyprus tax resident entities can claim a Notional Interest Deduction ("**NID**") on new equity contributed to the resident entity. NID is a powerful tool that removes the tax bias between equity financing and debt financing and incentivizes deleveraging of businesses and realizes a tax efficient return on new equity. 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.

Cyprus offers an efficient Intellectual Property ("**IP**") tax regime coupled with the protection afforded by EU Member States and by the signatories of all major IP treaties and protocols, which is in line with the latest international developments on the taxation of IP income and recommendations under Action 5 of the OECD's Base Erosion Profit Shifting ("**BEPS**") Action Plan. Provisions provide exemptions from tax of income related to IP in the amount of 80% of the net profit from the exploitation of IP. Net profit is calculated after deducting from the IP income all direct expenses associated with the production of the income, as well as capital allowances at a rate of 20%. Qualifying income includes royalties and gains derived from the disposal of IP; and qualifying assets are defined broadly to include copyrights, patented inventions; trademarks and service marks and generally all IP rights.

During 2015, the House of Representatives enacted into law a number of significant tax law proposals, within the framework of Tax Reform. The amendments to the Cyprus Tax Legislation are 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 Income Tax Law 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 etc. by non-Cyprus domiciled individuals more attractive. Moreover an anti-abuse provision has been introduced in the Special Defence Tax Contribution 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 of Cyprus for tax purposes are neither liable for 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.

During 2017 Cyprus adopted the "Cyprus Startup Visa" scheme that allows talented entrepreneurs from third countries outside the European Union (EU) and outside the European Economic Area (EEA), individuals or in a team, to enter, reside and work in Cyprus in order to establish / operate / develop startup with high growth potential. The Scheme's objectives include a job creation, promotion of innovation and research, development of the business ecosystem, and consequently, the economic development of the country.

Furthermore, Cyprus Tax Law provides for tax incentives for investments in innovative companies. Tax incentives are offered to individuals who invest in innovative enterprises, either directly or through an investment fund. The maximum annual amount to be exempted is €150,000. A company is considered innovative if it spent 10% of its operating expenses on research and development in at least one of the last three years, a fact which will be determined by an external auditor. Start-ups will be assessed based on their business plan.

Cyprus' national tax framework is fully compliant with the relevant EU directives, regulations and with the EU Code of Conduct Group on Business taxation. Cyprus Authorities are in the process of transposing into domestic legislation the Anti-Tax Avoidance Directive with retroactive effect as from 1 January 2019.

In addition, Cyprus' Authorities have deposited amendments to the tax and regulatory framework of the investment funds, in order to further enhance and modernise the tax framework.

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.

Multilateral and Bilateral Instruments

Bilateral Double Tax Treaties:

Cyprus has signed 64 double-tax treaties, mainly with European and Mediterranean countries. Most of the Treaties are in force. Most of Cyprus's treaties follow the OECD Model Convention and the latest signed Treaties incorporate all the minimum standards of the BEPS project, as issued by the OECD. The potential benefit of these Treaties is

that Cyprus-registered entities will have double tax relief on taxes paid between Treaty countries, and effectively avoid double taxation.

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 and the United States of America in order to improve International Tax Compliance. The Agreement provides for reporting and the exchange of financial information for 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 information.

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

On 29 October 2014, the Government 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). The Common Reporting 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 first information was exchanged in 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 end, the Republic of Cyprus has issued a Decree by virtue of Assessment and Collection of Taxes Law (Article 6(16)) signaling its commitment to the standard.

Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Instrument)

In light of the recent international tax developments the OECD has developed via its BEPS action plan, 15 Actions which issued by the OECD / G20 in October 2015, 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.

The Cyprus Authorities have also implemented Action 15 'Develop a Multilateral Instrument' which proposes multilateral instruments in order to allow countries to swiftly amend their tax treaties to implement the tax treaty-related BEPS recommendations. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Instrument) was signed on June 7th 2017 and upon ratification will pave the way for updating all existing Double Tax Agreements by incorporating the two minimum standards of Action 6 (Treaty Abuse) and the minimum standard of Action 14 (Making Dispute Resolution Mechanisms More Effective) of BEPS project in the context of safeguarding and orderly application of the existing Double Tax Agreements. It is considered a major landmark for tax treaties worldwide.

Automatic Exchange of Country-by-Country Reporting

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 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 68 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 effective 1 January 2017. With respect to Cyprus, the first information was exchanged in June 2018.

Global Forum EOIR Reviews

Regarding Cyprus' Global Forum on Transparency and Exchange of Information for Tax Purposes first round 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.

As part of the second round of peer reviews (2016-2020), Cyprus will be assessed in the first quarter of 2019.

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 (each, other than Estonia, a "**participating Member State**"). However, Estonia has since ceased to participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in certain financial instruments (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 certain financial instruments 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 such financial instruments 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 depository 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 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.

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 1 February 2019 (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 2017, Law 87(I)/2017 (the "**ISARM Law**")) 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 ISARM Law 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 (as amended) and Regulation (EU) 2017/1129 dated 14 June 2017.

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. The Dealer Agreement provides that the obligation of any Dealer to subscribe for Notes under any such agreement is subject to certain conditions and that, in certain circumstances, a Dealer shall be entitled to be released and discharged from its obligations under any such agreement prior to the issue of the relevant Notes.

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 a relevant Official List and to trading on a relevant Regulated 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 may be permitted by the by the relevant stock exchange in accordance with its rules. 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.

The Legal Entity Identifier of the Issuer is 213800IOEYYAHPDLUL60.
- (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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