



## **Republic of Cyprus**

acting through the Central Bank of Cyprus

**€6,000,000,000**

### **Euro Medium Term Note Programme**

Arranger

**UBS INVESTMENT BANK**

Dealers

**Deutsche Bank**

**Société Générale Corporate &  
Investment Banking**

**UBS Investment Bank**

Under the Euro Medium Term Note Programme (the "Programme"), the Republic of Cyprus acting through the Central Bank of Cyprus (the "Republic" or "Cyprus") may from time to time issue Notes (the "Notes") up to a maximum aggregate principal amount of €6,000,000,000 or its equivalent in alternative currencies provided that Notes which are denominated in currencies other than euro cannot exceed the equivalent of €2,000,000,000 on the date of the issue of such Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London. Notes may be denominated in the Specified Currencies referred to herein, as specified in a supplement to this Offering Circular (a "Pricing Supplement") which will contain the terms of, and pricing details for, each issue of Notes. Notes may be subject to redemption in whole or in part, as specified in the applicable Pricing Supplement.

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

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

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

The Republic's long-term foreign currency debt has been rated Aa3 by Moody's Investor Services, Inc., A+ by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. and AA- by Fitch Ratings Ltd.

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

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Republic or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Republic, the Arranger or the Dealers that any recipient of this Offering Circular should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Republic during the life of the arrangements

contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

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

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

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

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

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

TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955 ("RSA 421-B"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING.

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

TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Certain monetary amounts included in this document have been subject to rounding adjustments; accordingly figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures preceding them.

Unless otherwise specified or the context requires, references herein to “dollars”, “U.S. dollars”, “U.S.\$” and “\$” are to United States dollars, references to “€€” and “Euro” are to the lawful currency of member states of the European Union that have adopted the single currency introduced in accordance with the Treaty establishing the European Community as amended, references to “£” and “Sterling” are to Pounds Sterling and references to “Yen” and “¥” 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 stabilising manager(s) (the “Stabilising Manager(s)”) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. 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 be ended 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 Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) in accordance with all applicable laws and rules.**

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### **Documents Incorporated by Reference**

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

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

## Overview of the Programme and the Notes

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

<b>Issuer</b>	Republic of Cyprus acting through the Central Bank of Cyprus.
<b>Arranger</b>	UBS Limited.
<b>Dealers</b>	Deutsche Bank AG, London Branch, Société Générale and UBS Limited.
<b>Fiscal Agent</b>	Deutsche Bank AG, London Branch.
<b>Registrar</b>	Deutsche Bank Trust Company Americas
<b>Currencies</b>	U.S. dollars, Euro, Sterling, Swiss Francs, Yen or such other currency as may be agreed between the Republic and the relevant Dealer(s), in all cases subject to applicable laws and regulations.
<b>Amount</b>	Up to €6,000,000,000 (or its equivalent in other currencies calculated as set out herein provided that Notes which are denominated in currencies other than euro cannot exceed the equivalent of €2,000,000,000 on the date of issue of such Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London) aggregate principal amount of Notes outstanding at any time. Under the Dealer Agreement, the principal amount of Notes which may be issued under the Programme may be increased or decreased, subject to the satisfaction of certain conditions set out therein. For the purpose of calculating the aggregate principal amount of Notes outstanding, Notes issued at a discount shall be treated as having been issued at their accrued original issue discount calculated by reference to the amortisation yield formula as specified in the applicable Pricing Supplement or, if none is specified in the applicable Pricing Supplement, their face amount and Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Republic.
<b>Form of Notes</b>	<p>Notes of each Tranche of each Series to be issued in bearer form ("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 S.A./N.V. ("Euroclear") and Clearstream Banking, <i>société anonyme</i> ("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</p>

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 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 a “Regulation S Global Note”), without interest coupons, which will 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. Beneficial interests in a Regulation S Global Note will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. 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 “DTC Restricted Global Note” and together with any Regulation S Global Notes the “Registered Global Notes”), without interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”) on its issue date. Beneficial interests in a DTC Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained 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.



<b>Fixed Rate Notes</b>	<p>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).</p> <p>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).</p>
<b>Variable Rate Notes</b>	<p>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.</p> <p>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).</p>
<b>Interest Periods for Variable Rate Notes</b>	Such period(s) as the Republic and the relevant Dealer(s) may agree, as indicated in the applicable Pricing Supplement.
<b>Zero Coupon Notes</b>	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.
<b>Withholding Tax</b>	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 (including the ICMA Standard EU Exception).
<b>Denominations</b>	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.
<b>Optional Redemption</b>	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.
<b>Listing</b>	Application may be made to list Notes issued under the Programme on the Official List and to admit them to trading on the London Stock Exchange or as otherwise specified in the relevant Pricing Supplement. As specified in the relevant Pricing Supplement, a Series of Notes may be unlisted.

<b>Rating</b>	The Republic's long-term foreign currency debt has been rated Aa3 by Moody's Investor Services, Inc., A+ by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. and AA- by Fitch Ratings Ltd.
<b>Status of Notes</b>	Subject to "Terms and Conditions of the Notes – Negative Pledge", the Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Republic and the full faith and credit of the Republic will be pledged for the due and punctual payment of all amounts payable in respect of the Notes and for the performance of all other obligations of the Republic pursuant to the Notes and Coupons. The Notes of each Series shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Republic under the Notes shall (subject as aforesaid) at all times rank at least equally with all its other present and future unsecured and unsubordinated indebtedness.
<b>Negative Pledge</b>	There will be a negative pledge in respect of any security securing any External Indebtedness of the Republic and Central Bank of Cyprus, all as more fully set out in "Terms and Conditions of the Notes – Negative Pledge".
<b>Cross Default</b>	There will be a cross default in respect of External Indebtedness of the Republic and Central Bank of Cyprus, all as more fully set out in "Terms and Conditions of the Notes – Events of Default".
<b>Deed of Undertaking</b>	The Notes have the benefit of a Deed of Undertaking pursuant to which the Central Bank of Cyprus has irrevocably undertaken to authorise the free and unconditional transfer to, <i>inter alia</i> , Noteholders of all sums in the amount, at the time and in the currency required for the fulfilment of all financial obligations of the Republic to the relevant Noteholders. In addition, the Central Bank of Cyprus has undertaken that, subject to the provision by the Republic of the necessary funds, it will make available to the Republic for the performance of such financial obligations all amounts required in the relevant currencies.
<b>Governing Law</b>	English.
<b>Selling Restrictions</b>	There are restrictions on the sale of Notes and the distribution of offering material in various jurisdictions. See "Subscription and Sale".
<b>Transfer Restrictions</b>	There are restrictions on the transfer of Registered 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 Registered Notes sold pursuant to Rule 144A under the Securities Act. See "Transfer Restrictions".
<b>Clearing Systems</b>	Euroclear and Clearstream, Luxembourg for Bearer Notes and Euroclear, Clearstream, Luxembourg and DTC for Registered Notes, 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. Application will be made for trading of Restricted Notes (as defined in "Form of the Notes") in PORTAL.
<b>Pricing Supplement</b>	The issue price, issue date, maturity date, principal amount, interest rate (if any) applicable to any Notes and any other relevant provisions of such Notes will be agreed between the Republic and the relevant Dealer(s) at the time of agreement to issue such Notes and will be specified in the applicable Pricing Supplement.

## **Terms and Conditions of the Notes**

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

The Notes are issued pursuant to an amended and restated Fiscal Agency Agreement (as amended or supplemented or restated from time to time, the "Fiscal Agency Agreement") dated 8 May 2009 and made between the Republic of Cyprus acting through the Central Bank of Cyprus (the "Republic"), 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 8 May 2009 and executed by the Republic. 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 Republic 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 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), "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 Republic, 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 Republic at its option pursuant to Condition 6(d) or (iii) after any such Note has been called for redemption in whole or in part in accordance with Condition 6.

**(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 Republic, 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, unsecured and unsubordinated obligations of the Republic and the full faith and credit of the Republic 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 Republic pursuant to the Notes and Coupons. The Notes of each Series shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Republic under the Notes and the Coupons shall (subject to Condition 4) at all times rank at least equally with all its other present and future unsecured and unsubordinated indebtedness.

### **4. NEGATIVE PLEDGE**

So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Republic 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 Republic to secure any present or future External Indebtedness without securing the outstanding Notes equally and rateably with such External Indebtedness, and the instrument creating any such Encumbrance shall expressly provide therefor.

- (i) As used in these Conditions: "Encumbrance" means any mortgage, charge, pledge, lien or other arrangement creating security other than: 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 Republic and securing its purchase price (together with interest and other related charges).

"External Indebtedness" means any (i) indebtedness of the Republic in respect of moneys borrowed or raised by the Republic and (ii) guarantees or indemnities given by the Republic in respect of indebtedness in respect of moneys borrowed or raised by others.

"Permitted Encumbrance" means any Encumbrance representing not more than 20 per cent. of the total assets of the Republic.

### **5. INTEREST**

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

#### **(I) Fixed Interest Rates**

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

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

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

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

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

## **(b) Calculations**

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

## **(II) Variable Interest Rates**

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

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

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

### **(b) Rate of Interest**

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

- (i) At or about the Relevant Time (as defined in Condition 5(III)) on the relevant Interest Determination Date (as defined in Condition 5(III)) in respect of each Interest Period (as defined in Condition 5(III)), the Calculation Agent will:
  - (A) in the case of a Note which specifies that the Primary Source for Interest Rate Quotations shall be derived from a specified page, section or other part of a particular information service (each as specified on such Note), determine the Rate of Interest for such Interest Period which shall, subject as provided below, be (x) the Reference Rate (as defined in Condition 5(III)) so appearing in or on that page, section or other part of such information service (where such Reference Rate is a composite quotation or interest rate per annum or is customarily supplied by one person) or (y) the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates of the persons at that time whose Reference Rates so appear in or on that page, section or other part of such information service, in any such case in respect of deposits in the relevant Specified Currency made with or by such person or persons for a period equal to the duration of such Interest Period; and
  - (B) in the case of a Note which specifies that the Primary Source for Interest Rate Quotations shall be the Reference Banks specified on such Note and in the case of a Note falling within Condition 5(II)(b)(i)(A) but in respect of which (x) no Reference Rate appears at or about such Relevant Time or (y) the Rate of Interest for which is to be determined by reference to quotations of persons appearing in or on the relevant page, section or other part of such information service as provided in Condition 5(II)(b)(i)(A) but in respect of which less than two Reference Rates appear at or about such Relevant Time, request the principal offices in the Relevant Banking Centre (as defined in Condition 5(III)) of each of the Reference Banks specified on such Note (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 5(II)(g)) to provide the Calculation Agent with its Reference Rate quoted to leading banks for deposits in the relevant Specified Currency for a period equivalent to the duration of such Interest Period. Where this Condition 5(II)(b)(i)(B) applies, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of such Reference Rates as calculated by the Calculation Agent.



- (ii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B) in respect of a Note, more than one but not all of such Reference Banks provide such relevant quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be determined as aforesaid on the basis of the Reference Rates quoted by those Reference Banks.
- (iii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest is to be determined pursuant to Condition 5(II)(b)(i)(B) only one or none of such Reference Banks provide such Relevant Rates, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be whichever is the higher of:
  - (A) the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(II)(b)(i)(A) or (B) or Condition 5(II)(b)(ii) applied; and
  - (B) the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the next one-hundred thousandth of a percentage point) of the Reference Rates in respect of the relevant currency which banks in the Relevant Financial Centre for such Specified Currency or, if the Specified Currency is Euro, in the Euro-zone selected by the Calculation Agent (after consultation with the Republic) 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 Republic, 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 Republic 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 Republic 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 Republic 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 Republic will appoint the London office of a leading bank engaged in the London and international interbank markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

### **(III) Definitions**

As used in these Conditions:

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

“Actual/Actual-ICMA” means:

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

where:

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

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

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

“Business Day Convention” means either:

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



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

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

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

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

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

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

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

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

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

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

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

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

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

“Relevant Business Day” means:

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

“Relevant Financial Centre” means:

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

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

“Spread” means the percentage rate per annum specified on the relevant Note.

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

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

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

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

#### **(IV) Zero Coupon**

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

References to the amount of interest payable (other than as provided below), Coupons and Talons in these Conditions are not applicable. Where a Note becomes repayable prior to its Maturity Date and is not paid when due, the amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as determined in accordance with Condition 6(c)(iii). Where a Note is to be redeemed on its Maturity Date, any overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage)

equal to the Amortisation Yield specified on such Note. Such interest shall continue to accrue (on the same basis as referred to in Condition 5(I)) (both before and after judgment) to the Relevant Date.

## **6. REDEMPTION, PURCHASE AND CANCELLATION**

### **(a) Final Redemption**

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

### **(b) Purchases**

Subject to applicable laws and regulations, the Republic 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 Republic, shall not entitle the holder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 11.

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

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

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

### **(d) Redemption at the Option of the Republic**

If so provided on a Note, the Republic 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 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 Republic 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 Republic. Notice of not more nor less than the number of days specified on such Note of the commencement of any period for the deposit of Notes for redemption pursuant to this Condition 6(e) shall be given by the Republic 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 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 Republic 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 and Interest: Payments of principal and interest in respect of Registered Notes will be made or procured to be made by the Registrar to the person shown on the Register at the close of business on the fifteenth DTC business day before the due date for payment thereof (the "Record Date"):

- (1) in respect of payments denominated in a Specified Currency other than Euro, by cheque 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;
- (2) in respect of payments denominated in Euro by cheque or by credit or transfer to a Euro account with a bank in a city in which banks have access to the TARGET System; or
- (3) as may otherwise be specified on such Notes, subject in each case to Condition 7(b)(iii). For the purposes of this Condition 7(b), "DTC business day" means any day on which DTC (as defined in Condition 7(b)(iii)) is open for business.

Payments of principal in respect of Registered Notes will only be made against surrender of the relevant Certificate at the specified office of any Transfer Agent. Upon application by the holder to the specified office of any Transfer Agent not less than 15 days before the due date for any payment in respect of a Note, such payment will be made by transfer to an account maintained by the payee with a bank in the Relevant Financial Centre. Details of the account to which a registered holder's payments will be made should be notified by the holder to the specified office of the Registrar before the Record Date preceding the relevant date for payment. 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) 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.

- (iii) **Payments Through The Depository Trust Company:** Registered Notes, if so specified on them, will be issued in the form of one or more Certificates and may be registered in the name of, or in the name of a nominee for, The Depository Trust Company ("DTC"). Payments of principal and interest in respect of Registered Notes denominated in U.S. dollars will be made in accordance with Conditions 7(b)(i) and (ii). Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. dollars will be made or procured to be made by the 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 Republic 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. The Fiscal Agency Agreement sets out the manner in which such conversions are to be made.
- (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 applicable fiscal or other laws, regulations and directives, 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 Republic 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 Republic and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Republic 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 Republic 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, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed and (vii) a Paying Agent with a specified office in a European Union member state (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Republic 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(l)(a)), should be surrendered for payment of principal together with all unmaturing Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing 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, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note either the interest basis for which is specified on such Note as being Variable Interest Rate at any time or which is a Long Maturity Note, is presented for redemption without all unmaturing 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 Republic 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 any jurisdiction in, from or through which such payments are made or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Republic 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;

- (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;
  - (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.
- (ii) 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;
  - (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; or
  - (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or of any law implementing or complying with, or introduced in order to conform to, such Directive.

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 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 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 such date the Republic shall have cured or otherwise rectify the relevant event of default, all of the Notes of such Series shall become immediately due and payable as aforesaid:

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

The Republic 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 Republic 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 External Indebtedness becomes due and payable prior to the stated maturity thereof by reason of default, or any such External Indebtedness is not paid at the maturity thereof as extended by any grace period originally applicable thereto, or any such External Indebtedness in the form of a guarantee or indemnity is not honoured when due and called upon or within any grace period originally applicable thereto, provided that the aggregate amount of all External Indebtedness in respect of which one or more of the events mentioned above in this paragraph (iii) have occurred equals or exceeds U.S.\$25,000,000 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 External Indebtedness of the Republic or any State Agency shall be declared or any such moratorium occurs de facto or the Republic 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 External Indebtedness; or

**(v) Unlawfulness or Invalidity**

The validity of the Notes is contested by the Republic or any Person acting on behalf of the Republic or the Republic or any Person acting on behalf of the Republic shall deny any of the Republic's obligations under the Notes or it is or will become unlawful for the Republic 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 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 Republic 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 Republic 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 66.67 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 Republic 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;

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, including, without limitation, state or agency of a state or other entity, whether or not having separate legal personality; 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.

## **10. PRESCRIPTION**

Claims against the Republic 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, MODIFICATION AND WAIVER**

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

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including the modification of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes). Any such modification may be made if, having been approved in writing by the Republic, it is sanctioned by an Extraordinary Resolution.

Such a meeting may be convened by the Republic, and shall be convened by the Fiscal Agent upon the request in writing of Noteholders holding not less than 10 per cent. in principal amount of the Notes of the relevant Series for the time being outstanding.

The quorum at any meeting of Noteholders of a Series convened to vote on an Extraordinary Resolution will be two or more persons holding or representing in aggregate more than 50 per cent. in principal amount of the Notes of the relevant Series for the time being outstanding or, at any adjourned meeting of Noteholders, not less than 25 per cent. in principal amount of the Notes of the relevant Series for the time being outstanding; provided, however the quorum at any meeting of Noteholders of a Series convened to vote on an Extraordinary Resolution relating to a Reserved Matter will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting, not less than 50 per cent., in principal amount of the Notes of the relevant Series for the time being outstanding.

An Extraordinary Resolution duly passed or adopted shall be binding on all the Noteholders and Couponholders, whether present or not.

### **(b) Extraordinary Resolution**

In these Conditions “Extraordinary Resolution” means:

- (i) in relation to any Reserved Matter:
  - (a) a resolution passed at a meeting of Noteholders of the relevant Series duly convened and held in accordance with the Fiscal Agency Agreement by a majority consisting of not less than 75 per cent. in principal amount of the outstanding Notes of the relevant Series which are represented at that meeting; or
  - (b) a resolution in writing signed by or on behalf of holders of not less than 75 per cent. of the principal amount of the outstanding Notes of the relevant Series; and
- (ii) in relation to any other matter:
  - (a) a resolution passed at a meeting of Noteholders duly convened and held in accordance with the Fiscal Agency Agreement by a majority consisting of not less than 66.67 per cent. of the aggregate principal amount of the outstanding Notes of the relevant Series which are represented at that meeting; or

- (b) a resolution in writing signed by or on behalf of holders of not less than 66.67 per cent. of the principal amount of the outstanding Notes of the relevant Series.

A resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

**(c) Reserved Matter**

In these Conditions “Reserved Matter” means any proposal to:

- (i) change any date, or the method of determining the date, for payment of principal or interest or any other amount in respect of the Notes of any Series or redemption of the Notes of any Series or to alter the method of calculating the amount of any payment in respect of the Notes of any Series on redemption or maturity or the date for any such payment;
- (ii) effect the exchange or substitution of the Notes of any Series for, or the conversion of the Notes of any Series into, shares, bonds or other obligations or securities of the Republic or any other person or body corporate formed or to be formed or to approve the substitution of any person for the Republic (or any previous substitute as principal obligor under the Notes of any Series and the Deed of Covenant);
- (iii) reduce or cancel the principal amount of or the amount of interest or any other amount payable in respect of the Notes of any Series;
- (iv) reduce the rate or rates of interest in respect of the Notes of any Series or to vary the method or basis of calculating the rate or rates or amount of interest;
- (v) if there is specified on the Notes of any Series a Minimum Interest Rate and/or a Maximum Interest Rate, to reduce such Minimum Interest Rate and/or such Maximum Interest Rate;
- (vi) change the method of calculating the Amortised Face Amount (if any) of the Notes of any Series;
- (vii) reduce or cancel the Principal Amount, Redemption Amount, Call Redemption Amount, Put Redemption Amount or Early Redemption Amount (if any) of the Notes of any Series;
- (viii) vary the currency or place of payment in which any payment in respect of the Notes of any Series is to be made;
- (ix) amend or waive the status of the Notes of any Series under Condition 3 or amend or waive the provisions of Condition 4;
- (x) amend or waive the obligation of the Republic to pay additional amounts under Condition 8;
- (xi) amend or waive the Events of Default set out in Condition 9(a) or waive any breach or authorise any proposed breach by the Republic of its obligations under or in respect of the Notes or any act or omission which might otherwise constitute an event of default under the Notes;
- (xii) amend the law governing the Notes of any Series, the courts to the jurisdiction to which the Republic has submitted in the Notes of any Series, the Republic’s obligation to maintain an agent for service of process in England or the Republic’s waiver of immunity, in respect of actions or proceedings brought by any Noteholder set out in Condition 19;
- (xiii) modify the provisions contained in the Fiscal Agency Agreement concerning the quorum required at any meeting of the Noteholders or any adjournment thereof or concerning the majority required to pass an Extraordinary Resolution or the percentage of votes required for the taking of any action;
- (xiv) change the definition of “Extraordinary Resolution” or “outstanding” in the Conditions and/or Fiscal Agency Agreement;
- (xv) instruct any Noteholder or committee appointed on behalf of all Noteholders pursuant to Condition 11(e) to withdraw, settle or compromise any proceeding or claim being asserted pursuant to the Conditions;
- (xvi) confer upon any committee appointed pursuant to Condition 11(e) any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution; or

(xvii) amend this definition.

**(d) Manifest Error, etc.**

The Notes and these Conditions may, subject to the prior written approval of the Republic, be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Republic shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

**(e) Noteholders' Representative Committee**

- (i) *Appointment:* The Noteholders of any Series may, by an Extraordinary Resolution, appoint any persons as a committee to represent the interests of the Noteholders if any of the following events shall have occurred:
  - (a) an Event of Default;
  - (b) any event or circumstance which would, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 9(a); or
  - (c) any public announcement by the Republic, to the effect that the Republic is seeking or intends to seek a restructuring of the Notes of that Series (whether by amendment, exchange offer or otherwise).
- (ii) *Powers:* Such committee in its discretion may, among other things, (i) engage legal advisers and financial advisers to assist it in representing the interests of the Noteholders of the relevant Series, (ii) adopt such rules as it considers appropriate regarding its proceedings and (iii) enter into discussions with the Republic and/or other creditors of the Republic. The Republic shall pay any reasonably incurred fees and expenses of any such committee (including, without limitation, the fees and expenses of the committee's legal advisers and financial advisers, if any) within 30 days of the delivery to the Republic of a reasonably detailed invoice and supporting documentation.

**(f) Outstanding Notes**

For the purposes of (i) ascertaining the right to attend and vote at any meeting of Noteholders and (ii) Condition 9, Condition 11 and Schedule 6 to the Fiscal Agency Agreement, those Notes (if any) which are for the time being held by any person (including but not limited to the Republic) for the benefit of the Republic or by any public body owned or controlled, directly or indirectly, by the Republic shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

**(g) Modifications of Fiscal Agency Agreement**

The Republic shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, the Deed of Covenant or the Central Bank Undertaking (as defined in Condition 17), if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

**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 Republic 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 Republic 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 Republic 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 Republic 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 Republic will only constitute a discharge to the Republic 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 Republic will indemnify such recipient against any loss sustained by such recipient as a result. In any event, the Republic will indemnify the recipient against the cost of making any such purchases. These indemnities constitute separate and independent obligations from the Republic'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. CENTRAL BANK UNDERTAKING**

The Central Bank has in a Deed of Undertaking (the "Central Bank Undertaking") dated • 2010 irrevocably undertaken to, inter alia, the Noteholders and Couponholders for the time being that it shall authorise the free and unconditional transfer to the Fiscal Agent, Registrar and Noteholders and Couponholders of all sums in the amount, at the time and in the currency required for the fulfilment of all financial obligations of the Republic to each Noteholder and Couponholder under or in respect of any Note as well after as before judgment, and, further, that, subject to the provision by the Republic of the necessary funds, the Central Bank shall make available to the Republic for the performance of its said obligations all amounts required in the relevant currencies.

## **18. 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.

## **19. 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 Republic 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 Republic irrevocably agrees that, should any Proceedings be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those Proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. The Republic irrevocably agrees that it and its assets are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under the Notes, the Coupons and the Talons.

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

The Republic 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) Limitations**

The waivers and consents in paragraphs (c) and (d) above do not apply to the Republic's title or possession of property used for the purposes of a diplomatic mission or necessary for the proper functioning of the Republic as a sovereign state.

### **(f) Agent for Service of Process**

The Republic 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 Republic). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Republic 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 Depositary.

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

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.

*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").

*Meetings:* The holder of a Global Note shall (unless the Global Note represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each minimum Authorised Denomination as set out on the face of a Global Note in principal amount of Notes for which the Global Note may be exchanged.

*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 8 May 2009 (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 accountholders 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 a Regulation S Global Note, without interest coupons, deposited with a common nominee for, and registered in the name of a common nominee of, Clearstream, Luxembourg and Euroclear on its Issue Date. Registered Notes of such Tranche resold pursuant to Rule 144A ("Restricted Notes") will initially be represented by a DTC Restricted Global Note, without interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Any DTC Restricted Global Note and any individual definitive Restricted Notes will bear a legend applicable to purchasers who purchase the Registered Notes pursuant to Rule 144A as described under "Transfer Restrictions".

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

Each Registered Global Note 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:

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

*Meetings:* The holder of a Registered Global Note shall (unless the Registered Global Note represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each minimum Authorised Denomination as set out herein in principal amount of Notes for which the Registered Global Note may be exchanged.

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

*Default:* The holder of a Registered Global Note may exercise the right to declare Notes represented by the Registered 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 Registered Global Note) 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 Registered Global Note 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 Registered Global Note 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 Registered 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.

No such election may however be made unless the transfer of the whole or a part of the holding of Notes represented by the Registered Global Note 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 a Regulation S Global Note and a DTC Restricted Global Note 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 Registered Global Note giving notice to the Fiscal Agent of the principal amount of Notes in respect of which the option is expressed and presenting the Registered Global Notes for endorsement within the time limits specified in Condition 6(e).

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

## **EURO EQUIVALENT**

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

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

## **PARTLY-PAID NOTES**

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

## **Use of Proceeds**

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

# **Republic of Cyprus**

## **LOCATION, AREA AND POPULATION**

The island of 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 kms. The capital and largest city of the island is Nicosia with approximately 307,100 inhabitants in the part of the city controlled by the Government. Since the Turkish invasion of Cyprus in 1974, an area of approximately 3,420 square kms of the island, including the northern part of Nicosia, has been occupied by Turkish forces.

The population of the island at the end of 2006 was 867,600 of which 778,700 lived in the area of the island controlled by the Government.

In the period 2002 to 2006, the population of Cyprus grew at an average rate of 2.00 per cent. per annum. Approximately 70 per cent. of the population live in urban areas and approximately 12 per cent. are aged 65 and over.

## **POLITICS AND GOVERNMENT**

### **General**

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

The President of the Republic of Cyprus, who is the Head of State, is elected by universal suffrage for a five year term of office and is eligible for re-election. In February 2008 the President of the Republic, H.E. Mr Dimitris Christofias, was elected as the sixth 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, but are currently not being taken. The Constitution provides that the term of office of the House of Representatives is five years.

Eight political parties took part in the May 2006 House of Representatives elections, with the left wing AKEL Party obtaining 18 seats, the right wing Democratic Rally 18 seats, the centre Democratic Party 11 seats and the Movement of Social Democrats - EDEK 5 seats, the European Party 3 seats and the Cyprus Green Party obtained one seat. The next House of Representatives elections are due in May 2011. On 7 June 2009 the people of Cyprus voted for six representatives for the European Parliament in Strasbourg.

## **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 island since 1974 (see "The Cyprus issue")) and with other countries throughout the world.

The Republic is an active member of the United Nations and its specialised agencies, the Commonwealth, the Organisation for Security and Cooperation in Europe ("OSCE"), the Council of Europe and the World Trade Organisation ("WTO"), being a signatory to the Uruguay round of the General Agreement on Trade and Tariffs in 1994.

The Republic has applied to become a member of the OECD. Cyprus is also a member of the International Monetary Fund and the World Bank Group, the Council of Europe Development Bank and the European Bank for Reconstruction and Development.

The focal point of Cyprus' foreign policy is determined by its membership in the European Union. Cyprus has endeavoured to strengthen its political dialogue with the European Union and to follow the European Union's Common Foreign and Security Policy ("CFSP"). Cyprus has given high priority to aligning itself with the CFSP on international issues and has endeavoured to coordinate its actions and decisions in international fora, such as the United Nations, with those of the European Union. Cyprus also participates in the developments for the implementation of the European Security and Defence Policy ("ESDP").

## CYPRUS-EU RELATIONS

For Cyprus, accession to the Union was a natural choice, dictated by its culture, its civilisation, and history. Cyprus has always been part of the European family; institutionalised relations with the EU began with the signing of an Association Agreement in 1972, the aim of which was the establishment of a Customs Union between the Republic and the then European Economic Community. After successive extensions of the first stage of this Agreement, due mainly to the situation created by the 1974 Turkish invasion, a Protocol was signed in 1987 paving the way towards the progressive realisation of the Customs Union.

On 4 July 1990, the Republic of Cyprus submitted its application for membership to the EEC. After an extensive examination of the application, the European Commission issued its Opinion on Cyprus' application in June 1993, in which it recognised the island's European identity and character, and its vocation to belong to the Community.

The Luxembourg European Council of December 1997 decided to initiate the enlargement process with the ten applicant countries of Central and Eastern Europe and Cyprus, including the commencement of accession negotiations of the Community with 6 countries: Cyprus, Hungary, Poland, the Czech Republic, Estonia and Slovenia. These were launched on 31 March 1998.

The accession negotiations and the process of harmonisation with the *acquis communautaire* was not an easy task. Cyprus has had to harmonise its legislation and practices with the EU legislation and policies without significant financial aid from pre-accession funds or programmes, like that received by the other applicant countries. However, our commitment to the goal of accession was firm and our efforts yielded results. Accession negotiations between the EU and Cyprus, as well as the nine other countries, were successfully concluded at the European Council of Copenhagen, in December 2002.

The President and the Minister of Foreign Affairs of the Republic of Cyprus signed the Treaty of Accession of Cyprus and nine other countries to the EU on 16 April 2003, in Athens. Since 1 May 2004, the Republic of Cyprus is a full member of the European Union.

On 1 January 2008, Cyprus adopted the euro as its national currency.

Since 1977 four financial protocols on technical and economic cooperation have been signed between Cyprus and the European Union for a total amount of ECU210,000,000. The first two protocols were devoted to infrastructural development for the benefit of the entire island and the last two were devoted to facilitate the transition of the Cypriot economy towards integration of the European Union's economy. Part of the resources of the Financial Protocols was used in bicommunal projects, which benefited also the Turkish Cypriots.

Following the expiration of the fourth financial protocol, the Council of the European Union adopted the Financial Regulations 555/2000 intended to financially assist Cyprus to adopt and implement the *acquis* in priority areas and promote bicommunal projects. The Financial Regulation was endowed with the sum of €57 million for the period 2000 to 2004.

The economic benefits that EU membership will bring for Cyprus will be considerable, bearing in mind the small size of the Cypriot economy and the challenges of globalisation.

The vision of the Government of Cyprus today is to upgrade the role of the country as a regional trade and services centre and a base from which European and international businesses can expand their operations in the wider area of the Southeastern Mediterranean and the Middle East.

The comparative advantages of the economy of Cyprus render our country an excellent base of operations for international businesses and a superior investment destination. These include, apart from its favourable geographical position, its close political and economic relations with its neighbouring countries.

The good business climate, which is directly linked to the macroeconomic stability of the Cypriot economy and the modern infrastructure of Cyprus, especially with regard to transport, energy and telecommunications, are important assets of the Cypriot economy. Another important advantage of Cyprus is its well-educated labour force, and the comparatively low cost of the services it provides.

All the above, combined with the further economic stability that the accession of Cyprus to the European Union has brought about, will improve the appeal of Cyprus as a trade and services centre for both European and international businesses.

On its part, the Government of Cyprus will continue to promote measures to further improve the general business climate, and is always ready to provide any information and guidance to foreign investors and businesses who want to establish and operate in Cyprus.

## **THE CYPRUS ISSUE**

Following what was, in effect, a veto by the Turkish Cypriot members of the House of Representatives of the State Budget in 1961, which led to certain amendments to the Constitution being proposed by the President of the Republic in 1963, relations with Turkey degenerated with Turkish Cypriot ministers withdrawing from the Council of Ministers and Turkish Cypriot members withdrawing from the House of Representatives. In July 1974, Turkish troops invaded Cyprus and have since continued to occupy 35.83 per cent. of the island. Since 1974, 162,000 Greek Cypriots have been displaced from the Turkish occupied area. It is now estimated that Turkey maintains some 40,000 troops in the occupied area, and 120,000 settlers have moved there primarily from the Anatolia region of Turkey. Since 1974 the number of Turkish Cypriots in the Turkish occupied area has declined from 120,000 to 89,000 at the end of 2006.

In November 1983 the Turkish Cypriot leadership unilaterally declared the area occupied by the Turkish troops as a secessionist state, the so called "Turkish Republic of Northern Cyprus". This purported entity has not been recognised by any country other than Turkey, while the UN Security Council, in declaring this as illegal and invalid, has condemned these secessionist acts and has called upon all states not to recognise or in any way facilitate or assist the secessionist entity.

Negotiations for the solution of the Cyprus problem have been going on intermittently since 1975 under the auspices of the United Nations. The basis for the solution of the Cyprus problem are the UN Security Council resolutions and the two high-level agreements concluded between the leaders of the two communities of Cyprus in 1977 and 1979.

Fully-fledged negotiations commenced between the leaders of the two communities on 3 September 2008. The reunification is to be based on a bizonal, bicomunal federation, as envisaged by the 1977 and 1979 High Level Agreements, with a single sovereignty, single citizenship, single international personality, territorial integrity and political equality, as defined by the relevant UN Security Council Resolutions. Such a solution must be compatible with the principles on which the EU is founded, and in accordance with international law, including the UN Resolutions on Cyprus.

## **The Economy**

### **BACKGROUND AND CHARACTERISTICS**

The basic characteristics of the Cypriot economy are the small size of its domestic market and business units, its open character and its significant reliance on international trade. Imports and exports of goods and services accounted for approximately 104 per cent. of nominal gross domestic product ("GDP") in 2008.

The structure of the economy of Cyprus is characterised by the importance of tourism and other private services. Cyprus has moved from being an exporter of minerals and agricultural products in the 1960-74 period and an exporter of manufactured consumer goods in the second half of the 1970s, into an international tourist centre and a regional services centre during the 1980s and the 1990s. From the 1990s and extending into the current decade there has been a rapid expansion of transit trade, shipping, telecommunications, financial and business services and the activities of international companies.

Indeed, the fast growth of the export of services other than tourism has constituted one of the main driving forces of the Cypriot economy. With EU accession in May 2003 Cyprus became the EU's eastern-most frontier, at the crossroads of three continents, Europe, Africa and Asia.

On a sectoral basis, the primary sector has declined from 4 per cent. in 2000 to under 2.5 per cent. in 2008. The secondary sector, including manufacturing, basic utilities and construction, has kept its share in GDP in the 18 to 19 per cent. range during the current decade with the decline in the importance of manufacturing being offset by the expansion of construction activity. In contrast, the tertiary sector's share in GDP has risen from 77 per cent. in 2000 to over 79 per cent. in 2008.

### **SATISFACTORY PRODUCTION AND EMPLOYMENT GROWTH**

Over the last decade Cyprus has experienced a relatively high rate of economic growth accompanied by stable macroeconomic conditions and full employment. Over the last five years, from 2003 to 2008, real GDP rose at annual average rate of 3.8 per cent. propelled by buoyant investment and private consumption growth. Consumption was supported by annual employment growth averaging nearly 2.7 per cent. over this period, attributable importantly to large inflows of migrant labour, particularly from other EU countries. During this period per capita income in Cyprus converged rapidly with the EU-27, with GDP in euro per capita terms reaching almost €22,000 in 2008, or some 95 per cent. of the EU average in purchasing power parity terms.

The unfolding international economic crisis, which has deepened appreciably since September 2008, has had a major impact on world growth and the EU. Cyprus was affected indirectly after a period of time, mainly through lower external demand. Indeed, while growth in the EU and elsewhere declined significantly in the second half of 2008 and first half of 2009, it remained positive in Cyprus. This can be partly explained by the healthy banking system of Cyprus, which had limited exposure to toxic products and hence has exhibited strong capital adequacy and liquidity ratios.

The significant decline of external demand affected Cyprus mainly as of the third quarter of 2009. Exports of goods fell by some 18 per cent. in the first ten months of 2009. Similarly, export of services, mainly due to lower tourist revenue, declined by some 8 per cent. in the first six months of the year. Investment was also affected by lower external demand for investment in housing by foreigners (mainly UK and Russian citizens), and more broadly by declines in investment in machinery and equipment. Consumption growth decelerated, while public consumption remained buoyant. The falling external demand was compensated by two fiscal stimulus packages introduced by the Government, in line with the European Economic Recovery Plan, and mainly targeting the tourism and construction sectors. Based on currently available data, GDP is forecast to decline by some 2 per cent. in 2009.



The following table shows details of GDP at constant 2005 prices and certain other key economic indicators:

	2003	2004	2005	2006	2007	2008 <sup>1</sup>	2009 <sup>1</sup>	Average growth rate or level, 2003 to 2009 (%)
	(€ millions)							
<b>Gross Domestic Product (GDP)</b> .....	12,430	12,955	13,462	14,018	14,737	15,270	14,992	3.0
Primary sector .....	398	392	381	346	339	336	332	(3.4)
Secondary sector .....	2,205	2,271	2,313	2,339	2,452	2,550	2,365	1.7
– Manufacturing .....	1,069	1,075	1,069	1,016	1,037	1,071	935	(0.7)
– Construction .....	903	951	992	1,059	1,141	1,192	1,084	3.7
Tertiary sector .....	8,584	8,989	9,412	9,920	10,460	10,845	10,784	3.6
<b>Domestic Demand</b>								
Private consumption .....	7,842	8,351	8,699	9,104	9,956	10,794	10,443	4.6
Fixed investment .....	2,239	2,498	2,599	2,865	3,250	3,529	3,235	6.0
<b>Exports of goods and services</b> .....	5,881	6,203	6,505	6,735	7,145	6,998	5,746	(0.1)
<b>Imports of goods and services</b> .....	5,992	6,607	6,851	7,312	8,284	8,943	7,102	3.0
<b>Memorandum Items</b>								
Per capita GDP at current prices (€) .....	16,102	16,890	17,566	18,538	20,118	21,644	20,863	5.3
Per capita GDP at PPS <sup>2</sup> (EU27=100) .....	88.9	90.3	90.9	90.2	92.4	96.2	–	n.a.
Unemployment rate (%) .....	4.1	4.7	5.3	4.5	3.9	3.7	5.5	4.5
Employment growth (%) .....	2.4	3.2	2.2	2.3	3.1	2.8	(0.8)	2.2

Note:

1 Preliminary estimate.

2 “PPS” means “Purchasing Power Standards”.

Source: Ministry of Finance

## MODEST INFLATION RATE

Prudent fiscal and monetary policies contributed to bringing the rate of inflation (based on the Harmonised Consumer Price Index (“HCPI”) definition Eurostat) from just over 4 per cent. in 2003 to around 2 per cent. in the following years through to 2007. However, under the impact of rising energy and other commodity prices as well as rapid credit expansion domestic prices surged in the first part of 2008 with headline inflation reaching 5.3 per cent. in July 2008. But in line with sharply falling oil prices, headline inflation decelerated to 1.8 per cent. by December 2008, with increase in the HCPI averaging 4.4 per cent. in 2008. In 2009 inflation has fallen significantly, mainly owing to lower oil prices, and is expected to average below 0.5 per cent. for 2009.

## LABOUR MARKET PRESSURES

The rapid growth of the Cypriot economy has produced conditions of virtual full employment and placed pressures on the labour market in the period from 2003 to 2008. Despite the alleviation of the pressures by large increases in the import of foreign labour and increased employment of Turkish Cypriots, the unemployment rate has been contained at around 4 per cent. Also, while the employment of foreign workers has raised flexibility in labour markets and moderated the growth in wages in the private sector, generous wage settlements particularly in the public and banking sectors have kept real wage increases in excess of labour productivity gains for the overall economy.

Some slackening in the growth of real economic activity and the edging up of unemployment in recent months and lower inflationary expectations is likely to lead to a moderation in overall wage increases in 2009 and 2010.

The impact of the crisis on the Cypriot economy is mainly attributed to the deteriorating export demand, which mainly affects the sectors of manufacturing, construction, real estate and tourism. The deceleration of these sectors has had repercussions in the employment of workers, in these areas of the economy. The unemployment rate has consequently edged up from 3.7 per cent. of the labour force in 2008 to an estimated 5.5 per cent. in 2009.

The following table shows labour market and rate of inflation changes, for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009 <sup>i</sup>	Average growth rate or level, 2003 to 2009 (%)
Population (000s, mid-year) ...	730.4	749.2	766.4	778.7	789.3	796.9	820.7	2.0
Labour Force (000s, mid-year)	341.2	354.7	367.5	374.3	393.4	397.4	403.6	3.1
Gainfully employed, (Labour Force Survey) (000s, mid-year) .....	327.1	338.0	348.0	357.3	377.9	382.9	379.8	2.7
Unemployment rate (Labour Force Survey) (%) .....	4.1	4.7	5.3	4.5	3.9	3.7	5.5	4.5
Productivity gains (%).....	(0.4)	1.0	1.7	1.8	2.0	0.8	(1.0)	0.8
Nominal earnings growth (%)..	6.3	4.3	3.9	4.8	3.7	7.4	2.6	4.7
Real Earnings growth (%) .....	2.0	1.9	2.7	2.3	1.2	2.8	2	2.1
Unit labour cost changes (%)..	6.8	3.3	2.1	3.0	1.7	6.6	3.7	3.9
Rate of inflation, HCPI (%) ....	4.0	1.9	2.0	2.2	2.2	4.4	0.3	2.4

Note:

Source: Ministry of Finance

## Balance of Payments

### OVERVIEW

As Cyprus is a small, open market-oriented economy, balance of payments transactions take on much importance in measuring transactions with the rest of world and external performance although with the euro adoption, there is no exchange risk stemming from the current account imbalances for Cyprus. In 2008, exports and imports of goods and services totalled the equivalent of 104 per cent. of GDP.

Historically, Cyprus has recorded current account deficits in the balance of payments, but at manageable levels. Net direct investment inflows contributed considerably in financing current account deficits, which averaged 4.8 per cent. of GDP in the years 2000 to 2006 while for 2007 to 2008, with the increase of the current account deficit, the importance of other investments financing increased. In the years prior to the adoption of the euro in January 2008 international reserves had been building up and the external debt service to exports ratio was contained at around 5 per cent.

As mentioned above, the rising deficits in the current account, for the most part, have been financed by net direct investment inflows, including purchases in land and residences by non-Cypriot EU residents which have been freed from foreign exchange control restrictions since 2000 and, according to the Capital Movements Law 115(I) 2003 is effected under the same legal provisions that apply to residents of Cyprus. This liberalisation of direct investment in Cyprus has contributed to high levels of outlays on property in Cyprus by non-Cypriot EU citizens in recent years.

Foreign loans obtained by banks including through international bond issues have been important also in contributing to the financing of current account deficits in recent years; indeed, long-term foreign debt of banks rose from 23 per cent. of GDP at the end of 2003 to 45 per cent. at the end of 2008.

As far as the structure of the current account is concerned, the exports of services are much more important than exports of goods, with tourism, shipping, financial and other business services being the main components of exports of services. Domestic exports of goods, which are low in value, comprise of mainly agricultural products and some manufactured products exported primarily to European markets and the Middle East. Also, as a traditional entrepôt centre, Cyprus continues to engage in considerable transit trade or re-exports. Regarding imports, due to the fact that Cyprus doesn't have any heavy industry, it has to import goods such as transportation vehicles, intermediate inputs, capital goods, durable consumer goods and oil. The main trading partners of Cyprus are the European Union, Russia and the UK. In recent years, the income account has gained importance as a part of the current account, with the income account deficit recorded at an average of 5 per cent. of GDP over the last three years.

The current account deficit widened to the historical high of 17.7 per cent. of GDP in 2008, as a result of the overheating of the Cyprus economy due to a prolonged period of excessive domestic consumption and the boom in the construction industry as well as the large increase in oil prices while, at the same time, exports of services remained subdued. In 2009, it is estimated that the deficit will decline substantially, reflecting mainly the sharp decrease in import demand and the lower oil prices. In 2009 H1, the current account deficit was recorded at 9 per cent. compared to 16 per cent. in 2008 H1. Nevertheless it must be noted that even the level of around 9 per cent. in absolute terms is still considered to be high, given the low GDP growth expected in 2009.

Statistical data in the field of balance of payments and international investment position are collected and compiled by the Balance of Payments Section of the Statistics Department of the Central Bank of Cyprus. The complete abolition of exchange controls with Cyprus's accession to the European Union ("EU") and the consequent loss of statistical information has prompted the Central Bank of Cyprus to develop and implement, as from 1 January 2002, the current collection and compilation system for balance of payments and international investment position statistics. The current statistical data collection and compilation system is based on the methodology recommended by the International Monetary Fund ("IMF") in its fifth edition of the Balance of Payments Manual ("BPM5"), which has also been adopted by the EU, and complies with the additional requirements and level of detail specified by the Statistical Office of the European Communities ("Eurostat") and the European Central Bank ("ECB"). The current statistical data collection and compilation system is based on a transaction-by-transaction reporting by banks covering all transactions carried out between residents and non residents. Moreover, the compilation of balance of payments and international investment position statistics is supplemented by information collected from surveys and direct reporting.

With Cyprus's accession into the Euro area on 1 January 2008, the Central Bank of Cyprus has become an integral part of the Eurosystem and acts on the basis of the legal framework governing the operations of the European Central Bank aiming at fulfilling the tasks of the Eurosystem. In the context of the above obligations, it was deemed necessary by the Central Bank of Cyprus to harmonise the definition of the "resident of Cyprus" for statistical purposes with the *acquis communautaire*.

The change in the definition of "resident of Cyprus" affects, mainly, the criterion for legal persons. In particular, every organisation or enterprise of any legal form which has been incorporated or registered in Cyprus, irrespective of whether or not it maintains a physical presence in Cyprus, shall be considered as "resident of Cyprus" for statistical purposes, whereas under the regime prevailing prior to the above change, only organisations or enterprises with a physical presence in Cyprus were considered as "residents of Cyprus".

As a result of the above change, the statistical data to be produced and published by the Central Bank of Cyprus, as from the reference month of July 2008, will be affected due to the partial reclassification of organisations or enterprises from the "non-resident" sector to the "resident" sector.

The following table presents a summary of Cyprus' balance of payments for the period from 2003 to 2009 H1:

	Balance of Payments						
	2003	2004	2005	2006	2007	2008	2009 H1 <sup>1</sup>
	(€ millions)						
<b>CURRENT ACCOUNT BALANCE .....</b>	<b>(262.4)</b>	<b>(630.1)</b>	<b>(787.8)</b>	<b>(1005.3)</b>	<b>(1865.0)</b>	<b>(3047.0)</b>	<b>(740.3)</b>
Exports of Goods .....	817.5	937.6	1228.8	1111.7	1083.2	1149.2	490
Imports of Goods .....	(3623.1)	(4171.7)	(4600.8)	(5043.8)	(5793.6)	(6695.6)	(2551.9)
Trade account balance .....	(2805.7)	(3234.1)	(3372.1)	(3932.1)	(4710.4)	(5546.3)	(2061.9)
Exports of Services .....	4719.5	4997.8	5162.9	5687.5	6403.9	6436.6	2600.4
Imports of Services .....	(1970.1)	(2111.7)	(2147.2)	(2336.9)	(2733.2)	(2916.8)	(1167.1)
Services account balance .....	2749.4	2886.1	3015.7	3350.6	3670.7	3519.8	1433.3
Income and Current Transfers (net) ..	(206.1)	(282.0)	(431.5)	(423.7)	(811.4)	(1020.5)	(111.7)
<b>CAPITAL AND FINANCIAL ACCOUNT</b>	<b>243.9</b>	<b>520.5</b>	<b>652.5</b>	<b>1013.0</b>	<b>1907.0</b>	<b>2957.4</b>	<b>708.7</b>
Direct Investment .....	283.1	317.7	498.0	754.7	720.2	311.9	235.4
Abroad .....	(506.8)	(555.4)	(442.4)	(702.7)	(906.3)	(889.6)	(104.4)
In Cyprus .....	789.8	873.0	940.5	1461.9	1626.4	1201.5	339.8
Portfolio Investment .....	217.8	908.6	(105.9)	(131.6)	(322.7)	(12779.5)	(7262.7)
Assets .....	(467.8)	(1469.2)	(1291.5)	(2528.3)	284.3	(12132.9)	(10678.5)
Liabilities .....	685.7	2377.9	1185.6	2396.7	(607)	(646.6)	3415.9
Financial Derivatives .....	14.7	(36.2)	(11.6)	(129.7)	101.4	(186.9)	(45.2)
Other Investment .....	(494.8)	(470.7)	773.3	1280.6	1182.2	15334.3	7602.2
Assets .....	(2037)	(2473.4)	(5713.9)	(2790.8)	(10110.1)	(7469.9)	(6884.1)
Liabilities .....	1542.2	2002.7	6487.2	4071.4	11292.3	22804.1	14486.3
Official Reserve Assets .....	190.0	(306.4)	(570.3)	(786.8)	220.2	268.7	75.7
<b>NET ERRORS AND OMISSIONS .....</b>	<b>18.4</b>	<b>109.5</b>	<b>135.4</b>	<b>(7.7)</b>	<b>(42.1)</b>	<b>89.7</b>	<b>31.6</b>
<b>MEMORANDUM ITEMS</b>							
Current account balance, % of GDP ..	(2.2)	(5.0)	(5.9)	(7.0)	(11.7)	(17.7)	(9.0)
Imports of fuels, % of GDP .....	2.4	4.0	5.1	5.8	5.6	7.2	4.8
Tourism receipts, % of GDP .....	14.7	13.3	12.8	12.2	11.7	10.4	6.9

Note:

1 Data refers to the first six months of the year and the memorandum items are calculated using GDP for H1 2009.

Source: Central Bank of Cyprus

## Public Finances

### GENERAL - POLICY STRATEGY

The general government nominal budget surplus exhibited a decline in 2008 and is currently estimated to have recorded a surplus of 0.9 per cent. of GDP, compared with a surplus of 3.4 per cent. in 2007. The decline of the budget surplus is primarily attributed to the deteriorating external environment and the resulting marked slowdown in the activity of the real estate sector. Expenditure developments were also unfavourable, mainly due to higher social transfers, as well as, the severe drought conditions that prevailed on the island, which led to extraordinary expenditures for maintaining water supply.

At a time of intense financial market turbulence and the growth slowdown internationally, fiscal policy must remain flexible to respond, if needed, to a more marked deterioration in the macroeconomic outlook. Notwithstanding the challenging external environment, the overall strategy for fiscal policy is to maintain a sound budgetary position, with a view to reducing further public debt and, thus, addressing the long-term sustainability of public finances. Particular emphasis is placed on the need to curtail current public consumption expenditure and restructure public spending, in favour of capital expenditure, research and education, which can boost the economy's growth potential. Emphasis is also attached to targeted social spending. Redirecting resources towards infrastructure is particularly important at this point due to the expected weakness of the construction sector.

Overall policy strategy is based on six key pillars:

- The implementation of a Medium-Term Budgetary Framework ("MTBF"), which will institutionalise expenditure and programme-based rules, give more independence to spending ministries and, at the same time, increase their accountability for achieving programmes and quantifiable targets;
- Strengthening social cohesion, with particular emphasis on raising the standard of living of pensioners. Priority will be attached to households with at least one pensioner living below the relative poverty measure, as well as, to the reform of the social welfare system in general;
- Implementation of structural reforms as outlined in the National Reform Programme of Cyprus;
- The modernisation of the public sector, which will result in leaner and more productive public services. Such a policy will limit expenditure growth and raise overall productivity. Particular attention will be placed on the wage policy for public sector employees, given its significant impact on overall wage developments;
- Enhancement of public debt and cash management systems; and
- Further improvement of tax collection by addressing tax evasion and strengthening tax administration.

In spite of the unfolding economic crisis and prospective slowdown of economic activity in the EU and Euro area, and conscious of the need to safeguard the important achievements thus far, the Medium-Term Objective ("MTO") of a balanced budget is retained. This represents a cautious approach taking into account the uncertain economic period, which is now being faced.

The prudent fiscal policies followed during "good times", when cyclical conditions were favourable and unemployment low, provide the fiscal room necessary for manoeuvre, especially given the external environment anticipating a severe global downturn.

In view of the challenging economic environment, the implementation of sound macroeconomic policies, especially in the area of public finances and incomes policies, becomes even more important. The responsibility of Cyprus as a euro area member state is to make the right strategic choices and take advantage of the merits of monetary union. The impressive results in the area of public finances, in recent years, has placed Cyprus in a better position to adjust to the rapidly deteriorating external environment and achieving progress with institutional and structural reforms.

### ***Medium-Term Objective***

The country-specific MTO, that is, the cyclically-adjusted balance net of one-off and other temporary measures, of a balanced budget, has been respected over the period between 2006 and 2008. The final outturn for 2007 indicates that the country-specific MTO, of a balanced budget, has been achieved during

that year, following a structural improvement of the order of 3.4 percentage points of GDP, with the structural balance reaching a surplus of 2.9 per cent. of GDP in 2007, compared with a deficit of 0.5 per cent. the year before.

In line with the spirit of the revised Stability and Growth Pact, pro-cyclical fiscal policies were avoided. The structural position in 2008 was moderate and exhibited a surplus of 0.2 per cent. of GDP, mainly due to a slowdown in the activity of the real estate sector.

### ***Actual Balances in 2008***

The considerable improvement in public finances of 2007 has been followed by a partial turnaround in 2008, especially during the second half of the year. For the year as a whole, the budget balance receded to a surplus of 0.9 per cent. of GDP, from a surplus of 3.4 per cent. in 2007 and a deficit of 1.2 per cent. in 2006.

On account of a primary surplus for a fourth consecutive year and the use of accumulated financial assets to repay maturing debt, the general government gross debt has been reduced to 48.4 per cent. of GDP by the end of 2008, compared with 58.3 per cent. in 2007.

The fiscal performance in 2008 reflects significant changes in both expenditures and revenues. Total expenditure increased by 0.3 percentage points, to 43.2 per cent. of GDP, while revenue contracted by 2.3 percentage points, to 44.1 per cent. of GDP.

On the expenditure side, the severe drought conditions that prevailed on the island, led to the introduction of a compensation scheme for farmers as well as to the import of potable water from Greece at a total cost of some 0.7 per cent. of GDP. Concurrently, social transfers are anticipated to rise by around 0.75 per cent. of GDP, owing to implementation of social measures introduced in late 2007, as well as, the gradual impact of population ageing.

The negative performance on the revenue side is, mainly, attributed to a decline in the activity of the real estate sector and the contained growth of corporate profits in the financial sector, following the exceptionally buoyant activity of 2007. In particular, depressed real estate activity led to significantly lower receipts from capital gains taxes and land and survey fees of around 2.1 per cent. of GDP.

In contrast, taxes on production and imports remained buoyant during the first three quarters of 2008, owing to strong private consumption and high commodity prices. During the last quarter of the year, taxes on production and imports exhibited a marked deceleration.

Following an estimated decline of revenues by 2.3 percentage points of GDP in 2008, owing to a decline in current taxes on income and wealth (mainly lower revenues related to the real estate sector), revenue will fall by a further 4 per cent. of GDP in 2009 and then gain on average approximately 0.3 per cent. of GDP annually over the period from 2010 to 2012.

### ***Developments in 2009***

Developments in 2009 were adversely affected by the global economic downturn. In 2009 in line with the European Economic Recovery Plan of the EU, the Cypriot government had adopted an expansionary fiscal policy stance, at a time when the economy was slowing down and direct and indirect tax revenues were decreasing, as a result of declining domestic demand and a slowdown in the property sector.

The general government balance is estimated to turn into deficit of 4.5 per cent. of GDP in 2009 compared with an estimated surplus of 0.9 per cent. in 2008.

The growth of total revenues is forecast to decline by approximately 10 per cent., and thus falling as a percentage to GDP to 40.4 per cent. compared with 44.9 per cent. the year before. The negative rate of growth is mainly attributed to a fall in tax revenues brought about by a decline in current taxes on income and wealth, as well as, taxes on production and imports. More specifically, land and survey fees and capital gains taxes on the one hand and VAT receipts on the other are forecast to continue to exhibit a negative growth, having a cumulative loss of around 3.75 percentage points of GDP.

Total government expenditure is estimated to increase by 5.5 per cent., and in conjunction with a negative nominal GDP growth, increase, as percentage to GDP, to 44.9 per cent. compared with 44.0 per cent. the year before. This rise is partly mitigated by an anticipated fall, in absolute terms and as a percentage to GDP, in interest payments and costs associated with the importation of potable water and subsidies.



The following table indicates the basic fiscal values in percent of GDP for the period from 2005 to 2009.

	Year ended 31 December					
	2004	2005	2006	2007	2008	2009 (pre-final)
	<i>(% of GDP)</i>					
Total Receipts .....	38.7	41.2	42.2	46.4	44.9	40.4
Total Expenditure .....	42.8	43.6	43.4	42.9	44.0	44.9
Interest Expenditure .....	3.3	3.5	3.3	3.1	2.9	2.1
Primary Balance .....	(0.8)	1.1	2.1	6.5	3.8	(2.4)
Overall Balance .....	(4.1)	(2.4)	(1.2)	3.4	0.9	(4.5)

Source: Ministry of Finance.

The Government, acknowledging the paramount importance of restoring the current fiscal stance of public finances and duly complying with the Stability and Growth Pact, is preparing a Fiscal Consolidation Programme 2010-2012, which incorporates effective measures targeting at enhancing revenues and constraining expenditure.

## PUBLIC DEBT AND GOVERNMENT GUARANTEED DEBT

### Public debt

Public debt consists of the domestic and external debt of the Government excluding public corporations and Government agencies borrowing in their own name (see "External Debt"). Public debt, excluding intragovernmental debt comprising mainly treasury bills held by the Social Security Funds, decreased by 9.9 per cent. of GDP in 2008 compared with a decline of 6.3 per cent. the year before.

As a percentage of GDP, total Government debt declined from 58.3 per cent. to 48.4 per cent. in 2008, with foreign debt marginally rising to 13.7 per cent. of GDP compared with 13.4 per cent. in the previous year. Long-term domestic debt declined from 43.6 per cent. of GDP in 2007 to 34.8 per cent. in 2008 and is composed primarily of development stocks held by the private and financial sector which in 2008 formed 42 per cent. of the total long term domestic debt.

Out of a total foreign public debt of €2,354.2 million outstanding at the end of 2008, €476.4 million was in the form of short-term Euro Commercial Paper, €1,050 million in European Medium Term Notes and €827.7 million was in the form of long-term loans, principally issued by the Council of Europe Development Bank and the European Investment Bank.

The following tables show a breakdown of Government debt as at the dates indicated:

	As at 31 December					
	2004	2005	2006	2007	2008	2009 (pre-final)
	<i>(€ millions)</i>					
Domestic Debt .....	6,468.1	7,012.8	7,289.9	7,129.2	5,992.6	5,528.1
Foreign Debt .....	2,422.6	2,295.1	2,049.2	2,132.3	2,354.2	3,635.1
Total Debt .....	8,882.6	9,299.8	9,330.9	9,261.5	8,346.7	9,163.3

	As at 31 December					
	2004	2005	2006	2007	2008	2009 (pre-final)
	<i>(% of GDP)</i>					
Total Debt .....	70.2	69.1	64.6	58.3	48.4	52.9
of which foreign .....	19.2	17.1	14.2	13.4	13.7	21.0

Source: Ministry of Finance.

## Debt record

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

## EXTERNAL LONG-TERM PUBLIC DEBT SERVICE

Total external public long-term debt service decreased from €157.9 million in 2008 to €124.0 million in 2009. The following table sets out details of external long-term public debt service payments during the periods indicated:

	Year ended 31 December						
	2003	2004	2005	2006	2007	2008	2009
	(€ millions)						
Principal Repayments <sup>1</sup> .....	22.4	19.5	27.5	62.7	36.6	37.6	49.7
Interest Repayments .....	73.3	77.4	102.7	109.4	99.4	120.3	74.3
Total Debt Service .....	95.7	96.9	130.2	172.1	136.0	157.9	124.0

Note:

1 Excluding repayments of Notes issued under the Programme.

The following table sets out details (in percentage terms) of external long-term public debt and debt service payments as against other economic indicators during the periods indicated:

	Year ended 31 December					
	2003	2004	2005	2006	2007	2008 <sup>1</sup>
<b>External long-term public debt service:</b>						
Export of Goods and Services and income.	1.5	1.4	1.7	5.3	1.4	5.0
<b>External long-term public debt:</b>						
GDP .....	0.8	0.8	1.0	3.1	0.9	2.9
<b>External long-term public debt:</b>						
Exports of Goods and Services.....	29.8	37.3	35.8	30.0	28.5	24.8
<b>External long-term public debt:</b>						
GDP .....	14.0	17.5	17.0	14.1	13.4	10.9
<b>Official Reserves:</b>						
Total External Debt (long term) .....	50.9	40.3	38.5	51.3	42.0	6.6

Note:

1 Prefinal

Source: Central Bank of Cyprus

The Central Bank of Cyprus holds and administers the official reserves of the Republic. Official reserves held by the Central Bank of Cyprus comprise gold, foreign currency deposits with foreign banks and marketable securities issued by OECD governments. These amounted to €844.9 million as at 30 November 2009.

The following table sets out details of Cyprus' official reserves as at the dates indicated:

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Notes:

- 1 For the conversion of Cyprus pounds into euro, the irrevocable exchange rate €1 = £0.585274 was used.
- 2 Following Cyprus' accession into the eurozone as from 1 January 2008, all reserves denominated in euro and all foreign exchange held with euro area countries are excluded from reserves.

# **Banking and Financial System**

## **GENERAL**

The banking system in Cyprus, in addition to the Central Bank of Cyprus, comprises 17 locally incorporated banks, 26 branches of foreign banking institutions and 112 Co-operative credit institutions.

## **CENTRAL BANK OF CYPRUS**

The Central Bank of Cyprus 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 Central Bank of Cyprus is governed by the Central Bank of Cyprus Laws of 2002-2007, which ensures the Central Bank of Cyprus' 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

The main functions of the Central Bank of Cyprus include implementing the European Central Bank's monetary policy decisions; holding and managing the official international reserves; supervising banks; promoting, regulating and overseeing the smooth operation of payment and settlement systems and safeguarding the stability of the financial system.

## **FINANCIAL INSTITUTIONS**

### **Banking Institutions**

There are currently 43 banking institutions operating in Cyprus. Seventeen of them are incorporated locally (nine of which are subsidiaries of foreign banking institutions) and 26 are branches of foreign banking institutions, including 9 from European Union Member States. In addition there are two representative offices of foreign banking institutions.

The three largest locally incorporated banks have expanded overseas, having operations in Greece, UK, Australia, Russia, Ukraine, Serbia, Estonia, Malta, Channel Islands and Romania.

### **Co-operative credit institutions**

The banking system in Cyprus also includes 112 co-operative credit societies and co-operative savings banks which provide a limited range of banking services, basically the acceptance of deposits and extension of loans to their members, and are supervised by the Co-operative Societies' Supervision and Development Authority. Co-operative credit societies and co-operative savings banks together account for around 21 per cent. of Cyprus' total deposits and 19 per cent. of total lending activities (including deposits and lending in foreign currencies).

## **MONETARY POLICY AND INTEREST RATE REGIME**

As regards policy measures, during 2008 and throughout 2009 the ECB, in co-ordination with other monetary authorities, injected liquidity to the markets in order to alleviate further tightening in financing conditions as a result of the financial turmoil and the loss in confidence of market players. In 2009 the ECB reduced its policy rate from 2.00 per cent. at the beginning of the year to 1.00 per cent. until the end of the year, in three consecutive reductions, namely 50 basis points in the first and 25 basis points in the following two.

### **Credit expansion**

The financial crisis did not affect expansion of total loans to the private sector in Cyprus during most of 2008, closing the year with a growth rate of 33.5 per cent. Deposits remained the main source of funding for new loans. Intense competition in the banking sector resulted in higher interest rates on deposits and the transfer of the increased costs of banks to lending rates. The above, in conjunction with generally tighter financing conditions and the slowdown in economic activity towards the end of the year, led to a deceleration in credit growth over the last two months of 2008.

Latest data for October 2009 shows total loans growth reaching 8.6 per cent. The marked deceleration in credit growth is concomitant with the general slowdown in economic activity.

As regards deposits, the annual growth rate of total deposits was 6.7 per cent. in December 2008. Latest data for October 2009 shows negative growth of 2.3 per cent. As in the case of loans the drop in deposits emanates from the general economic slowdown. Depositors appear unwilling to take up loans and seem to pay off their existing loans with deposits.

The following table sets out Cyprus' year-on-year growth rates of total loans and deposits as at the dates indicated:

	December 2006	December 2007	December 2008	October 2009
Total MFI <sup>1</sup> loans to non-MFIs <sup>2</sup>	12.2	31.8	33.5	8.6
Total MFI <sup>1</sup> deposits by non-MFIs	13.7	22.1	6.7	(2.3)
Inflation (HICP)	1.5	3.7	1.8	(1.0)

Notes:

1 MFI (Monetary and Financial Institutions) sector excluding the Central Bank of Cyprus.

2 Excluding General Government

Source: Central Bank of Cyprus

### Interest rates on loans and deposits

In 2008 an upward trend was recorded in average interest rates on new loans and new deposits to non-financial corporations and households. The upward trend of average interest rates on new loans in Cyprus was mainly attributed to the increased cost of raising liquidity from the interbank market due to the uncertainty and lack of trust between banks on one hand and the intense competition among MFIs to attract capital on the other.

In 2009, following the reductions in the ECB key policy rates and the continuous injections of liquidity, interest rates in Cyprus decreased. More specifically, the average rate on new loans to non-financial corporations up to €1 million in Cyprus decreased from 7.20 per cent. in January 2009 to 6.26 per cent. in October 2009. The average interest rate in Cyprus for new loans to non-financial corporations over €1 million, floating rate and up to 1 year, decreased from 5.37 per cent. in January 2009 to 4.69 per cent. in October 2009.

Interest rates in Cyprus for new loans to households for consumption also recorded a decrease with the average rate reaching 7.19 per cent. in October 2009 compared with 7.94 per cent. in January 2009. The average interest rate in Cyprus for new housing loans to households also dropped to 5.51 per cent. in October 2009 compared with 6.69 per cent. in January 2009.

As regards deposit rates, the average rate on new deposits with an agreed maturity of up to one year from non-financial corporations reached 2.86 per cent. in October compared with 5.07 per cent. in January 2009, while the corresponding average rate from households reached 4.15 per cent. in October 2009 from 6.15 per cent. at the beginning of 2009.

## ASSETS AND LIABILITIES OF THE FINANCIAL SYSTEM

The following table shows details of total assets and liabilities of all banks as at the dates indicated:

	As at 31 December				
	2005	2006	2007	2008	2009 (Sep)
			(€ million)		
Total assets	59,531	73,806	91,140	116,034	138,839
Customer deposit liabilities	37,307	42,578	52,513	56,009	57,474
Other liabilities	18,180	23,965	30,820	52,111	72,303
Capital & Reserves	4,044	7,263	7,807	7,914	9,062

Notes:

(1) Assets/Liabilities do not include contra accounts.

Source: Central Bank of Cyprus



# Cyprus Taxation

## Cyprus Taxation

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

## INCOME TAX

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

Under the provisions of the Income Tax Law, both individuals and companies tax resident in Cyprus that receive or are credited with interest, are exempt from income tax, but they are subject to a 10 per cent. withholding pursuant to the provisions of the Special Contribution for the Defence of the Republic Law 117(I)/2002 as amended.

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

Persons (physical and legal) who, pursuant to the provisions of the Income Tax Law, are not resident in Cyprus for tax purposes are not liable to any income tax charge nor subject to any withholding of special contribution for the defence of the Republic, for interest earned in the Republic.

Following Cyprus's accession to the European Union on 1 May 2004, Cyprus implements the provisions of EU Directive 2003/48/EC relating to the taxation of savings.

## STAMP DUTY

Following the enactment of the Stamp Duty (Amendment) (No. 2) Law 2002, section 4 of the Stamp Duty Law, 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 transactions entered into by the Republic, no stamp duty is chargeable.

## EU DIRECTIVE ON TAXATION OF SAVINGS INCOME

The EU has adopted Council Directive 2003/48/EC regarding the taxation of savings income. Council Directive 2003/48/EC requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State, except that Austria, Belgium and Luxembourg may instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise.

Investors should note that the European Commission has announced proposals to amend Council Directive 2003/48/EC. If implemented, the proposed amendments would, *inter alia*, extend the scope of Council Directive 2003/48/EC to (i) payments made through certain intermediate structures (whether or not

established in a Member State) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

Cyprus has transposed the said Directive into its legislation by virtue of the provisions of the Assessment and Collection of Taxes (Amendment) Law 146(I) of 2004. Pursuant to this law, the Council of Ministers issued the Assessment and Collection of Taxes (Provision of Information Regarding Interest Payments) Regulations of 2005. These regulations impose Directive standards on economic operators making EU cross-border savings interest payments to individuals resident in (i) other EU Member States, (ii) certain associated or dependant territories of EU Member States, (iii) certain other States with which the EU has concluded relevant agreements, such as automatic reporting to the tax authorities of the other EU Member States of (a) the individual's identity and permanent address, (b) the name and address of the paying agent and (c) bank account details.

## Clearing and Settlement

### BOOK-ENTRY OWNERSHIP

#### Bearer Notes

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

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

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

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

#### Registered Notes

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

The Republic and Deutsche Bank Trust Company Americas will make application to DTC for acceptance in its book-entry settlement system of the Restricted Notes represented by each DTC Restricted Global Note. Each DTC Restricted Global Note will have a CUSIP number. Each DTC Restricted Global Note 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 DTC Restricted Global Note may be made as a result of which such legend is no longer applicable.

The custodian with whom the DTC Restricted Global Notes 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 a Regulation S Global Note only through Clearstream, Luxembourg or Euroclear. Investors may hold their interests in a DTC Restricted Global Note 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 DTC Restricted Global Note registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such DTC Restricted Global Note. 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 DTC Restricted Global Note 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 Registered Global Note 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 DTC Restricted Global Note 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 DTC Restricted Global Notes or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of a Regulation S Global Note and/or a DTC Restricted Global Note. Individual definitive Registered Notes will only be available, in the case of Unrestricted Notes, in amounts specified in the applicable Pricing Supplement, and, in the case of Restricted Notes, in amounts of U.S.\$250,000 (or its equivalent rounded upwards as agreed between the Republic and the relevant Dealer(s)), or higher integral multiples of U.S.\$1,000, in certain limited circumstances described below.

### **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 DTC Restricted Global Note, DTC notifies the Republic that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the DTC Restricted Global Notes 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 a Regulation S Global Note, Euroclear, Clearstream, Luxembourg or any other clearing system the holder of such Regulation S Global Note 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 Registered Global Note 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 Registered Global Note 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 DTC Restricted Global Note 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 Registered Global Notes 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 DTC Restricted Global Note 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 DTC Restricted Global Note 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 a Regulation S Global Note may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in a Regulation S Global Note to a transferee who wishes to take delivery of such interest through the DTC Restricted Global Note 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 Regulation S Global Note 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 Regulation S Global Note will only be made upon request through Clearstream, Luxembourg or Euroclear by the holder of an interest in the Regulation S Global Note 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 DTC Restricted Global Note. Transfers at any time by a holder of any interest in the DTC Restricted Global Note to a transferee who takes delivery of such interest through a Regulation S Global Note 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 Registered Global Notes.

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 Registered Global Notes 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 Registered Global Note 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 DTC Restricted Global Notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in DTC Restricted Global Notes are credited and only in respect of such portion of the aggregate principal amount of the relevant DTC Restricted Global Notes as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant DTC Restricted Global Notes 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 Registered Global Notes 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 DTC Restricted Global Note 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 RESALES 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 DTC Restricted Global Note. Before any interest in the DTC Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, 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 Dealer Agreement dated 8 May 2009 (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 and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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 Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part (the "Distribution Compliance Period"), as determined and certified to the Fiscal Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Fiscal Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the Distribution Compliance Period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

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

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

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 to non-U.S. persons 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 or to any U.S. person, 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 U.S. person or to any other 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 such U.S. person or other 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 Law of Japan (the "Financial Instruments and Exchange Law"). 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 Law and other relevant laws and regulations of Japan.

## SWITZERLAND

Each Dealer has represented and agreed that: (a) it has not publicly offered or sold, and will not publicly offer or sell, the Notes in Switzerland, as such term is defined or interpreted under the Swiss Code of Obligations ("CO") and the Swiss Collective Investment Schemes ("CISA"); and (b) neither this Offering Circular nor any documents related to the Notes constitute a prospectus within the meaning of art. 652a or art. 1156 CO.

The Issuer has not applied for a listing of the Notes on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this Offering Circular does not necessarily comply with the information standards set out in the listing rules of SIX Swiss Exchange.

In addition, the Notes do not constitute a participation in a collective investment scheme in the meaning of CISA and they are neither subject to approval nor supervision by the Swiss Federal Banking Commission. Therefore, investors in the Notes do not benefit from protection under CISA or supervision by the Swiss Federal Banking Commission or any other regulatory authority in Switzerland.

## GERMANY

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

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

## CYPRUS

Each Dealer has represented, warranted and agreed that:

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

## **GENERAL**

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

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

## General Information

- (1) The Republic will make application for Bearer Notes and Registered Notes represented by a Regulation S Global Note to be cleared through Clearstream, Luxembourg and Euroclear and/or such other clearing systems as may be agreed between the Republic and the relevant Dealer(s) and as specified in the relevant Pricing Supplement. The Common Code and the ISIN numbers, if any, for each Series will be contained in the Pricing Supplement relating thereto. The Republic will make an application with respect to any Restricted Notes of a Registered Series to be accepted for trading in book-entry form by DTC. Acceptance by DTC of Restricted Notes of each Tranche of a Registered Series will be confirmed in the applicable Pricing Supplement. The CINS and CUSIP numbers, if any, for each Series will be contained in the Pricing Supplement relating thereto. Application may be made for acceptance for trading of Restricted Notes in The Nasdaq Stock Market Inc's private offerings, resales and trading through automated linkages ("PORTAL") system.
- (2) The establishment of the Programme has 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.
- (3) The listing of the Notes on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the London Stock Exchange will normally be effected for delivery on the third working day after the day of the transaction. However, Notes may be listed on any other stock exchange or market and unlisted Notes may be issued pursuant to the Programme.
- (4) 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.
- (5) 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) the Central Bank Undertaking
  - (d) each Pricing Supplement for Notes that are listed on the London Stock Exchange or any other stock exchange and
  - (e) this Offering Circular, together with any supplement to this Offering Circular or further Offering Circular.

**THE REPUBLIC**  
**acting through the Central Bank of Cyprus**

80 Kennedy Avenue  
Nicosia CY-1076  
Cyprus

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**REGISTRAR, TRANSFER AGENT  
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**Deutsche Bank Trust Company Americas**  
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