

THIS CIRCULAR AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, lawyer, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Law which provides for the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and other Related Matters (Law 87(I)/2017) if you are in Cyprus or, if not, from another appropriately authorised independent financial adviser.

If you sell or transfer or have sold or otherwise transferred all of your Ordinary Shares please send this circular (but not any accompanying personalised documents) at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you have sold or transferred part only of your holding of Ordinary Shares you should immediately consult the stock broker, bank or other agent through whom the sale or transfer was effected.

HELLENIC BANK PUBLIC COMPANY LIMITED

(incorporated and registered in Cyprus under the Cyprus Companies Law, Cap.113 with company registration number: 6771)

Shareholder Circular

This Circular should be read as a whole. However, your attention is drawn to Part II: Letter from the Chairman, which is set out on pages 8 to 22 of this Circular. Your attention is also drawn to the cautionary statements regarding the Acquisition, which are set out on page 5 of this Circular, for a discussion of certain factors which should be taken into account when considering whether to vote in favour of the Resolutions.

The information provided in this Circular is provided solely for the purposes of enabling Shareholders to consider the Resolutions. This Circular does not constitute a prospectus or a prospectus-equivalent document. Nothing in this Circular should be interpreted as an offer of securities or a term or condition of the Rights Issue or the Private Placement. A prospectus in relation to the offering and/or admission of New Ordinary Shares pursuant to the Capital Raise (the “**Prospectus**”) will be submitted to CySEC and made available to the public in accordance with the provisions of the relevant European Union Regulations and Directives, the Prospectus Law of 2005 (as amended) and the Cyprus Companies Law, Cap.113 (the “**Law**”). The Prospectus containing details of the Rights Issue will, subject to CySEC approval, be made available on the Company’s website at www.hellenicbank.com in due course. Existing Shareholders should not subscribe for or acquire any New Ordinary Shares except on the basis of the information, and the terms and conditions of the Rights Issue, contained in the Prospectus.

This Circular does not constitute or form part of, and should not be construed as, any offer to sell, issue, or otherwise dispose of, or any invitation to purchase, otherwise acquire, subscribe for, or any solicitation of any offer to sell, issue, or otherwise dispose of, or any invitation to purchase, otherwise acquire or subscribe for, any security. There will be no such offer, invitation or solicitation in any jurisdiction in which such an offer, invitation or solicitation is unlawful.

The securities referred to herein may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) or the securities laws or with any securities regulatory authority of any other state or other jurisdiction of the United States, and may not be offered, sold or transferred, directly or indirectly, in the United States absent registration under the Securities Act or an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any other state or jurisdiction of the United States. If there is any subsequent equity capital raise, the Company expects this to be pursuant to an exemption from registration under the Securities Act and/or in a transaction not involving any public offering and outside the United States in offshore transactions within the meaning of, and in reliance on, Regulation S under the Securities Act.

The securities referred to herein which may be offered pursuant to the Rights Issue and the Private Placement have not been, and will not be, registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States.

The distribution of this Circular and/or the accompanying documents into a jurisdiction other than the Republic of Cyprus may be restricted by law and therefore persons into whose possession this Circular and the accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Company has been advised by Alantra Corporate Finance S.A., Allen & Overy LLP, Antis Triantafyllides & Sons LLC, PricewaterhouseCoopers Ltd and The Boston Consulting Group Hellas S.A. (together the “**Advisers**”).

The Advisers are acting exclusively for the Company and no one else in connection with the matters described in this Circular and are not, and will not be, responsible to anyone other than the Company for providing the protections afforded to their clients, or for providing advice in connection with the matters described in this Circular. None of the Advisers nor any of their affiliates owe or accept any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of theirs in connection with this Circular or the matters described in this Circular.

Shareholders should only rely on the information contained in this Circular, the accompanying documents and the documents (or parts thereof) incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this Circular and the documents (or parts thereof) incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company or any of the Advisers.

None of the Advisers accepts any responsibility whatsoever for, or makes any representation or warranty, express or implied, for or in respect of the contents of this Circular and nothing in this Circular is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Each of the Advisers accordingly disclaims to the fullest extent permitted by applicable law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Circular or any such statement.

Each Shareholder should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of voting on the Resolutions. The Shareholders acknowledge that they have not relied on the Advisers or any person affiliated with the Advisers in connection with any investigation of the accuracy of any information contained in this Circular and the accompanying documents or their investment decision.

Nothing contained in this Circular and its accompanying documents is intended to constitute investment, legal, tax, accounting or other professional advice. This Circular and the accompanying documents are for your information only and nothing in this Circular or the accompanying documents is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

Capitalised terms have the meanings ascribed to them in Part III: Definitions of this Circular. Definitions in other parts of this Circular, including in this instructive rubric, are for convenience only and the definitions in Part III: Definitions shall prevail over any other definitions should there be any differences.

This Circular is dated 31 July 2018.

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IMPORTANT INFORMATION

1. Forward-looking statements

The cautionary statements (including those related to the Acquisition) set out below apply to and should be considered in connection with this Circular and any subsequent written or oral forward-looking statements that the Company, the Group, or persons acting on its or their behalf, may issue.

1.1 General

This Circular (including the information incorporated into it by reference) may contain forward-looking statements with respect to the financial condition, results of operations and business of the Group, including as enlarged by the Acquisition. The words “believe”, “anticipate”, “expect”, “intend”, “aim”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not current or historical facts. In particular, the statements of the Company regarding the Company’s strategy, and the Company’s and the Group’s future financial position and other future events or prospects are forward-looking statements. These forward-looking statements also include statements regarding the intentions, beliefs or current expectations of the Directors, the Company or the Group concerning, among other things, the results of operations, expectations in respect of the Acquisition, final condition, liquidity, prospects, growth and strategies of the Company and the Group.

By their nature, forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the control of the Company, that could cause the actual results of the Company and the Group to differ materially from those indicated in any such statements. Such factors include, but are not limited to, poor investment performance, increased rates of redemptions, the inability of the Company to obtain favourable leverage, the potential illiquidity of assets, the Company’s and the Group’s indebtedness, increased competition, failure to attract and retain key personnel, risks associated with concentration and counterparty default, misconduct of employees, changes in laws, third party litigation risk, failure to obtain necessary regulatory consent, adverse regulatory developments or changes in government policy, fluctuations in currency exchange rates, volatility in the global financial markets and adverse political and economic developments in Cyprus and overseas.

Shareholders should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward-looking statements involve risks and uncertainties because such statements relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not indicative of future performance and the actual results of operations and financial condition of the Company and the Group, as well as the development of the industry in which the Company and the Group operates, may differ materially from those made in or suggested by the forward-looking statements contained in this document.

These forward-looking statements reflect the Company’s judgement at the date of this Circular and are not intended to give any assurances as to future results. It should not be assumed that they have been revised or updated in the light of new information or future events. To the extent required by applicable legislation and/or regulatory authorities, the Company will update or revise the information in this document. Otherwise, the Company, the Advisers and their respective affiliates undertake no obligation to update or revise any forward-looking statements, and will not publicly release any revisions they may make to these forward-looking statements that may result from events or circumstances arising after the date of this Circular. The Company will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information to reflect any change in the

Company's expectations with regard to forward-looking statements or any change in events, conditions or circumstances on which any such statement is based or otherwise.

No statement in this document is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for the Company.

1.2 Cautionary statements related to the Acquisition

When considering forward-looking statements, Shareholders should be aware that the Company may be exposed to certain risks and uncertainties related to or following from the Acquisition, including legal proceedings relating to the Acquisition. The Acquisition is subject to a number of conditions which may not be satisfied or waived which may prevent the Completion of the Acquisition. Failure to complete the Acquisition may cause disruptions to the Company's and the Group's business. Upon Completion of the Acquisition, the Company may not be able to integrate or derive the benefits from the acquired business as or to the extent or in the time frame envisaged, and/or it may not be able to realise the anticipated cost savings or synergies from the Acquisition. By and as a result of the Acquisition and the process of integration, management attention may be diverted from the Company's existing business, potentially decreasing profits and/or growth potential of the Company's existing business. Furthermore, the Acquisition will materially increase the Company's exposure to Cyprus Government Bonds, which may lead to aggregations of unexpected losses. The acquired business may not perform in line with the expectations and targets set out in this Circular for the enlarged business may not be met. The Company is also reliant upon the Republic of Cyprus pursuant to the Deed of Guarantee to guarantee the obligations of CCB under the BTA, the APS Agreement and the TSA (the "**Acquisition Documents**") in the event that CCB does not perform them.

2. Presentation of financial information and valuation of the Acquisition perimeter

The financial information relating to the Group as at 31 March 2018 contained in this Circular is unaudited, has been prepared in accordance with IFRS and using the accounting policies of the Group, and has been extracted without material adjustment from the condensed consolidated financial statements of the Group for the three-month period ended 31 March 2018. The financial information relating to the Assets and Assumed Liabilities contained in this Circular is based on the unaudited financial information dated 31 December 2017 provided to the Company by CCB.

During the due diligence process, the Company's management, together with the Advisers, performed a valuation of the Acquisition perimeter in order to determine the fair value of the Assets and Assumed Liabilities using the information made available to them. That information, together with additional more recent summarised information provided to the Company by CCB, was used by the Company and its Advisers to set a target asset value of €247 million (the "**Target Asset Value**"). The valuation results used to conclude the terms of the final offer submitted are management estimates, estimated prior to the execution of the BTA.

Given the timing differences between the date of the financial information relating to the Assets and Assumed Liabilities provided (i.e. 31 December 2017), the date of execution of the BTA (i.e. 25 June 2018) and the date of this Circular, it is likely that there are differences, which may be significant, between the values of the Assets and Assumed Liabilities as stated in this Circular and their actual values as at the date of this Circular, the Extraordinary General Meeting and/or as at the date of Completion.

The financial information relating to the Assets and Assumed Liabilities included in this Circular is intended solely for the purpose of assisting Shareholders in determining how to vote their shares at the Extraordinary General Meeting. Such financial information should

not be relied upon for any other purpose; in particular, it should not be relied upon whatsoever in connection with any decision whether or not to acquire or sell Ordinary Shares or Rights or in connection with any other investment decision. Any decision whether to participate in the Rights Issue should be made solely on the basis of the information to be contained in the Prospectus to be published in due course in connection with the Capital Raise.

In accordance with the terms of the BTA, the Assets and the Assumed Liabilities are to be re-valued shortly following Completion and the perimeter of Assets adjusted such that the Company will pay the fair value for the assets and liabilities being acquired. More particularly, within 10 business days of Completion, CCB will provide the Company with updated financial information regarding the Assets and Assumed Liabilities. The Company will then proceed to perform a valuation of such items, consistent with the valuation principles and methods applied during the due diligence process. If the value of the Assets as at Completion less the value of Assumed Liabilities as at Completion (the “**Final Asset Value**”) exceeds the Target Asset Value, then the cash in the perimeter of Assets transferred will be reduced by the amount of the difference between the Final Asset Value and the Target Asset Value and accordingly the Company will repay that amount to CCB. If the Final Asset Value is less than the Target Asset Value, then the perimeter of Assets transferred will be increased by the amount of the difference and accordingly additional assets or cash equal in value to that amount will be transferred by CCB to the Company.

The Company intends to perform a purchase price allocation assessment post-Completion. At that time, additional information will be available and will be used to perform a due diligence and valuation of the Assets and Assumed Liabilities for such purpose, in accordance with IFRS. In addition, the Prospectus which the Company intends to publish in connection with the Capital Raise will contain more recent financial information relating to the Assets and Assumed Liabilities. Such financial information is likely to be different to the financial information included in this Circular.

3. Currency and exchange rates

All references to “**Euro**”, “**€**” and “**cents**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

4. Non-incorporation of website information

Without prejudice to the documents incorporated by reference into this Circular, which will be made available on the Company’s website (www.hellenicbank.com), neither the contents of the Company’s website nor of any website accessible via hyperlinks from the Company’s website are incorporated into, or form part of, this Circular, and Shareholders and prospective investors should not rely on them.

5. Times

All references to time in this Circular are, unless otherwise stated, references to time in Nicosia, Cyprus.

PART I: EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The dates and times given in the table below in connection with the Transactions are indicative only and are based on the Company's current expectations and may be subject to change (including as a result of changes to the regulatory timetable and/or the process for the implementation of the Transactions). If any of the times and/or dates above change, the Company will give notice of the revised times and/or dates to the Shareholders by issuing an announcement through the Information Distribution Channels.

References to a time of day are to time in Nicosia, Cyprus.

<u>Event</u>	<u>Time and/or Date</u>
Announcement of the Acquisition and the Capital Raise	25 June 2018
Publication and posting of notice convening the Extraordinary General Meeting, this Circular, the Forms of Proxy and other documents	31 July 2018
Latest time for receipt of Forms of Proxy, or transmittal of an electronic proxy	11:00 a.m., 20 August 2018
Extraordinary General Meeting	11:00 a.m., 22 August 2018
Expected Completion (of the Acquisition) ¹	September 2018
Expected completion of the Rights Issue ²	December 2018
Expected completion of the Private Placement ²	December 2018
Long-stop date for Completion	31 December 2018

¹ Completion of the Acquisition is subject to conditions outside of the Company's control and may take place earlier or later than September 2018.

² The indicative completion date is subject to CySEC's and CSE's internal procedures and regulations and could be affected by any deliberations that CySEC and CSE could be undertaking with respect to the Company.

PART II: LETTER FROM THE CHAIRMAN



HELLENIC BANK PUBLIC COMPANY LIMITED

(incorporated and registered in Cyprus under the Law with company registration number: 6771)

Directors

Youssef A. Nasr	Chairman
Ioannis A. Matsis	Executive Director / Chief Executive Officer
Lars Kramer	Executive Director / Chief Financial Officer
Marinos S. Yannopoulos	Vice Chairman
Dr. Evripides A. Polykarpou	Senior Independent Director
Irena A. Georgiadou	Board Member
Stephen John Albutt	Board Member
David Whalen Bonanno	Board Member
Andreas Christofides	Board Member
Christodoulos A. Hadjistavris	Board Member
Marianna Pantelidou Neophytou	Board Member
Andrew Charles Wynn	Board Member
Demetrios Efstathiou	Board Member

Registered Office

Corner of Limassol Avenue and
200 Athalassa Avenue
Strovolos
2025 Nicosia
Cyprus

Dear Shareholder

31 July 2018

Capital Raise of up to €150.031.254,80 at €0,70 per New Ordinary Share

1. Introduction

On 25 June 2018, the Company announced that it had entered into an agreement to acquire a business comprising certain assets and liabilities from Cyprus Cooperative Bank Ltd (“CCB”) (the “**Acquisition**”). CCB is a leader in retail banking in Cyprus with an extensive branch network and with approximately 400.000³ customers. Subject to the satisfaction of certain conditions, it is currently expected that Completion of the Acquisition will occur during September 2018⁴, establishing the Company as a leading retail and small and medium-sized enterprises (“SMEs”) bank in Cyprus.

Through the Acquisition the Company will acquire substantially all of the performing business of CCB with a balance sheet of €10,3 billion of total assets (or €10,0 billion after fair value and other

³ This figure is as disclosed by CCB during the transaction process dated 31 December 2017. It might have been subject to material changes and might no longer be an accurate representation as at the date of this Circular.

⁴ Completion of the Acquisition is subject to conditions outside of the Company’s control and may take place earlier or later than September 2018.

adjustments), and including the related business of lending, deposit taking and the provision of other banking services, to the extent comprised by the assets to be acquired (the “**Assets**”) and the liabilities to be assumed (the “**Assumed Liabilities**”), as carried on by CCB (the “**Business**”). The balance sheet to be acquired comprises a portfolio of primarily performing loans (net loans: €4,6 billion), Cyprus Government Bonds (“**CGBs**”) (€4,1 billion), cash (€1,6 billion), customer deposits (€9,7 billion) and certain other current liabilities and assets.⁵

The Company will pay €74.200.000 in cash as consideration for the transfer of the Assets and the Assumed Liabilities with a Target Asset Value of €247 million. If the Final Asset Value exceeds the Target Asset Value, then the cash in the perimeter of Assets transferred will be reduced by the amount of the difference between the Final Asset Value and the Target Asset Value and accordingly the Company will repay that amount to CCB. If the Final Asset Value is less than the Target Asset Value, then the perimeter of Assets transferred will be increased by the amount of the difference and accordingly additional assets or cash equal in value to that amount will be transferred by CCB to the Company.

The terms of the Acquisition include an asset protection scheme (the “**APS**”) provided by CCB, whose obligations will be guaranteed by the Republic of Cyprus. Further information on the terms of the Acquisition, including the APS, is set out in paragraph 4 below of this Letter.

The Board believes that the Acquisition provides attractive strategic, commercial and financial benefits to the Company and its Shareholders through:

- the creation of a leading retail and SME bank in Cyprus;
- a unique opportunity for sector consolidation taking place at the right point in the economic cycle of Cyprus’ economy;
- an attractive transaction structure, resulting in a de-risked balance sheet; and
- value creation, through funding cost reductions and realisation of cost synergies by reducing the branch network and rationalising the employee headcount.

In order to increase its regulatory capital position to fund the assets acquired, the Company intends to proceed with an equity capital raise of approximately €150 million at an issue price of €0,70 per New Ordinary Share (the “**Issue Price**”) in cash, of which approximately €100 million will be via the Rights Issue and approximately €50 million will be via the Private Placement (together with the Rights Issue, the “**Capital Raise**”) to Poppy Sarl, an entity ultimately owned by funds whose investment manager is the Pacific Investment Management Company LLC or an affiliate thereof (“**Poppy Sarl**”). These funds are collectively referred to as BRAVO Strategies III and were so referenced in the announcement by the Company dated 25 June 2018.

As part of the Rights Issue, the Company has agreed with Demetra Investment Public Ltd (“**Demetra**”) that Demetra will subscribe for up to €50 million in the Rights Issue for New Ordinary Shares (see paragraph 6.1(b) below).

Further information on the terms of the Capital Raise is set out in paragraph 6 below of this Letter.

I am writing to give you further details of the Transactions, including the background to and the reasons for the Acquisition. The Capital Raise and the Acquisition are conditional upon, inter alia, the passing of the Resolutions approving the Capital Raise. Your attention is therefore drawn to the Notice of the Extraordinary General Meeting and the notes to the Notice, the Agenda for the

⁵ These figures are as disclosed by CCB during the transaction process dated 31 December 2017. They might have been subject to material changes and might no longer be an accurate representation as at the date of this Circular.

Extraordinary General Meeting, the Directors' Report and the Form of Proxy which have been sent to you together with this Circular.

2. **Background to and reasons for the Acquisition**

On 19 March 2018, CCB initiated a tender process (the “**CCB Process**”) for an investment in CCB or the sale of all or part of CCB's assets and liabilities. As previously announced by the Company, the Company participated in the CCB Process and ultimately submitted a final offer on 15 June 2018 for the acquisition of the business of CCB comprising certain assets and liabilities of CCB. The offer was accepted by CCB and subsequently approved by the shareholders of CCB at an extraordinary general meeting which took place on 18 June 2018. Following such approval, the Company and CCB entered into the BTA on 25 June 2018.

The Acquisition is a strategic transaction intended to act as a catalyst for the sustainable profitability of the Company, further enhancing its market position as a primary bank for its clients while at the same time enhancing the stability of the financial system in Cyprus:

- ***Unique consolidation opportunity to create a leading retail and SME bank in Cyprus***

The Company has traditionally focused on lending to corporates and SMEs, representing 66% of its gross loan portfolio as at 31 March 2018. The Acquisition provides a unique opportunity to further diversify the Company's business. CCB is a leader in retail banking in Cyprus, with an extensive network of 172 branches and 143 ATMs servicing approximately 400.000⁶ customers, representing a significant proportion of the total population of Cyprus. The Acquisition also provides significant top line growth potential through the promotion of the primary bank business model and the strengthening of customer relationships, as well as the cross-sale of products and services to a larger customer base throughout Cyprus.

- ***Sector consolidation taking place at the right point in the economic cycle of Cyprus***

The Acquisition would enable the Company to strengthen its position in the Cypriot banking sector, establishing it as the second biggest bank in Cyprus with a 22% market share in performing loans and a 31% market share in customer deposits.⁷ It will also result in a more balanced performing loan portfolio for the Company, with a strong emphasis on retail banking. The combined book value of the loan portfolio would be €7,1 billion⁸, of which 35% represent corporate and SME loans, 35% mortgage loans, 26% consumer loans and 4% loans to the Republic of Cyprus.

The Board believes that the Acquisition takes place at the right point in the economic cycle, with Cyprus being one of the fastest growing countries in Europe, with improving labour market conditions and decreasing unemployment. Real GDP growth in Cyprus was 3,9% in 2017 and is forecasted by the Company to be 4,2% in 2018 and 3,9% in 2019.⁹ Unemployment in Cyprus was 11,0% in 2017, down from a high of 16,3% in 2014, and is forecasted by the Company to fall further to 9,2% in 2018, 8,0% in 2019 and 7,1% in 2020.¹⁰ The Company will be well positioned to benefit from these favourable economic conditions through increased and higher quality lending.

⁶ This figure is as disclosed by CCB during the transaction process dated 31 December 2017. It might have been subject to material changes and might no longer be an accurate representation as at the date of this Circular.

⁷ Latest available figures (i.e. December 2017 for the Company and for the banking system as per Central Bank of Cyprus statistics for April 2018).

⁸ Derived at by aggregating the Company's loan portfolio as of 31 March 2018 together with the loan portfolio to be acquired, which is based on information provided to the Company by CCB as part of the transaction process and has a reference date of 31 December 2017.

⁹ Historical figures as reported by Cyprus Statistical Service, forecasts as per the Company's Economic Research Department.

¹⁰ Historical figures as reported by Cyprus Statistical Service, forecasts as per the Company's Economic Research Department.

- ***Attractive transaction structure, resulting in a de-risked balance sheet***

The Company will acquire a €4,6 billion (net) retail-orientated, primarily performing loan portfolio, funded by €9,7 billion of retail deposits.¹¹ The Acquisition perimeter (comprising cash, CGBs, performing loans, and performing and non-performing loans covered by the APS) would strengthen the financial profile of the Company, establishing a financially strong second pillar bank in Cyprus. As previously noted, the Acquisition is complementary to the Company's existing business model, providing diversification to the Company's loan portfolio from its current focus on corporates and SMEs to a more balanced loan portfolio in terms of client and product mix.

A portfolio of €0,5 billion loans (net) (14% of the total loan portfolio) represents non-performing exposures ("NPEs"), all of which are covered by the APS guaranteed by the Republic of Cyprus. This portfolio, as is the case with the whole loan portfolio to be acquired, has been valued by the Company's management and will be acquired at its estimated fair value. The performing loan portfolio is highly collateralised, with less than 10% of the loans being unsecured loans.

Upon Completion, the Company's balance sheet is expected to be substantially de-risked, with the Company's NPE ratio being reduced from 52% as at 31 March 2018 to 25% post-Acquisition (excluding NPEs under the APS) and its Texas ratio¹² improving from 115% as at 31 March 2018 to approximately 100% post-Acquisition (excluding NPEs under the APS and post-Capital Raise). The significantly de-risked balance sheet, together with expected profitability, provides optionality for further accelerated NPE reduction through portfolio disposals.

- ***Value creation through funding cost reductions and realisation of achievable cost synergies by reducing the branch network and rationalising the employee headcount***

The Acquisition provides significant potential to generate revenue synergies of up to €100 million per year through (a) potential convergence of the funding costs of the combined deposit base, (b) potential cross selling of products and services to an enlarged customer base, and (c) high liquidity and strong capital base allowing for financing its clients and opportunities in Cyprus and abroad.

Cost synergies, the majority of which are expected to be achieved up-front with low execution risk, are expected to arise from (a) the planned employee exit scheme to be implemented by CCB's management prior to Completion (the cost of which will be incurred by CCB), with the Company on-boarding only the number of staff needed, therefore realising up-front about €55 million of potential synergies, (b) the rationalisation of the combined branch network, and (c) operating cost synergies from economies of scale across the head office and support functions. Operating cost synergies, expected to be realised over the medium term, are expected to be up to €10 million per annum.

3. Summary information on the Assets and Assumed Liabilities

The financial information in this paragraph relating to the Assets and Assumed Liabilities is unaudited financial information dated 31 December 2017 provided to the Company by CCB. Your attention is drawn to paragraph 2 "Presentation of financial information and valuation of the Acquisition perimeter" of the Important Information above in this Circular. In particular, these figures might have been subject to material changes and might no longer be an accurate representation as at the date of this Circular.

Through the Acquisition the Company will acquire assets with a balance sheet of €10,3 billion of total assets as at 31 December 2017 (€10,0 billion after fair value and other adjustments), as well as the Business. The balance sheet to be acquired comprises a portfolio of primarily performing loans

¹¹ These figures are as disclosed by CCB during the transaction process dated 31 December 2017. They might have been subject to material changes and might no longer be an accurate representation as at the date of this Circular.

¹² Texas ratio is calculated as NPEs (excluding NPEs under the APS) over shareholders' equity plus accumulated impairment losses.

(net loans: €4,6 billion), CGBs (€4,1 billion) and cash (€1,6 billion). In addition, the Company will acquire customer deposits of €9,7 billion, and certain other current liabilities and assets.

3.1 *Loan portfolio*

The loan portfolio to be acquired comprises €4,1 billion of performing exposures (net) and €0,5 billion of non-performing exposures (net) as at 31 December 2017.

The portfolio of performing loans to be acquired (the “**Performing Loan Portfolio**”) is retail orientated; as at 31 December 2017, approximately 45% of the loans were mortgage loans, 33% were consumer loans, 15% were corporate and SME loans, and the remaining 7% consisted of loans to the Republic of Cyprus.

The Performing Loan Portfolio is highly collateralised. As at 31 December 2017, the weighted average loan-to-value ratio (“**LTV**”) of the mortgage loans was 61%, the weighted average LTV of the consumer loans was 68%, the weighted average LTV of the SME loans was 66%, and the weighted average LTV of the corporate loans was 62%.

The average yield of the Performing Loan Portfolio as at 31 December 2017 was 3,4%. As at the same date, the average yield of the mortgage loans was 3,5%, the average yield of the secured consumer loans was 3,6%, the average yield of the unsecured consumer loans was 4,8%, the average yield of the SME loans was 3,8%, and the average yield of the corporate loans was 2,6%.

The residual maturity of the Performing Loan Portfolio as at 31 December 2017 was 16 years. As at the same date, the residual maturity of the mortgage loans was 19 years, the residual maturity of the secured consumer loans was 16 years, the residual maturity of the unsecured consumer loans was 10 years, the residual maturity of the SME loans was 12 years, and the residual maturity of the corporate loans was 14 years.

The APS provides protection against losses on the €0,5 billion of non-performing exposures (net) and up to €2,1 billion of high risk performing loans (net) (see paragraph 4.2 below).

3.2 *Cyprus Government Bonds*

The Acquisition includes a portfolio of CGBs of a nominal amount of €4,0 billion, with maturities ranging from 2018 to 2025 and coupons in the range of 1,90% to 4,63%. This includes €3,19 billion new CGBs issued on 13 July 2018 as well as €817 million (nominal value) of existing CGBs. The new issuances will be purchased at par whereas a mark-to-market exercise will take place at Completion to value the existing bonds.

Combining the acquired CGB portfolio with its existing CGB portfolio, the Company will hold a total CGB portfolio with a nominal value of €4,5 billion (see paragraph 4.5 below).

3.3 *Retail deposit base*

The Company will acquire all of CCB’s customer deposits, calculated to be €9,7 billion as at 31 December 2017, enhancing the stability of the financial system in Cyprus and protecting CCB’s retail customer base.

The deposit portfolio relates primarily to households (84% as at 31 December 2017). As at 31 December 2017, 68% of the deposits were fixed, 15% and 7% were held in sight accounts and current accounts respectively, and the remaining 6% were held in notice accounts. With respect to the fixed deposit accounts at 31 December 2017, 70% were for one year, 8% were for more than

one year, 15% were for six months and 7% were for three months. The Company expects that the majority of fixed deposits will mature within a year post-Completion.

4. Summary of the key terms of the Acquisition

Through the Acquisition the Company will acquire substantially all of the performing business of CCB, including the Assets and Assumed Liabilities as well as the Business, pursuant to a business transfer agreement with CCB. The terms of the Acquisition include an APS provided by CCB. The APS will protect parts of the acquired loan portfolio, such as €0,5 billion of non-performing exposures (net) and up to €2,1 billion of high risk performing loans (net), against future unexpected losses to the Company.

A transitional services agreement ensures that certain services are provided to the Company by CCB on a transitional basis prior to the full integration of the Business into the Company's business.

CCB's obligations under these agreements will be guaranteed by the Republic of Cyprus.

Each of the Acquisition Documents, the Deed of Guarantee and the Deed of Covenant are governed by English law and subject to the exclusive jurisdiction of the English courts.

4.1 Business Transfer Agreement

On 25 June 2018, the Company entered into a business transfer agreement with CCB (the "**BT**A") regarding the transfer to the Company of the Business comprising the Assets and Assumed Liabilities of CCB (see paragraph 3 above) with a balance sheet of €10,3 billion of total assets (or €10 billion after fair value and other adjustments).

The Company has agreed to pay CCB €74.200.000 in cash as a consideration for the transfer of the Assets and the Assumed Liabilities with a Target Asset Value of €247 million. If the Final Asset Value exceeds the Target Asset Value, then the cash in the perimeter of Assets transferred will be reduced by the amount of the difference between the Final Asset Value and the Target Asset Value and accordingly the Company will repay that amount to CCB. If the Final Asset Value is less than the Target Asset Value, then the perimeter of Assets transferred will be increased by the amount of the difference and accordingly additional assets or cash equal in value to that amount will be transferred by CCB to the Company.

Completion is subject to the satisfaction of a number of conditions, including: (i) the passing of the Resolutions approving the issue of New Ordinary Shares comprising the Capital Raise and disapplying the Shareholders' pre-emption rights in respect of the New Ordinary Shares to be placed in the Private Placement; (ii) the execution of an asset protection scheme agreement (the "**APS Agreement**") by the Company and CCB fully reflecting the terms of the APS Term Sheet; (iii) the execution of a deed of guarantee (the "**Deed of Guarantee**") by the Company and the Republic of Cyprus guaranteeing CCB's obligations under the Acquisition Documents; and (iv) the receipt of certain regulatory approvals and consents, including approval from the relevant competition authorities, the Central Bank of Cyprus and the European Central Bank.

CCB has covenanted to the Company a number of matters between signing and Completion, including: (i) informing the Company as to material developments regarding the business related to the Assets and Assumed Liabilities; and (ii) conducting a voluntary redundancy scheme to reduce the number of employees transferring to the Company to 1.100 employees. CCB has also covenanted to the Company not to undertake a number of actions before Completion without the Company's consent.

The BTA contains customary warranties given by CCB regarding, amongst other things, its ownership of the Assets, its corporate authorisation, its performance of the terms of the BTA, and its compliance with certain laws and regulations and taxation matters as well as certain warranties regarding the financial information provided to the Company by CCB during the transaction process. The Company can make a claim against these warranties within a period of three years of Completion and, in the case of the tax warranties, seven years of Completion.

CCB has also provided the Company with a number of indemnities with respect to the validity of the wider transaction, the conduct of CCB prior to Completion and specific issues identified by the Company during its due diligence of CCB. These include an indemnity for any challenge to the validity, implementation, compliance with appropriate law, effectiveness or enforcement of the transaction (other than claims brought by the Company or against the Company by its Shareholders), an indemnity for any challenge to the transferability to the Company of the Assets and Assumed Liabilities and an indemnity for any non-enforceability or invalidity of any Asset resulting from facts or circumstances on or before Completion or missing loan documentation.

4.2 *APS Agreement*

Prior to Completion the Company and CCB will enter into the APS Agreement to protect €2,65 billion of the acquired loan portfolio (net) against future losses, with the Republic of Cyprus providing a direct guarantee to the Company of CCB's obligations under the APS agreement (see paragraph 4.4 below). The APS Term Sheet provides for CCB to pay to the Company 90% of the losses that the Company incurs in connection with defined pools of loans and receivables (the “**APS Assets**”) which are part of the Assets. The Company's losses in respect of the APS Assets include impairment losses, losses on sale and costs of recoveries.

There are two covered pools: Pool 1 with a gross value of €1.652 million (including all NPEs) and Pool 2 with a gross value of €1.125 million. APS Assets in Pool 2 that become non-performing exposures are transferred to Pool 1. The APS Assets in Pool 2 must reduce over time so that, eventually, the maximum gross value of APS Assets in Pool 2 cannot exceed €500 million. The duration of coverage for Pool 1 is 12 years from Completion and for Pool 2 it is 10 years from Completion.

The Company must pay certain fees to the Republic of Cyprus in connection with the APS Agreement. An admission fee of €15 million is payable on the first anniversary of Completion. On the second anniversary of Completion, the Company can elect to either withdraw €250 million of APS Assets or pay a guarantee fee of €17 million. On the third anniversary of Completion, the Company can elect to either withdraw €350 million of APS Assets or pay a guarantee fee of €23 million. For each subsequent anniversary of Completion until the 11th anniversary, the Company must pay a guarantee fee of €1 million. If the Company elects to exercise its options to withdraw assets, it would incur lower guarantee fees payable, than in the case that the Company opts to retain these assets within the APS, and would therefore facilitate a gradual wind-down of the APS across its lifetime. Additionally, the Company may exercise the option to withdraw assets partially, in which case the guarantee fee payable would be calculated pro-rata on the residual non-withdrawn amount. It is in the Company's discretion to select which APS Assets it would withdraw from the APS in the case that the Company elects to exercise any or both options to withdraw assets. The maximum amount of fees payable to the Republic of Cyprus would amount to €63 million.

4.3 *Transitional Services Agreement*

At Completion, the Company and CCB will enter into a transitional services agreement (the “**TSA**”) materially on the terms as detailed below that are subject to on-going discussions between the Company and CCB, which may lead to changes to the terms of the TSA agreed between the parties as outlined below.

The TSA governs the provision of certain services from CCB to the Company, including Central Unit Operations, Front Line Operations, Front Line Credit and Information Technology to assist in the orderly transition of the Business into the Company's ownership (the "**Services**").

The TSA contains detailed provisions governing the relationship between the parties in delivery of the Services (including agreed migration principles and the creation of a migration plan, as well as governance arrangements) and obligations on CCB to follow the Company's instructions and comply with the Company's mandatory policies in delivery of the Services.

Each of the Services shall commence on the date of Completion and shall end on the date that is 15 months after that date. The Company may terminate the TSA as a whole or any individual Service (in whole or in part) throughout the life of the TSA on giving not less than 20 Business Days' (as defined in the TSA) written notice to CCB.

4.4 *Government Guarantee*

The Company will enter into the Deed of Guarantee with the Republic of Cyprus (the "**Guarantor**") at or before Completion in respect of certain obligations of CCB and its subsidiaries under the Acquisition Documents.

Pursuant to this Deed of Guarantee, the Guarantor guarantees payments by a member of CCB's group, when due, of all amounts payable by them to the Company, each member of the Group, their successors and assigns, and their respective officers and employees (each a "**Beneficiary**") under the Acquisition Documents.

The Guarantor undertakes to ensure and guarantees punctual performance by CCB and any relevant member of CCB's group, when due, of all of their obligations under or pursuant to the TSA.

The Guarantor agrees that if and each time that a member of CCB's group fails to make any payment to a Beneficiary when it is due under or pursuant to any of the Acquisition Documents, the Guarantor must on demand (without requiring a Beneficiary first to take steps against CCB or any other person) pay that amount to the Beneficiary as if it were the principal obligor in respect of that amount.

The Deed of Guarantee provides for the indemnification against any cost, loss or liability that a Beneficiary incurs as a result of a member of CCB's group not paying any amount due as a result of any obligation guaranteed being or becoming unenforceable, invalid or illegal under any applicable law or regulation.

The entry by the Republic of Cyprus into the Deed of Guarantee was approved by the House of Representatives on 8 July 2018 in accordance with the provisions of the applicable legislation.

4.5 *Deed of Covenant*

(a) *Government bond portfolio*

Following Completion, the Company will hold a portfolio of CGBs with a total value of €4,6 billion. The Company will have a significant exposure to CGBs and plans to hold the CGBs issued under Cypriot law (the "**Domestic CGBs**") (€4,0 billion) to maturity. In terms of maturity, €1,6 billion of CGBs (or 36% of the total nominal outstanding) are due to mature by the end of 2019, and €1,4 billion of CGBs (or 31% of the total nominal outstanding) are due to mature by the end of 2021. It is noted that given the current credit ratings assigned to the Republic of Cyprus by international credit rating agencies, the CGBs held by the Company are not eligible as collateral for any Eurosystem credit operations.

(b) New Bonds

As part of the portfolio of Domestic CGBs described in paragraph 3.2 above and partly in exchange for the €2,35 billion of CGBs previously issued and held by CCB, on 13 July 2018, the Republic of Cyprus issued five tranches of new bonds to CCB which are part of the Acquisition perimeter, namely (i) €500 million 1,90% p.a. fixed rate bonds due 17 December 2018 (the “**2018 Bonds**”); (ii) €750 million 2,50% p.a. fixed rate bonds due 16 December 2019 (the “**2019 Bonds**”); (iii) €750 million 2,75% p.a. fixed rate bonds due 15 December 2020 (the “**2020 Bonds**”); (iv) €580 million 3,25% p.a. fixed rate bonds due 15 December 2021 (the “**2021 Bonds**”); and (v) €610 million 3,50% p.a. fixed rate bonds due 15 December 2022 (the “**2022 Bonds**” and, together with the 2018 Bonds, the 2019 Bonds, the 2020 Bonds and the 2021 Bonds, the “**Bonds**”). These Bonds are governed by Cyprus law and contain terms which are customary for Domestic CGBs. The Bonds have been listed on the CSE.

(c) Deed of Covenant

In connection with the issue of the Bonds, the Republic of Cyprus has agreed to enter into a deed of covenant (the “**Deed of Covenant**”) in favour of the holders of the Bonds prior to Completion. Pursuant to the terms of the Deed of Covenant, the Republic of Cyprus will undertake that if it fails to make any payment under the Bonds when due (whether in respect of principal or interest), seeks to change the terms of the Bonds (whether by a change in law or otherwise) or indicates that it will be unable to make any such payment, or is otherwise in default (howsoever described) under the terms of any of the 2018 Bonds, the 2019 Bonds or the 2020 Bonds (each a “**Default**”) then it will, if so requested by any holder of Bonds, issue under the terms of the Republic of Cyprus’ €9 billion Euro Medium Term Note (“**EMTN**”) programme an equivalent face amount of new EMTN bonds in exchange for and with the same commercial terms as the 2021 Bonds and 2022 Bonds, to the holders of the 2021 Bonds and 2022 Bonds.

The Deed of Covenant further provides that if the Republic of Cyprus fails to issue such new EMTN Bonds within five business days in London and Cyprus following receipt of any such request, all of the Bonds shall become immediately due and repayable.

EMTN Bonds issued under the Republic of Cyprus’ €9 billion EMTN programme are governed by English law and held through Euroclear and Clearstream.

5. **Impact of Acquisition on the financial position and regulatory capital of the Company**

The financial information in this paragraph relating to the Group is as at 31 March 2018, is unaudited, and has been prepared in accordance with IFRS using the accounting policies of the Group and has been extracted without adjustment from the condensed consolidated financial statements of the Group for the three-month period ended 31 March 2018. The financial information in this paragraph relating to the Assets and Assumed Liabilities is unaudited financial information dated 31 December 2017 provided to the Company by CCB. The aggregated totals are derived by aggregating the Company’s financial information as of 31 March 2018 with the financial information relating to the Assets and Assumed Liabilities as of 31 December 2017. Your attention is drawn to paragraph 2 “Presentation of financial information and valuation of the Acquisition perimeter” of the Important Information above in this Circular. In particular, these figures might have been subject to material changes and might no longer be an accurate representation as at the date of this Circular.

The aggregate total of the assets of the Company and the Acquisition perimeter is €16,8 billion, comprising of a net loan portfolio of €7,1 billion, securities of €4,9 billion (the majority of which are CGBs, accounting for approximately 27% of the aggregated total assets), and cash and other assets of €4,8 billion. The aggregate total of customer deposits of the Company and CCB is €15,5 billion.

The Company's balance sheet would be substantially de-risked as a consequence of the Acquisition with the Company's NPE ratio being reduced from 52% as at 31 March 2018 to approximately 25% post-Acquisition, with an NPE provision coverage of 62% (excluding NPEs under the APS) and its Texas ratio improving from 115% as at 31 March 2018 to approximately 100% post-Acquisition (excluding NPEs under the APS and post-Capital Raise). The Company intends to continue to maintain a prudent liquidity position post-Completion, with an expected ratio of net loans to deposits of less than 50%, allowing it to further support the financing needs of its customers.

As of 31 March 2018, the Company had €3,5 billion of risk-weighted assets ("**RWAs**"). During the due diligence process, the Company's management estimated the RWAs to be acquired to be approximately €1,3 billion, thereby reaching a total of approximately €4,8 billion RWAs. The estimated RWAs to be acquired include RWAs arising on the credit portfolio and estimated operational risk requirements. Post-Acquisition, the credit RWAs will represent a density over net loans of approximately 60%, reflecting the lower capital utilisation on the acquired net loans as a result of the existence of the APS Agreement.

As previously noted, the Company has agreed to pay a consideration of €74.200.000 for the Target Asset Value of the Acquisition perimeter. This Target Asset Value was concluded after the incorporation of a number of fair value estimates, mainly on the valuation of the credit portfolio. The Company expects that any difference between the Target Asset Value and the consideration to be paid will be considered as negative goodwill in line with applicable IFRS. Such negative goodwill will be reviewed by regulatory authorities who may approve the Company to consider it as part of CET1 capital.

6. Summary of the key terms of the Capital Raise

Following the Acquisition, the Company intends to strengthen its regulatory capital and maintain a CET1 ratio and total capital ratio in excess of 14,0% and 17,0% respectively through the (1) issuance of up to 214.330.364 New Ordinary Shares in the Capital Raise and (2) recognition, subject to the final opinion of the Company's auditors and regulatory authorities, of negative goodwill. The Capital Raise will consist of the Rights Issue and the Private Placement and is expected to raise up to €150.031.254,80 in aggregate.

6.1 Summary of the key terms of the Rights Issue

(a) General terms of the Rights Issue

The Company intends to offer up to 142.901.792 New Ordinary Shares (representing approximately 72% of the existing issued share capital and 34,6% of the enlarged issued share capital immediately following completion of the Capital Raise) by way of a pre-emptive issue of rights (the "**Rights**") to be converted into New Ordinary Shares at a price of €0,70 per New Ordinary Share (the "**Issue Price**") (the "**Rights Issue**"). The Rights Issue is expected to raise gross proceeds of up to €100.031.254,40. It will not be conditional upon the Private Placement.

The Board is authorised, at any time prior to the date of the publication of the Prospectus, not to proceed with the implementation of the Rights Issue in the event that Completion has not occurred and the Board considers, at its discretion, that Completion is not reasonably likely to occur.

The Rights will be issued and allocated to all Existing Shareholders gratis at the ratio of one Right to every one Existing Ordinary Share. Every 25 Rights will upon exercise be converted into 18 New Ordinary Shares with a nominal value of €0,50 per New Ordinary Share at an exercise price of €0,70 per New Ordinary Share.

Fractions of New Ordinary Shares resulting from the conversion of the Rights of each Existing Shareholder will not be issued and the Board will deal with any fractional balances regarding the exercise of Rights at its discretion.

The Rights can be converted to New Ordinary Shares by making a payment of €0,70 for each New Ordinary Share. The payment for the New Ordinary Shares should be made within the offer period to be specified in the Prospectus, otherwise the offer will be deemed not to have been accepted by Existing Shareholders.

The Company will be the underwriter responsible for the collection of the subscription monies of the exercised Rights in the Rights Issue.

The New Ordinary Shares issued in the Rights Issue will rank equally with other Ordinary Shares in all respects, including the right to receive other dividends and distributions (if any) made, paid or declared after the date of issue.

The Rights will be tradable and will be traded on the Main Market of the CSE, upon receipt of all necessary approvals.

Application will be made for the New Ordinary Shares to be admitted to listing on the Main Market of the CSE. It is expected that admission of the New Ordinary Shares will become effective and dealings in the New Ordinary Shares will commence following receipt of the relevant regulatory approvals.

Further details regarding the terms and conditions of the Rights Issue will be set out in the Prospectus.

(b) Subscription by Demetra

As part of the Rights Issue, the Company has entered into a subscription agreement with Demetra. Pursuant to this agreement, Demetra has committed to subscribe for up to 71.428.571 New Ordinary Shares at the Issue Price for a total consideration of up to €50 million comprising New Ordinary Shares covered by its Rights as well as certain additional New Ordinary Shares.

Demetra will subscribe for its pro-rata entitlement under the Rights Issue, which amounts to 14.366.920 New Ordinary Shares for a total consideration of €10.056.844.

Additionally, to the extent that New Ordinary Shares are not acquired through the conversion of the Rights by other Existing Shareholders in the Rights Issue, the Company has agreed to allocate to Demetra such number of additional New Ordinary Shares as are necessary for Demetra to have a 20,09% shareholding at completion of the Capital Raise. In all other cases Demetra's shareholding will be lower than 20,09%.

The Board may, at its full discretion, allocate to Demetra any further New Ordinary Shares not subscribed for in the Rights Issue with a total subscription amount, together with the other New Ordinary Shares subscribed for by Demetra in the Capital Raise, of up to €50 million. In this case Demetra's shareholding will range between 20,09% and 22,1%.

The subscription agreement by Demetra is conditional upon Completion of the Acquisition, the passing of the Resolution approving the issue of New Ordinary Shares comprising the Rights Issue, and the receipt of certain regulatory approvals, and provides for customary warranties from the Company and Demetra.

6.2 *Summary of the key terms of the Private Placement*

The Company has entered into a subscription agreement with Poppy Sarl dated 25 June 2018 (the “**Private Placement Subscription Agreement**”). Under the Private Placement Subscription Agreement, Poppy Sarl will subscribe by way of private placement (the “**Private Placement**”) for 71.428.572 New Ordinary Shares (representing 17,3% of the share capital following completion of the Capital Raise) at the Issue Price for a total consideration of €50.000.000,40. If the New Ordinary Shares issued in the Private Placement were to exceed 18,99% of the issued share capital of the Company immediately following the Capital Raise, the number of New Ordinary Shares issued in the Private Placement would be reduced to such number of New Ordinary Shares as equals 18,99% of the issued share capital of the Company.

Pursuant to section 60B of the Law, in the case of an increase in the share capital of a public company against consideration in cash, the shares must be offered on a pre-emptive basis to shareholders in proportion to the percentage of the capital represented by their shares. However, section 60B(5) of the Law allows these rights to be restricted or excluded by way of a resolution of the general meeting. The board of directors has an obligation to present to the general meeting a written report which shall state the reasons for restriction or exclusion of the pre-emption rights and shall justify the proposed issue price.

Accordingly, the Board has prepared and sent with this Circular such a report, pursuant to which the Board proposes the disapplication of the pre-emption rights of the Existing Shareholders in connection with the Private Placement, sets out the reasons for its proposal and provides the relevant justifications for the Issue Price for the Private Placement.

The subscription by Poppy Sarl is conditional upon the passing of the Resolutions approving the issue of New Ordinary Shares comprising the Capital Raise and dis-applying their pre-emption rights in respect of the New Ordinary Shares to be placed with Poppy Sarl. It is also conditional upon certain other conditions precedent, including the execution of the BTA, the APS Agreement and the Deed of Guarantee, the receipt of certain regulatory approvals and the gross proceeds of the Capital Raise not being less than €150 million.

The Private Placement will be completed simultaneously with the Rights Issue.

The Private Placement Subscription Agreement contains customary warranties given by the Company regarding, amongst other things, (i) that neither the Company nor any member of the Group nor, so far as the Company is aware, any part of the Business is in violation of any Sanctions or, to the Company’s knowledge, is subject to any investigation relating to any Sanctions and (ii) that the Company, the Group and, so far as the Company is aware, the Business have taken reasonable measures to ensure compliance with applicable Sanctions.

The Private Placement Subscription Agreement may be terminated by Poppy Sarl (i) at any time prior to the Extraordinary General Meeting should the Company or any member of the Group be in violation of Sanctions or over a period of two consecutive weeks, the Republic of Cyprus’ 4,25% bonds due 2025 trade at a yield to maturity which is 750 basis points above the yield to maturity at which the Federal Republic of Germany’s 0,5% bonds due 2025 trade, and (ii) at any time prior to completion of Poppy Sarl’s subscription, should there occur any material adverse change in or affecting the financial condition or the earnings, funding, net asset value, solvency position, or credit rating of the Group, whether or not arising in the ordinary course of business or the Company (or any member of the Group) ceases to be authorised to conduct banking or insurance business.

The New Ordinary Shares issued in the Private Placement will rank equally with other Ordinary Shares in all respects, including the right to receive other dividends and distributions (if any) made, paid or declared after the date of the Private Placement Subscription Agreement.

6.3 Irrevocable Undertakings

The Company has received irrevocable undertakings from each of Demetra, Senvest, Third Point Hellenic Recovery Fund L.P., VR Global Partners L.P. and Wargaming Group Limited to approve the Rights Issue and the dis-application of pre-emption rights in respect of, in aggregate, 131.418.049 Ordinary Shares, representing approximately 66,2% of the issued share capital of the Company as at 20 July 2018.

The majority of the irrevocable undertakings will cease to have effect under certain conditions, which differ for each undertaking, including, among other things, (i) if the Extraordinary General Meeting does not occur prior to 30 September 2018, (ii) if the Private Placement Subscription Agreement is terminated prior to the Extraordinary General Meeting, (iii) if there is a material change to the terms of the Transactions, (iv) if the Company announces that it does not intend to proceed with the Transactions or (v) on 31 December 2018.

7. Current trading, trends and prospects

7.1 Performance

The Group's profit after tax for 1Q2018 amounted to €28,6 million mainly as a result of the gain of €18,3 million from the disposal of CGBs, compared to a loss of €10,1 million for 1Q2017. On a quarterly basis, a loss after tax of €27,3 million was reported for 4Q2017, primarily due to the cost of the Voluntary Early Exit Scheme affecting administrative and other expenses. Profit attributable to the Shareholders for 1Q2018 amounted to €28,1 million (4Q2017: €27,3 million loss) compared to a loss of €10,5 million in 1Q2017. The cost to income ratio for 1Q2018 was 61%, compared to 70% for 1Q2017. The cost to income ratio for 4Q2017 was 159%, negatively affected by the Voluntary Early Exit Scheme cost.

7.2 Liquidity and Funding Structure

As at 31 March 2018, the Group's total assets amounted to €6,7 billion, down by 2% compared to 31 December 2017. The decrease was mainly driven by the decrease in investment assets, mostly as a result of the disposal of CGBs during 1Q2018.

Customer deposits amounted to €5,8 billion as at 31 March 2018 (31 December 2017: €5,8 billion). They comprised €4,7 billion deposits in Euro (31 December 2017: €4,7 billion) and €1,1 billion deposits in foreign currencies (31 December 2017: €1,1 billion), mostly in U.S. Dollars.

The net loans to deposits ratio stood at 48% as at 31 March 2018 (31 December 2017: 48%).

Gross loans as at 31 March 2018 amounted to €4.086 million, up by 1% compared to €4.055 million as at 31 December 2017. The performing loan portfolio increased by 3% while the non-performing loan portfolio decreased by 2% compared to 31 December 2017.

7.3 Loan Portfolio Quality

As part of the its strategy of refocusing on core operations, on 1 July 2017, the operations of the Arrears Management Division of the Bank were transferred to APS Debt Servicing Cyprus Ltd, a joint venture between APS Holding (51%) and the Company (49%) creating the first independent servicing company in Cyprus. More recently, in December 2017, the Company sold to B2Kapital Cyprus Ltd, a wholly owned subsidiary of B2Holding ASA, a Norwegian corporation listed on the Oslo Stock Exchange a non-performing loan portfolio of predominantly non-retail secured and unsecured exposures pursuant to a sale and purchase agreement (the "**NPE Trade Agreement**"). The gross contractual outstanding balance of the portfolio sold was €145 million. The NPE Trade

Agreement was materialised on 6 June 2018 as per the announcement “Completion of the disposal of a portfolio of non-performing loans” posted on the Group’s website www.hellenicbank.com (Investor Relations).

The level of NPEs has been reduced to €2.128 million at 31 March 2018 and was down by 2% compared to the €2.162 million at 31 December 2017 (NPEs as at 31 December 2017 are after the effect of the NPE Trade Agreement). The decrease was mainly driven by the curing of restructured loans, collections, debt to asset swaps and write-offs. The NPEs to gross loans ratio as at 31 March 2018 was reduced to 52% (31 December 2017: 53%). As at 31 March 2018, the net NPEs ratio stood at 29% while the net NPEs to Assets ratio was 12%, significantly lower than that of Cypriot peers.

The stock of properties held for sale, which are mostly from customers’ debt settlements, amounted to €159,3 million as at 31 March 2018 (31 December 2017: €148,2 million).

Total accumulated impairment losses amounted to €1.314 million as at 31 March 2018 (31 December 2017: €1.326 million) and represented 32% of the total gross loans (31 December 2017: 33%). The NPEs provision coverage stood at 62% as at 31 March 2018 (31 December 2017: 61%). Taking into account tangible collaterals, the overall NPEs coverage was 116%, while the net NPEs collateral coverage stood at 142% as at 31 March 2018.

7.4 *Capital Strength*

As at 31 March 2018 the Group’s pro-forma¹³ capital ratios were above minimum regulatory requirements and compare well with the EU average, with the transitional CET1 ratio at 13,85% and the Tier 1 ratio at 17,60% (on a transitional basis).

7.5 *Prospects*

The Company’s medium-term targets¹⁴ following the Acquisition include, inter alia:

- Asset Quality: Reduction of NPE ratio¹⁵ to below 20%, whilst maintaining an NPE provision coverage ratio of around 55%. Cost of risk (percentage of gross loans) to be below 1,0%;
- Funding: Net loans to deposits ratio in excess of 55%;
- Profitability: Net interest margin (percentage of average total assets) in excess of 2,3% with a cost to income ratio below 55%. Return on equity of low double digits;
- Capital: Common Equity Tier 1 ratio of c. 14,0%. Capital adequacy ratio of c. 17,0%; and
- Employees: Employees to be around 2.500.

The Company’s medium-term targets are dependent upon, among other factors, the Company completing the integration of the Business in a timely manner, being able to realise the anticipated cost savings or other synergies from the Acquisition, managing appropriately and achieving the growth potential of the Company’s existing business.

These are targets only and not profit forecasts. There can be no assurance that these targets will be met and they should not be taken as an indication of the Company’s expected or actual future results. Shareholders should decide for themselves whether or not the targets are reasonable or achievable.

¹³ Including 1Q2018 unaudited profits.

¹⁴ Medium Term Targets refer to a period of three to five years.

¹⁵ Excludes the impact of any potential future NPE transactions or any similar related transactions and excluding any NPEs under the APS.

8. Dividend policy

The Company is currently under a regulatory dividend distribution prohibition which will not be impacted by the Transactions. No dividend was paid or proposed for the year ended 31 December 2017.

9. Action to be taken

You will find enclosed with this Circular the Notice of the Extraordinary General Meeting and certain documents accompanying the Notice which contain information on how to participate in and submit your instructions in respect of the Extraordinary General Meeting.

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. If you are a Shareholder entitled to vote at the Extraordinary General Meeting and you wish to appoint a proxy for the Extraordinary General Meeting, please also follow the instructions printed on the Form of Proxy.

The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof, if you so wish and you are entitled to do so.

If the Resolutions are passed by the Extraordinary General Meeting the Prospectus will be published following the Extraordinary General Meeting setting out further details of the Rights Issue and the settlement process for it.

Yours sincerely

Youssef A. Nasr

Chairman

PART III: DEFINITIONS

Acquisition means the transfer of the Business, the Assets and Assumed Liabilities from CCB to the Company pursuant to the BTA as further described in paragraph 4.1 of Part II: Letter from the Chairman of this Circular;

Acquisition Documents means the BTA, the TSA and the APS Agreement;

Advisers means Alantra Corporate Finance S.A., Allen & Overy LLP, Antis Triantafyllides & Sons LLC, PricewaterhouseCoopers Ltd and The Boston Consulting Group Hellas S.A.;

APS means the asset protection scheme under the APS Agreement;

APS Agreement means the asset protection scheme agreement to be entered into by the Company and CCB as defined in paragraph 4.1 of Part II: Letter from the Chairman of this Circular;

APS Assets means the pools of loans and receivables covered by the APS as defined in the APS Term Sheet;

APS Term Sheet means the term sheet setting out the material provisions of the APS Agreement agreed between the Company and CCB and initialled on 25 June 2018;

Assets means the assets to be acquired by the Company from CCB pursuant to the BTA as further described in paragraph 3 of Part II: Letter from the Chairman of this Circular;

Assumed Liabilities means the liabilities to be assumed by the Company from CCB pursuant to the BTA as further described in paragraph 3 of Part II: Letter from the Chairman of this Circular;

Beneficiaries (and each a **Beneficiary**) means the Company, each member of the Group, their successors and assigns, and their respective officers and employees;

Board means the Board of Directors of the Company;

Bonds has the meaning given to this term in paragraph 4.5(b) of Part II: Letter from the Chairman of this Circular;

BTA means the business transfer agreement between the Company and CCB dated 25 June 2018 as defined in paragraph 4.1 of Part II: Letter from the Chairman of this Circular;

Business means the business of lending, deposit taking and the provision of other banking services, to the extent comprised by the Assets and the Assumed Liabilities, as carried on by CCB as defined in the BTA;

Capital Raise means the Rights Issue and the Private Placement;

CCB means Cyprus Cooperative Bank Ltd;

CCB Process means the tender process initiated by CCB on 19 March 2018 for an investment in either the fully licensed bank entity or all or part of CCB's assets and liabilities;

CGB means Cyprus Government Bond;

Company means Hellenic Bank Public Company Limited;

Completion means the completion of the Acquisition as defined in the BTA;

CSE means the Cyprus Stock Exchange;

Cyprus means the Republic of Cyprus;

CySEC means the Cyprus Securities and Exchange Commission;

Deed of Covenant means the deed of covenant which the Republic of Cyprus has agreed to enter into in favour of the holders of the Bonds in connection with the issue of the Bonds as defined in paragraph 4.5(c) of Part II: Letter from the Chairman of this Circular;

Deed of Guarantee means the deed of guarantee to be entered into by the Company and the Republic of Cyprus as defined in paragraph 4.1 of Part II: Letter from the Chairman of this Circular;

Default has the meaning given to this term in paragraph 4.5(c) of Part II: Letter from the Chairman of this Circular;

Demetra means Demetra Investment Public Ltd, a company incorporated under the laws of Cyprus with registration number HE 107777 and whose registered office is at 13 Limassol Avenue, 5th Floor, Aglantzia, Nicosia 2112, Cyprus;

Domestic CGBs means CGBs issued under Cypriot law;

EMTN means Euro Medium Term Note;

Existing Ordinary Shares means the Ordinary Shares in issue as at the Rights Issue Record Date;

Existing Shareholder means a holder of Ordinary Shares on the register of members of the Company as at the Rights Issue Record Date;

Extraordinary General Meeting means the extraordinary general meeting of the Shareholders to be held on 22 August 2018 referred to in the Notice;

Final Asset Value means the value of the Assets as at Completion less the value of Assumed Liabilities as at Completion;

Group means the Company and its subsidiaries;

Guarantor means the Republic of Cyprus in the context of the Deed of Guarantee;

IFRS means International Financial Reporting Standards (as adopted by the European Union), meaning the body of pronouncements issued by the International Accounting Standards Board (IASB), including International Financial Reporting Standards and interpretations approved by the IASB, International Accounting Standards and Standing Interpretations Committee interpretations approved by the predecessor International Accounting Standards Committee as endorsed under the European Union accounting regulations and included in the periodic report showing the status of endorsement by the European Financial Reporting Advisory Group;

Information Distribution Channels means the CSE portal and the Company's website www.hellenicbank.com;

Issue Price means €0,70 per New Ordinary Share;

Law means Cyprus Companies Law, Cap.113;

LTV means loan-to-value ratio;

New Ordinary Shares means the Ordinary Shares of €0,50 of the Company being issued in the Capital Raise;

Notes means the notes to the Notice;

Notice means the notice of the Extraordinary General Meeting dated 31 July 2018 and enclosed with this Circular;

NPE means non-performing exposure;

NPE Trade Agreement means the agreement between the Company and B2Kapital Cyprus Ltd to sell a non-performing loan portfolio of predominantly non-retail secured and unsecured exposures as defined in paragraph 7.3 of Part II: Letter from the Chairman of this Circular;

Ordinary Shares means the ordinary shares of €0,50 of the Company (including, if the context requires, the New Ordinary Shares);

Performing Loan Portfolio means the portfolio of performing loans to be acquired as part of the Assets in the Acquisition;

Poppy Sarl means Poppy SARL, a company incorporated under the laws of Luxembourg with registration number B217537 whose registered office is at 33 rue Sainte Zithe, 2763 Luxembourg;

Private Placement means the private placement of New Ordinary Shares to Poppy Sarl as defined in paragraph 6.2 of Part II: Letter from the Chairman of this Circular;

Private Placement Subscription Agreement means the subscription agreement between the Company and Poppy Sarl as defined in 6.2 of Part II: Letter from the Chairman of this Circular;

Prospectus means a prospectus to be produced by the Company in relation to the offering and/or the admission of New Ordinary Shares pursuant to the Capital Raise;

Resolutions (and each of them a **Resolution**) means the resolutions by the Shareholders at the Extraordinary General Meeting proposed in the Notice;

Rights means the rights issued to Existing Shareholders in the Rights Issue to be converted into New Ordinary Shares if exercised as defined in paragraph 6.1(a) of Part II: Letter from the Chairman of this Circular;

Rights Issue means the pre-emptive capital raise as defined in paragraph 6.1(a) of Part II: Letter from the Chairman of this Circular;

Rights Issue Record Date means the date to be determined by the Board and specified in the Prospectus according to which it is determined who the Shareholders entitled to participate in the Rights issue are and how many Rights they are eligible to receive;

RWAs means risk-weighted assets;

Sanctions means sanctions administered or enforced by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United Nations Security Council, the European Union, Her Majesty's Treasury or other relevant applicable sanctions authority;

Securities Act means the U.S. Securities Act of 1933, as amended;

Senvest means Senvest Management, LLC on behalf of its advisory clients, Senvest Master Fund, LP and Senvest Global (KY), LP;

Services means certain services to be provided by CCB to the Company pursuant to the TSA including Central Unit Operations, Front Line Operations, Front Line Credit and Information Technology to assist in the orderly transition of the Business into the Company's ownership;

Shareholders means the holders of Ordinary Shares;

SME means small and medium-sized enterprise;

Target Asset Value means €247 million;

Transactions means the Acquisition and the Capital Raise and any transactions related thereto;

TSA means the transitional services agreement to be entered into by the Company and CCB as defined in paragraph 4.3 of Part II: Letter from the Chairman of this Circular; and

United States or **U.S.** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.