

ANNEX

List of Commitments

DEFINITIONS

For the purpose of these Commitments, the following definitions apply:

- the "Bank": Cyprus Cooperative Bank, i.e. the existing legal entity;
- the "Sold Assets and Liabilities": the parts (assets and liabilities) of the Bank which are included in the perimeter sold to the Purchaser;
- the "Purchaser": Hellenic Bank;
- the "Residual Entity": the Bank after the sale of the Sold Assets and Liabilities to the Purchaser;
- the "Commitments": all the commitments in the present document;
- the "Decision Date": the date of adoption of the Commission's present state-aid decision (18/06/2018)

OVERARCHING COMMITMENTS

Cyprus undertakes to implement the following Commitments:

1. Cyprus confirms to have informed the Purchaser of the Commitments regarding the Sold Assets and Liabilities, including the related monitoring and reporting obligations.
2. Within 3 months of the Decision Date, Cyprus will submit to the Commission for approval the draft plans for detailing how the Residual Entity / any Asset Management Company ("AMC") that could be envisaged to manage the remaining assets will be set up and run in accordance with Commitments 10 to 20;
3. Within 1 month of the Decision Date, Cyprus will:
 - a. submit to the Commission the draft plans for the changes to be made to the Cypriot legal framework that are conducive to allow an effective workout of non-performing loans ("NPLs") in accordance with Commitment 21.
 - b. ensure that the changes to its domestic legal framework will be enacted within the timeframes envisaged in Commitment 21 and remain in place for a duration of 5 years after the Decision Date.

COMMITMENTS REGARDING THE SOLD ASSETS AND LIABILITIES (TO ENSURE THAT THE MEASURE QUALIFIES AS "LIQUIDATION AID")

4. Within 15 months as of the closing of the acquisition of the Sold Assets and Liabilities by the Purchaser ("Closing"), the Purchaser will fully integrate the Sold Assets and Liabilities into its business including the migration of the Sold Assets and Liabilities to the Purchaser's target IT systems as well as full compliance with the Purchaser's risk management policies and management systems.

5. Within maximum 15 months as of Closing, the brand name (if any) of the Sold Assets and Liabilities will disappear.
6. Within 1 day as of Closing, the Residual Entity will enter into a transitional service agreement (TSA) with the Purchaser which will last no longer than 15 months. The Residual Entity will provide the Purchaser with the relevant services to service the Sold Assets and Liabilities.
7. Under the framework of the TSA, employees of the Residual Entity will be onboarded by the Purchaser. This onboarding process will take no longer than 15 months after the Closing. The maximum number of employees of the Residual Entity retained by the Purchaser at the end of the 15-month period after Closing will not exceed 1,200.
8. A maximum of 72 branches will be rented out to the Purchaser which will have the option to take them over within 15 months after the Closing.
9. All remaining branches in the Residual Entity will be shut down 15 months after the Closing.

COMMITMENTS REGARDING THE RESIDUAL ENTITY/AMC

10. All claims of shareholders in the Bank remain in the Residual Entity. There will be no later transfer of any such claims to the Purchaser, whether separately or as part of the Sold Assets and Liabilities.
11. In return for all aid measures that Cyprus provides in the process of selling the Sold Assets and Liabilities, it must receive a claim on the Residual Entity, equivalent in amount to the value of the aid measures provided in the sale of the Sold Assets and Liabilities as assessed in the present decision.
12. The Bank's shareholding in the joint venture Altamira Asset Management (Cyprus) Ltd (Altamira Cyprus) will remain in the Residual Entity and will be liquidated/sold to a private third party within 6 months in an open, transparent and unconditional tender. The Residual Entity will neither inject capital into nor grant any loans to Altamira Cyprus. It will also not impose any staff retention obligations on the buyer.
13. The Residual Entity will give up its banking license or reduce the scope of such licence to the minimum necessary for the activity described in Commitment 14. In any case, the banking license will be fully withdrawn within 15 months of Closing.
14. The Residual Entity's sole and single activity will be to manage the assets that remain in its perimeter, with the objective of divesting, liquidating or winding down the assets in an orderly manner but with a view to maximising the value to repay the State as much and as swiftly as possible. Besides fulfilling these objectives, the Residual Entity will not conduct any other economic activity, nor will it acquire clients or sell products. This entails among others that
 - a. it will not carry out any banking business or asset management business (including NPL management of third parties' NPLs) except if this is in favour of the Purchaser and covered by the terms of the TSA for a maximum period of 15 months after the Closing.

- b. Regarding real estate assets, this entails, among other things, that the Residual Entity will not purchase raw land, construct new residential/commercial properties, or purchase existing residential/commercial properties).

In line with Commitment 6, the Residual Entity will further provide the Purchaser with the relevant services under the TSA to service the Sold Assets and Liabilities for a period of 15 months after Closing.

15. The Residual Entity will not acquire any stake in any undertaking (except potentially in the framework of the management of its existing assets), be it an asset or share transfer. That ban on acquisitions covers both undertakings which have the legal form of a company and any package of assets which forms a business.
16. The charter/status of the Residual Entity will explicitly state that its sole objective is to maximize the proceeds from the management and disposal of its assets. The governance of the Residual Entity will be set so that the Residual Entity will be chaired and managed by highly-specialized experts with several years of international experience in the management of NPLs and real estate assets. This will be demonstrated by a report from an independent recruitment firm. Cyprus will ensure that all the board and management members are independent from the State and cannot receive any instruction from the State (except when it concerns the protection of taxpayers' money and the maximization of the recovery value of the assets remaining in the Residual Entity). The entity could under no circumstances receive instruction from the State on the treatment of single loans. If the independence criterion is not yet complied with, Cyprus will ensure the necessary changes are made within 15 months after Closing. Management will be granted performance-based remuneration, i.e. based on the success of the workout of the assets.
17. The success of the Residual Entity in the work out of assets will be assessed regularly, and, on that basis, the adequacy of the strategic and business plans will be adjusted.
18. The daily management (so-called "servicing") of the assets will not be done in-house by the Residual Entity, but by a fully private servicing company with no financial link to the Residual Entity or to the State. The servicing will therefore either be done by a new servicer selected through an open, transparent and unconditional tender within 15 months or by the current servicer, Altamira Cyprus. If the current servicer is retained, the existing servicing agreement will have to be reviewed by an independent third-party expert in loan servicing within 15 months after Closing to ensure market-conformity so that it doesn't entail State aid to the servicer. The compensation of the servicer will be based on its performance to work out the assets. The closing of the asset servicing contract will take place at the latest 15 months after the Decision Date.
19. The Residual Entity has the right to transfer the entire asset portfolio to any other state-owned AMC, as long as the economic conditions of such a transfer do not in any way put in question the full burden sharing of the shareholders of the Bank.
20. The conditions listed in Commitments 13 to 19 also apply to the state-owned AMC that could take over the asset portfolio of the Residual Entity.

COMMITMENTS ON FRAMEWORK CONDITIONS TO ALLOW EFFICIENT WORKOUT OF NON-PERFORMING LOANS

21. Cyprus will take actions that will allow an effective workout of NPLs by banks, asset managers and asset servicers, while continuing to protect the most vulnerable borrowers. The scope of these reforms will include, among other things, the following commitments:

- a. Within 4 months after the Decision Date, Cyprus will amend legislation, including legislation covering foreclosure, to allow for the effective enforcement of claims.
 - i. Introduce clarifications that cases, where a Court order has been issued under the previous foreclosure procedure and a foreclosure procedure has already begun, can proceed under the new foreclosure procedure;
 - ii. Amend legislation to allow for the electronic auction of property subject to foreclosure proceedings;
 - iii. Shorten the time period needed to foreclose and allow the bank to buy the property within a period of four months beginning, six months after the first auction, in comparison to the current arrangement which foresees that the bank can buy only after one year;
 - iv. Amend the notification requirements to allow alternative means of delivery when the delivery of notices cannot be achieved due to practical impediments
 - v. The minimum reserve price for auctions will be reduced from 80% of the property's market price, to 50% after 3 months from the first auction and to no reserve price applying after 6 months from the date of the first action and no further valuation will be required under the foreclosure law;
 - vi. The following protections will be amended as indicated below:
 1. The right of borrowers, who are in financial difficulties due to the financial crisis, to apply to the Court for a suspension of enforcement, foreclosure or bankruptcy proceedings for up to 6 months will be limited so that the total cumulative suspension period for any given borrower cannot exceed 12 months; and the definition of financial crisis will be amended to refer only to events occurred in 2012 and 2013;
 2. The right of borrowers to match the price of the highest bid at a foreclosure auction of his primary residence will be limited to primary residences with a value at current market price not exceeding EUR 350,000.
- b. Within 12 months after the Decision Date, establish an electronic auction system for properties subject to foreclosure proceedings to be utilised by the AMC and banks.
- c. Within 4 months after the Decision Date, Cyprus will amend legislation related to the sale of loans to clarify that loans considered terminated can be transferred.

- d. Within 12 months after the Decision Date, Cyprus will take measures, including where necessary to amend legislation, to improve the efficiency and effectiveness of the operation of the Insolvency Service of Cyprus and to regulate the profession of the insolvency practitioners. This will include redesigning the organisation structure to reallocate responsibilities along core and support functions to update the current action plan that aims to harmonise the procedures among the licensing authorities and all the stakeholders involved, and finally, to empower licensed insolvency practitioners through learning and development.
- e. Within 18 months after the Decision Date, Cyprus will undertake a reform of the judicial process, in order to greatly increase the efficiency of handling of NPL cases by the judicial system. This shall include:
 - i. The revision of the Rules of Civil Procedure, without infringing constitutional principles, by the end of 2019, so as to reduce the abuse of appealing Court decisions and the use of interim applications, and accelerating the execution of court judgments, thus removing impediments to the efficient handling of NPLs cases.
 - ii. accompanying measures to improve the court administration and functioning:
 - 1. Appoint, by the end of 2018, specific judges who will be responsible for the handling of financial disputes, inter alia, judicial procedures related to NPLs. To fulfil this task, these judges will undergo appropriate training.
 - 2. Updating case management procedures, starting from the clearance of backlog, including assigning case management judges to manage cases to trial, allocate cases to hearing and ensure consistency of the application of the rules of procedures.
 - 3. Carry out a study to examine the introduction of digital audio recording of Court proceedings. Upon completion of the study, the recommendations will be implemented, starting from the new Court buildings
 - 4. Introducing further measures to enhance the use of alternative dispute resolution (ADR) processes in consumer disputes through legislative measures and the revision of the Rules of Civil Procedure and providing training to judges and lawyers to encourage the use of ADR and to agree on the role of the ADR in the case management processes.
 - 5. Taking measures to ensure proper sizing and allocation of human resources, both in terms of judges and support capacity in the administration of the Courts.
 - 6. Establishing and introducing basic electronic systems by the end of 2018 to allow for a more efficient processing of applications, pending the full implementation of the e-justice system. Initiate in October 2018, the implementation of e-

justice system, provided the signing of the contract takes place as planned. By February 2019 the updated user requirements document, the Business re-engineering document, and the functional specification document to be completed and the pilot trial phase will be initiated.

- f. Within 6 months after the Decision Date, Cyprus will take steps to ensure that, in the context of NPLs, banks and the AMC will be able to access information on the financial position of the borrower, without relying solely on declarations by the borrower.

MONITORING

22. A Monitoring Trustee will be appointed to monitor the full compliance with the Commitments in accordance with the template agreement provided for as Annex hereto. The Monitoring Trustee will consist of one or more natural or legal person(s), with a significant international experience in assets' workout, independent from the Bank, the Cypriot State, the Sold Assets and Liabilities or the Residual Entity or the AMC, proposed by Cyprus and approved by the Commission. For the Commitments regarding the Sold Assets and Liabilities, the Monitoring Trustee will provide a report every 6 months and will cease to do so when these Commitments are complied with. For the Commitments regarding the Residual Entity/AMC, the Monitoring Trustee will provide an annual report on the performance of the Residual Entity/AMC in working out its NPL portfolio. The monitoring will stop when the nominal size of the loans held by the Residual Entity/AMC has been reduced by 80%. For the Commitments regarding the framework conditions, the Monitoring Trustee will provide a monthly report for the first six months, a quarterly report thereafter, and will cease to do so when every legal change envisaged in Commitment 21 is enacted by Cyprus.