



RCB Bank Ltd

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Annex C to the Consent Notice dated 8th August 2022:

Risk Factors and Disclosures

There are a number of risks associated with the Proposed Changes as stipulated in the consent notice dated 8th August 2022 regarding conversion of outstanding deposit liabilities into Loans under the Loan Terms set out in Annex B as disclosed by RCB Bank Ltd and published on its web site under [\[the link\]](#).

Independent evaluation

You must make an assessment of the risk factors we have identified. You should note that the risks identified in the current Annex C (Risk factors and disclosures) are not the only risks that could materialise or that might be relevant. There may be other factors you should take into account. However, we have identified what we perceive as the material risks. There may be additional risks that we consider not to be material or of which we are not aware.

This Annex C (Risk factors and disclosures) is being integral parts of the acceptance of the Consent Notice with the Proposed changes and entry into Agreement. Capitalised terms used, but not otherwise defined in this Annex C (Risk factors and disclosures), have the meaning given to them in Annex B (Loan Terms).

Credit risk

Under the Loan you are exposed to the credit risk of RCB. As more fully explained below, any Loans will not constitute a deposit and will not be insured or guaranteed by any government or agency under any credit guarantee scheme and all payments under a Loan will be subject to the financial position of RCB and its ability to meet its obligations. As explained more fully below, the Loans will constitute the unsubordinated and unsecured obligations of RCB and rank *pari passu* with each and all other current and future unsubordinated and unsecured obligations of RCB.

No compensation arrangements or deposit guarantee or insurance scheme protection

Any Loan you provide to RCB is not a deposit. In Cyprus, the Deposit Guarantee Scheme protects certain depositors should a bank (credit institution) fail by compensating the depositor in an amount of up to €100,000 per depositor including accrued interest (or the equivalent amount in other currency). To the extent that your deposit was an “eligible deposit” that was protected by the Deposit Guarantee Scheme, which broadly means deposits by individuals or certain corporates and that are not excluded because of the nature of depositor (for example, banks and financial institutions), then this deposit was subject to deposit guarantee scheme protection because RCB Bank Ltd before the Cut-over Date is a credit institution (i.e., bank). On and from the Cut-over Date, the Borrower will cease to be a bank and, as such, it will not accept deposits and will cease to hold deposits. The liabilities owed to you under the Loan will not be deposit liabilities and so will not be protected by the Deposit Guarantee Scheme in the event of failure of RCB.

RCB shall be operating under an electronic money institution granted 6th July 2022 by the Central Bank of Cyprus.

Any regulated services which may be provided in that capacity are subject to a financial services compensation and ombudsman scheme. For the avoidance of doubt however, the Loan does not constitute such a regulated product or service, and RCB should not be regarded as providing such a regulated product or service in respect of the implementation and performance of our obligations under the Proposed Changes.

Capital adequacy

On and from the Cut-over Date, RCB will cease to be a credit institution (bank) subject to the capital adequacy and regulatory capital requirements applicable to such credit institutions under the European Union Capital Requirements Regulation (Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (as amended)). These rules require banks such as RCB before the Cut-over Date to comply with strict capital adequacy or regulatory capital requirements to ensure the safety and soundness of the financial system and to protect depositors.

Electronic money institutions that are not banks are also subject to capital adequacy requirements. However, these requirements are much less onerous and therefore RCB will not be required to satisfy bank capital adequacy requirements.

Ranking in insolvency

The Loan will constitute the unsubordinated and unsecured obligations of RCB. It will not be a deposit but senior (unsubordinated) unsecured obligations of RCB. In the bank insolvency regime, deposits rank highly in the insolvency hierarchy of creditors compared to senior unsecured creditors. By contrast, senior unsecured creditors will generally rank low in the insolvency hierarchy of general creditors of the company. As such, the Loan will expose you to greater credit risk of RCB compared to holding deposit accounts.

No payments functionality

Whereas you may have been able to make payments from the deposit account held with us (and in the case of debit, reducing any deposit liability owed by us as banker), under the Loan Terms there will be no such functionality.

Jurisdiction-specific factors

You should consider the effects, if any, the Proposed Changes could have under the law of your jurisdiction.