

TERMS OF REFERENCE OF THE GROUP BOARD AUDIT COMMITTEE

1. ABBREVIATIONS

Within this document, the following abbreviations are used:

Abbreviation	Explanation
Bank	Bank of Cyprus Holdings Public Limited Company (BOCH) and its subsidiary Bank of Cyprus PCL
Board	The Board of Directors of the Bank
AML&TF	Anti-Money Laundering & Terrorist Financing
ATHEX	Athens Stock Exchange
CEO	Chief Executive Officer
Chair / Chairperson	The Chair of the Committee
CD	Compliance Division
Committee	Group Audit Committee
IA	Internal Audit
Group	Bank and all its subsidiaries
HRRC	Human Resources & Remuneration Committee
NAS	Non-Audit Services
Invitees	A person who is not a committee member but is formally invited to attend for a specific item(s) on the agenda
RC	Risk Committee

2. AUTHORITY

1. The Committee is a statutory Committee of the Board of the Bank from which it obtains its authority and to which it regularly reports.
2. The Committee has been delegated authority by the Board in respect of the functions and powers in these Terms of Reference.
3. The Committee is concerned with the business of the Bank, its business units, and subsidiaries i.e. Group and accordingly its authority extends to all relevant matters relating to the Group.
4. The Committee has authority to investigate any matters within its terms of reference calling on whatever resources (including external professional or legal services) and to obtain such

information as it may require from any director, officer, or employee of the Group. It shall have access to adequate funding to enable it to discharge its duties.

5. The Chairperson is authorised in this respect to provide approval of expenditure , up to a maximum of €20.000 and he/she is required to inform the Committee at the next meeting.
6. In relation to expenditure disbursements within the approved budget already approved by the Board, regarding goods or services (confidential or non-confidential):
 - a) IA requests the consent of the AC provided that the Bank's applicable procurement guidelines have been followed. The Chairperson is authorised to provide such a disbursement consent up to €100.000 per item, with the requirement that all AC members are notified (through an e-mail) and the majority provide their positive confirmation. For higher amounts of such disbursements, the AC can provide its consent as described above and subsequently notify the Board.
 - b) Disbursements of expenditure of the CD, within the approved budget should be sent to the Audit Committee for notification, rather than approval. This notification should be reported in real time via email and collectively as part of the quarterly report.
7. In relation to the expenditure requests by IA or CD that exceed the approved budget of the Division, for ad hoc and exceptional cases, the Chair is authorised to provide approval for budget extension up to €250.000 p.a., with the requirement that all Committee members are notified (through an e-mail) and the majority provides their positive confirmation. For higher budget extension requests, the AC recommends these to the Board for approval.
8. The Committee reviews at least annually the Terms of Reference and recommends necessary changes to the Board.
9. The Board has delegated authority to the Committee as referred to above (including matters that may be considered and reviewed independently from the executive directors). However, the Board as a whole, retains ultimate responsibility for the Group's approach to internal financial control and nothing in these Terms of Reference adjusts or limits such responsibility or should be interpreted as a departure from the principle of a unitary Board. Moreover, it should be clarified that it is the function of management to prepare the financial statements and of the external auditors to plan and conduct the statutory audit of the Group.

3. ROLE OF THE COMMITTEE

The role of the Committee is to be responsible for:

1. The appropriateness and completeness of the Group's system of internal controls and information systems.
2. Ensuring that the system of internal controls is adequately resourced.

3. Monitoring the integrity of the Group's financial statements and related announcements (including significant financial reporting judgements contained in them) and the financial reporting process.
4. Advising the Board on the accuracy and fairness of the annual reports and accounts.
5. Monitoring the effectiveness and operations of the internal audit function and the compliance function.
6. Overseeing all matters relating to the relationship between the Group and the external auditors.
7. Monitoring the effectiveness of the Group's whistleblowing procedures.
8. Assessing the soundness of the methodologies and policies management the Group uses to develop ESG including climate related and environmental metrics and other disclosures and to assess the key vendors' plans about sustainability.
9. Providing guidance/recommendations to the Board in relation to effectively managing risk related issues that emerge in the context of enhancing and maintaining the Bank's ethical culture at a high level.

4. COMMITTEE COMPOSITION

1. The Committee comprises of a minimum of three (3) members all of whom independent non-executive Directors.
2. The Committee should collectively have:
 - a) Recent and relevant financial experience and competence
 - b) Knowledge of the broader sector in which the Group operates, including internal controls, information technology, business, and risk management, both financial and non-financial.
 - c) The Committee shall interact with other committees appropriately. Such interaction shall take the form of cross-participation so that the Chair or a member of the Committee could also be a member of another committee (e.g. the Chairs of the Committee and the RC can respectively be members of the RC and the Committee, however, any further cross-participation of other members should be avoided as this could be classed as overlap).
 - d) The Chairperson of the Board of Directors cannot be a member of the Committee.
 - e) The Chairperson of the Committee must be an independent non-executive Director. He/she must have specialised knowledge and experience in the application of internal control procedures, in matters of accounting, auditing and risk management, both financial and nonfinancial.
 - f) The Board appoints the members of the Committee annually on the recommendation of the NCGC in consultation with the Committee Chairperson.

- g) The maximum number of terms for which an individual may serve as Chairperson of the Committee respects the limit of the total term as a member of the Board that applies for the purposes of independence of members of the Board.
- h) At least one member of the Audit Committee must have strong competence in accounting and/or auditing.

5. COMMITTEE MEETINGS

1. The Committee holds regular meetings, at least four (4) per year and where appropriate the meetings coincide with key dates in the Bank's financial reporting and audit cycle, and additionally, ad hoc meetings whenever called by the Chairperson of the Committee. Every effort is exercised to hold at least one meeting a year with physical presence of all members.
2. Notice of meetings together with the agenda and support material of the items to be discussed shall be forwarded to each member of the Committee or any other person required or invited to attend no later than five (5) working days before the date of the meeting.
3. The Company Secretary or his/her nominee shall record and maintain detailed minutes of the meetings of the Committee. Draft minutes must be finalised no later than fifteen (15) business days following the meeting, formally approved at the next meeting, and at the same time be submitted to the Board for noting.
4. The quorum for a meeting is two (2) members or 50% rounded up, whichever is the highest.
5. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the Chairperson shall have a second or casting vote.
6. The Board's direction for minimum annual attendance requirements for Committees of the Board require Committee members to participate in at least 3/4 of all meetings (regular and extraordinary) and that any continuous absences not to exceed 2 in number.
7. No person other than a committee member is entitled to attend meetings of the Committee. Invitees are formally invited to committee meetings only for a specific item(s) on the agenda and leave the meeting immediately afterwards, without any participation in the discussion/decision-making process.
8. The AC should meet periodically with the RC and other risk-related Committees to ensure effective exchange of information and effective coverage of all risks, including emerging risks and any needed adjustments to the risk governance framework of the Group in the light of its business plans and the external environment.

9. The Committee shall annually establish a schedule of major topics to be discussed during the year.
10. Decisions beyond this Committee's authority and matters which any member of the Committee deems necessary for escalation will be escalated by the Chair to the Board as appropriate.

6. RESPONSIBILITIES

The Committee must deliberate on the necessary information and assurances needed to fulfil its responsibilities effectively. It should evaluate and oversee matters within its purview, offering recommendations or assurances to the Board. Also, the identification and addressing of any gaps is crucial. The Committee must ensure that the basis of this assurance and information is both sufficient and objective.

The Committee shall:

1. Internal controls:

- 1.1. Annually review the effectiveness of the Group's internal quality control and risk management systems (being the systems established to identify, assess, manage and monitor financial risk) with regard to the financial reporting, based on data and information produced by the IA Division, the observations and comments of the Bank's external auditors and the competent supervisory authorities as well as the assurance provided by the CEO, and make appropriate recommendations to the Board.
- 1.2. Review and approve the yearly assessment of Internal Controls report prepared by the IA prior to submission to the Board of Directors. IA should provide an audit opinion in the report on the overall effectiveness of the Internal Control Framework (ICF) of the Group.
- 1.3. Initiate special investigations of suspected fraud, collusions, or other illegal acts, and examine any verified fraud, collusions, or other illegal acts with internal and/or external auditors.
- 1.4. Ensure that external specialist consultants (other than the statutory auditors of the Bank) evaluate the effectiveness of the system of internal controls of the Group every three years both on a consolidated and an individual basis and ensure their rotation after two (2) consecutive assessments.
- 1.5. Review the findings of the above assessment and propose corrective measures to the Board.
- 1.6. Review the Group's whistleblowing policies and procedures, assess their effectiveness and ensure that there are adequate, reliable and secure internal whistleblowing arrangements for staff and contractors to raise concerns (including about possible improprieties in matters of financial reporting) in confidence and that these arrangements allow proportionate and

independent investigation of such matters and appropriate follow up action. The Chairperson of the Committee acts as the Whistleblower's Champion.

- 1.7. Identify, assess, and monitor any tax risk that the Group might face.
- 1.8. Oversee the implementation of the AML&TF Law and relevant directives. The Chairperson of the Committee is the designate Board member responsible for such oversight.
- 1.9. Ensure the ESG frameworks/standards used are proper and relevant climate-related financial disclosures are investor grade.
- 1.10. Ensure there are processes and controls in place to ensure accurate, comparable, and consistent climate-related financial disclosures.
- 1.11. Consider materiality in terms of how ESG, including climate related and environmental issues impact the Group's financial performance and ability to create long-term value (Financial materiality) and how the Group's actions impact people and the planet (Social materiality).
- 1.12. Ensures that a process is developed which allows the Board of Directors to be informed regularly by the control functions on persistent incidents or weaknesses that are being followed up, related to the Bank's risk culture.
- 1.13. Ensures that there is a continuously enhanced risk culture and accountability mechanisms.

2. Financial Statements and Published Financial Information:

- 2.1. Review all publications of financial statements and related information of the Group, including both interim and annual reports (in a way consistent with all requirements for prompt disclosure under the Rulebook and relevant decisions of ATHEX and equivalent legislation as regulated in Cyprus) and report to the Board on the significant financial reporting issues and estimates and judgments made therein (having regard to matters communicated to it by the auditor).
- 2.2. Review related information presented with the financial information, including the strategic report and the corporate governance statements relating to the audit.
- 2.3. Where requested by the Board, advise the Board on whether the annual report and accounts taken as a whole, are fair, balanced and understandable (including assessing whether information in the annual report other than the financial statements is consistent with the financial statements) and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- 2.4. Monitor the integrity of the Group's financial statements, interim management statements, preliminary announcements and other formal announcements related to the Group's financial performance and review significant financial reporting judgements contained in them. In

particular, review and challenge where necessary (including reporting to the Board where the Committee is not satisfied) the clarity, completeness and appropriateness of disclosures in the financial statements in relation to internal control and the viability statement and generally provide advice to the Board on these announcements.

- 2.5. Jointly with RC review provisions proposals of management and other topics of common/shared responsibility and make appropriate recommendations to the Board in relation to the adequacy of these provisions and the methodology adopted.
- 2.6. Supervise the process of the Finance Director's selection of the proper financial and GHG emissions accounting policies and recommend any significant changes in accounting policies and/or practices to the Board for approval and oversee the establishment of these accounting policies.
- 2.7. Ensure the ESG-related disclosures to be included in the Group's periodic reports.
- 2.8. Review other material public disclosures with respect to ESG, including climate related and environmental matters and discuss with management the Group's engagement with stakeholders on key ESG including climate related and environmental matters, including in response to any proposals or other concerns that have been submitted to the Group or the Board.

3. Internal Audit:

- 3.1. Recommend to the Board for approval the internal audit charter to ensure it is appropriate to the Group's needs, approve the Triennial audit plan and ensure it is aligned to the key risks of the business and monitor and review the effectiveness of its work. Review and recommend to the Board for approval the budget of the IA and ensure it is sufficiently flexible to adapt in response to developments.
- 3.2. Assess and monitor the independence, adequacy, role and effectiveness of the IA (including in the context of the Group's overall risk management system) and report the Committee's conclusions to the Board, explaining the methodology used to carry out the assessment.
- 3.3. Evaluate the Director of Internal Audit and recommend to the Board, as appropriate, his/her appointment, replacement, reassignment, or dismissal. Carry out an annual appraisal of his/her performance and submit to the Board.
- 3.4. Oversee the coordination of internal and external audit activities.
- 3.5. Ensure that there is open communication between the different functions and that the Internal Audit Division evaluates the effectiveness of the risk, compliance, and finance divisions as part of its internal audit plan.

- 3.6. Ensure that IA incorporates ESG including climate related and environmental risks in its Risk and Audit Universe.
- 3.7. Ensure that the IA has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with the Global Internal Auditing Standards.
- 3.8. Assess the effectiveness of the Internal Audit Division by:
 - a) Meeting with the Director of IA at least once a year, without management being present, to discuss any issues arising from the internal audits carried out.
 - b) Reviewing and assessing the annual internal audit work plan.
 - c) Receiving a report on the results of the internal auditor's work.
 - d) Confirming the appropriateness of the qualifications, experience, and expertise of the internal audit for the business.
- 3.9. Ensure that the Director of IA has direct access to the Chairperson of the Board and to the Committee and is accountable to the Committee.
- 3.10. Is regularly informed about the ongoing implementation of the audit plan as well as other aspects of internal audit function's effectiveness.
- 3.11. Receive and consider audit reports including the Annual Audit Report prepared by IA and monitor the prompt and effective implementation by management of agreed recommendations through the internal audit reports.

4. Compliance Division:

- 4.1. Advise the Board based on data and information produced by the regulatory compliance department on the adequacy and effectiveness of the business conduct framework.
- 4.2. Advise the Board based on data and information produced by regulatory compliance department and external auditors on the adequacy and effectiveness of the compliance framework of the Group.
- 4.3. Monitor the resources, access to information and quality of work performed by the CD, review the compliance program and make appropriate recommendations to the Board.
- 4.4. Takes note of the compliance charter and the annual compliance program to ensure they are appropriate to the Group's needs before they are submitted to the Board for approval. Review and recommend to the Board for approval the budget of the CD and ensure it is sufficiently flexible to adapt in response to developments.

- 4.5. Evaluate the CCO and recommend to the Board, as appropriate, his/her appointment, replacement, reassignment, or dismissal, carry out an annual appraisal of his/her performance and submit to the Board.
- 4.6. Assess and monitor the independence, adequacy, and effectiveness of the Compliance Division.
- 4.7. Review and note Group Policies issued by CD before they are submitted to the Board for approval.
- 4.8. Receive and consider regular reports as well as ad-hoc ones issued by the CD and monitor the prompt and effective implementation by management of agreed recommendations through these reports and other guidelines issued by CD.

5. External Audit:

- 5.1. Consider and monitor the independence and objectivity of external auditors of the Group. Matters affecting the auditors' independence must be examined and appropriate recommendations should be made to the Board.
- 5.2. Review the effectiveness of the external audit process through the use of Audit Quality Indicators (AQIs).
- 5.3. Assess annually and report to the Board on the qualification, expertise, resources, and independence of the external auditor.
- 5.4. Review and consider the statements prepared by the statutory auditors on their independence and ensure they are in line with the relevant annual CD report.
- 5.5. Conduct the tender process as often as required by applicable law, rules, regulations, and best practice and make recommendations to the Board on the appointment, re-appointment, dismissal, remuneration and terms of engagement of the auditors.
- 5.6. Receive and consider audit reports, management letters and other written assessments completed by external auditors, as well as the management response to them, and ensure prompt and effective implementation of agreed recommendations.
- 5.7. Discuss with external auditors and with management major issues that arose during the audit, the accounting principles, question the accounting policies and practices adopted in the preparation of the financial statements and the validity of management estimates, review key accounting and audit judgements, and be assured that they comply with statutory requirements and International Financial Reporting Standards as approved by the European Union.

- 5.8. Develop, approve, and implement a policy on the engagement of the external auditors to supply non-audit services ensuring there is prior approval of non-audit services, considering the impact this may have on independence or objectivity, taking into account relevant regulations and ethical guidance and report to the Board, on any action or improvement is required; and
- 5.9. Report to the Board on how the Committee has discharged its responsibilities.
- 5.10. Discuss with the external auditors, before the audit commences, the nature, scope, and frequency of the audit of the annual or consolidated financial statements, the auditor's quality control procedures and steps taken by the auditor in response to changes in regulatory and other requirements.
- 5.11. Specify the units and subsidiaries to be included in the scope of the assessment of the adequacy of the system of internal controls prepared by external auditors, based on the principle of proportionality as well as on other qualitative criteria.
- 5.12. Approve all non-prohibited NAS for the Holdings Company, the Bank, and its subsidiaries.
- 5.13. Meet with external auditor at least once a year without management present, to discuss issues arising from the audit and the Audit Report on the assessment of the adequacy of the Group's internal control systems.

6. Communication and Reporting:

- 6.1. Ensure adequate coordination / communication between the Board, management, the IA and the external auditors of the Group on audit issues.
- 6.2. Ensure adequate coordination / communication between the Board, management, and the CD on compliance issues.
- 6.3. Review quarterly report received from the statutory auditor, confirming non-audit services provided during that period.
- 6.4. Formulate the annual AC Report included in the Annual Corporate Governance Report of the Group which should include, amongst other things, all items in the Annex attached to these Terms of Reference.
- 6.5. Review and approve the Report on Corporate Governance which will be included in the Group's Annual Report.
- 6.6. Be prepared to meet investors and, in particular, respond (through the Chairperson of the Committee) to shareholder questions regarding audit issues of the Group at the Annual General Meeting.

- 6.7. Report to the Board annually regarding the assignment of material consultancy duties and on the amount of audit and non-audit services remuneration paid by the Bank and its subsidiary companies to the external auditors and other external consultants of the Group.
- 6.8. The Chairperson of the Committee or as a minimum, another member of the Committee, shall attend the Board meeting at which the accounts are approved.
- 6.9. The Chairperson of the Committee shall arrange to hold an annual conference call with all chairpersons of subsidiary Audit & Risk Committees and shall report to the Board any concerns.
- 6.10. Annually obtain and review the report on audit committee performance of each major subsidiary and take appropriate action.
- 6.11. Liaise with other Committees of the Board as appropriate, including with the HRRC in relation to the remuneration of persons within the Group's internal audit, and control functions.
- 6.12. Carry out an annual self-assessment (including in relation to the AC's terms of reference) and report the conclusions and recommendations for improvements and changes to the Board.
- 6.13. Ensure that the Committees' terms of reference are available on the Group's official website.

7. Further enhancement of the Group's ethical culture:

The Committee shall provide guidance to the Board in relation to risk related issues that emerge in the context of enhancing the Bank's ethical culture. In this respect, the Committee shall submit recommendations to the Board for any actions that should be taken in the context of enhancing the ethical culture of the Group.

The Annual Corporate Governance Report of the Group includes, *inter alia*, the following:

1. A summary of the AC's role and work.
2. How the Committee composition requirements have been addressed and the names and qualifications of all audit committee members during the period.
3. The independence status of the members of the Committee.
4. The significant issues that the committee considered in relation to the financial statements and how these issues were addressed.
5. The number of Committee meetings.
6. A report on the way the audit committee has discharged its responsibilities.
7. An explanation as to how the Committee's performance evaluation has been conducted.
8. An explanation of how the Committee assessed the effectiveness of the Group's internal audit division.
9. An explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted and advance notice of any retendering plans.
10. An explanation of how auditor objectivity and independence are safeguarded, if the external auditor provides non-audit services.

In case the Board does not accept the Committee's recommendation in relation to the external auditor's appointment, and if the matter cannot be resolved, the Committee shall explain its recommendation and the reasons why the Board has taken a different position in the annual report to shareholders referred to above (this should also be supplied in any papers recommending appointment or reappointment).