Annual Corporate Governance Report 2014
Introduction

The Board of Directors of the Bank of Cyprus Public Company Ltd (‘the Bank’ or ‘the Company’) fully adopted the Code of Corporate Governance (the ‘Code’), which was published by the Cyprus Stock Exchange (CSE) (4th Edition (Revised) April 2014). Listed companies have an obligation to include in their Annual Report a Report by the Board of Directors on Corporate Governance.

Part A

As a company listed on the CSE, the Company has adopted the CSE Code and applies its principles which form part of the Group’s policy on Corporate Governance. The Board of Directors continually aims to ensure that the Bank is a modern and competitive organisation that applies best practices in corporate governance and corporate administration. The Policy based on the Code together with the Terms of Reference and the practices followed by the Board Committees, constitute important foundations for maximising shareholder value.

Part B

The Company complies with the provisions of the CSE Code. There were a few immaterial deviations during 2014 and these are noted in the sections that follow.

Following the 4th revised edition of the Code, the Company revised its Board manual and the terms of reference of the Board Committees and issued a Group policy on Corporate Governance which applies to all Divisions and managers of the Bank as well as the Members of the Board and those of subsidiary companies (where applicable).

The following sections contain, inter alia, information and declarations in relation to the implementation of the provisions of the Code.

1. Board of Directors

The authorities of the Members of the Board of Directors are specified by the Articles of Association of the Company, by the Code and the relevant Companies, Stock Exchange and Banking Laws.

1.1 The Role of the Board of Directors

The primary role of the Board of Directors is to provide strategic leadership of the Bank of Cyprus Group (‘the Group’) within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board of Directors sets the Group’s strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance. The Board of Directors also sets the Group’s values and standards and ensures that its obligations towards its shareholders and other stakeholders are understood and met.

Specific decisions and matters are reserved for approval by the Board. These include decisions on the strategic policy of the Group, approval of risk appetite, major acquisitions, mergers or disposals, the Group’s annual and three-year budget and business plan, significant capital expenditure, directors’ conflict of interest, Board membership and governance issues.

1.2 Composition of the Board of Directors

As at 31st December 2014, the Board of Directors comprised 10 Members (as listed below), specifically the non-Executive Chairman, Dr Josef Ackermann, the non-Executive Vice-Chairmen, Mr. Vladimir Strzhalkovskiy and Mr. Wilbur L. Ross, another 5 non-Executive Directors and two Executive Directors.

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals.
Board of Directors as at 1 January 2014

Christis Hassapis (Chairman)
Vladimir Strzhalkovskiy (Vice-Chairman)
Anjelica Anshakova
Dmitry Chichikasvili
Marinos Gialeli
John P. Hourican (Executive)
Marios Kalochoritis
Konstantinos Katsaros (up to 13/10/2014)
Eriskhan Kurazov
Adonis Papaconstantinou
Anton Smetanin
Xanthos Vrachas
Marios Yiannas (up to 4/4/2014)
Andreas Yiasemides
Ioannis Zographakis

On 4 April 2014 Mr. Marios Yiannas resigned from the Board of Directors whilst on 13 October 2014 Mr. Konstantinos Katsaros also resigned. Dr. Christis Hassapis, Mr. Xanthos Vrachas and Mr. Andreas Yiasemides did not offer themselves for re-election at the Annual General Meeting of shareholders on 20 November 2014.

Board of Directors appointed on 20 November 2014

On 20 November 2014 the shareholders of the Company elected a new Board of Directors as follows:

Josef Ackermann (Chairman)
Wilbur L. Ross (Vice-Chairman)
Vladimir Strzhalkovskiy (Vice-Chairman)
Arne Berggren
Maksim Goldman
John P. Hourican (Executive)
Marios Kalochoritis
Christodoulos Patsalides (Executive)
Michael Spanos
Ioannis Zographakis

The above mentioned appointments took place after applying in full the procedures of the CBC Directive on the Assessment of the Fitness and Probity of Directors and Managers of Credit Institutions of 2014. All of the Members of the Board have the appropriate qualifications and a broad relevant experience.

Following the Annual General Meeting, the Board of Directors convened a meeting in which Messrs Josef Ackermann, Vladimir Strzhalkovskiy and Wilbur L. Ross were elected as Chairman and Vice-Chairmen respectively.

Mr. John Patrick Hourican and Dr. Christodoulos Patsalides were elected as Executive Members of the Board. Up to 20 November 2014 the only Executive member of the Board was Mr. John Patrick Hourican.

All the Members of the Board were provided on appointment with an information pack which included among others, the Board manual, key legislation, directives and regulations and the Company’s Articles of Association.

1.2.1 Independence

Provision A.2.3 of the Code requires that at least 50% of the Board of Directors, excluding the Chairman, should be independent non-Executive Directors.
Board of Directors as at the date of this Report

The Board of Directors considers the following Directors to be independent as at the date of this Report thereby satisfying provision A.2.3 of the Code.

Josef Ackermann (Chairman)
Wilbur L. Ross (Vice-Chairman)
Vladimir Strzhalkovskiy (Vice Chairman)
Arne Berggren
Marios Kalochoritis
Michael Spanos
Ioannis Zographakis

A relevant 'Confirmation of Independence' based on the independence criteria of provision A.2.3 of the Code has been signed by each of the above mentioned Directors and will be submitted to the Cyprus Stock Exchange together with the present Corporate Governance Report.

1.3 Senior Independent Director

On 26 November 2014 the Board of Directors appointed Mr. Michael Spanos as Senior Independent Director. The Senior Independent Director is available to shareholders if they have concerns that are not resolved through normal communication channels. Previously, and up to his resignation on 13 October 2014, Mr. Konstantinos Katsaros was the Senior Independent Director. It is noted that following the resignation of the former Senior Independent Director, Mr. Katsaros, and up to the appointment of Mr. Spanos on 26 November 2014, the Company did not have a Senior Independent Director.

1.4 Meetings of the Board of Directors

The Board of Directors meets on a regular basis and has a formal schedule of matters for consideration. During 2014, 27 Board meetings were held due to challenging events and circumstances prevailing following the events of March 2013 and the Group’s revised strategic objectives. The main areas of focus for the Board were the Bank’s strategy, the implementation of the Restructuring Plan, liquidity and arrears management, the recapitalisation of the Bank, improvement of the risk management framework, the smooth integration of ex-Laiki Information Technology systems and the overall improvement of operational efficiency.

In every case it is ensured that all Members of the Board are correctly informed in writing of forthcoming Board meetings and all necessary documentation relating to the meeting is provided in a timely manner to allow them adequate time to review. Due to the large number of meetings of the Board and its Committees, it was not always possible to have the minutes of the previous meeting at the disposal of the Directors before the next meeting.

The attendance of the Members of the Board of Directors for 2014 is presented in the following tables:

**Board of Directors 1/1/2014-20/11/2014**

<table>
<thead>
<tr>
<th>Name</th>
<th>Board of Directors</th>
<th>Audit Committee</th>
<th>Remuneration Committee</th>
<th>Nomination &amp; Corporate Governance Committee</th>
<th>Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christis Hassapis (Chairman)</td>
<td>24/24</td>
<td></td>
<td>14/14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vladimir Strzhalkovskiy (Vice-Chairman)</td>
<td>15/24</td>
<td></td>
<td></td>
<td>6/6</td>
<td></td>
</tr>
<tr>
<td>Anjeica Anshakova</td>
<td>13/24</td>
<td>4/15</td>
<td></td>
<td>4/6</td>
<td></td>
</tr>
<tr>
<td>Dmitry Chichikashvili</td>
<td>9/24</td>
<td></td>
<td></td>
<td>1/6</td>
<td></td>
</tr>
<tr>
<td>Marios Gialeli</td>
<td>23/24</td>
<td>13/15</td>
<td>6/7</td>
<td>1/1</td>
<td>6/6</td>
</tr>
<tr>
<td>John P. Hourican</td>
<td>22/24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marios Kalochoritis</td>
<td>24/24</td>
<td></td>
<td>9/10</td>
<td>14/14</td>
<td></td>
</tr>
<tr>
<td>Konstantinos Katsaros*</td>
<td>22/22</td>
<td>15/15</td>
<td>7/7</td>
<td>1/1</td>
<td></td>
</tr>
<tr>
<td>Eriskhan Kurazov</td>
<td>5/24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adonis Papaconstantinou</td>
<td>24/24</td>
<td></td>
<td>10/10</td>
<td>14/14</td>
<td></td>
</tr>
<tr>
<td>Anton Smetanin</td>
<td>16/24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Xanthos Vrachas</td>
<td>24/24</td>
<td>14/15</td>
<td></td>
<td>6/6</td>
<td></td>
</tr>
<tr>
<td>Marios Yiannas **</td>
<td>7/7</td>
<td></td>
<td>5/5</td>
<td>1/2</td>
<td></td>
</tr>
<tr>
<td>Andreas Yiassimides</td>
<td>22/24</td>
<td>12/15</td>
<td>4/6</td>
<td>12/14</td>
<td></td>
</tr>
<tr>
<td>Ioannis Zographakis</td>
<td>21/24</td>
<td>15/15</td>
<td></td>
<td>6/6</td>
<td></td>
</tr>
<tr>
<td><strong>Total meetings</strong></td>
<td><strong>24</strong></td>
<td><strong>15</strong></td>
<td><strong>10</strong></td>
<td><strong>14</strong></td>
<td><strong>6</strong></td>
</tr>
</tbody>
</table>
* Resigned 13/10/2014  
** Resigned 4/4/2014  

No action is required as any poor attendance records relate primarily to the previous Board composition which ended on 20 November 2014.

**Board of Directors 20/11/2014 – 31/12/2014**

<table>
<thead>
<tr>
<th>Name</th>
<th>Board of Directors</th>
<th>Audit Committee</th>
<th>Remuneration Committee &amp; Human Resources</th>
<th>Nomination &amp; Corporate Governance Committee</th>
<th>Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Josef Ackermann (Chairman)</td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wilbur L. Ross (Vice-Chairman)</td>
<td>2/3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vladimir Strzhalkovskiy (Vice-Chairman)</td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arne Berggren</td>
<td>3/3</td>
<td>2/2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maksim Goldman</td>
<td>3/3</td>
<td>2/2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John P. Hourican</td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marios Kalochoritis</td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Christodoulos Patsalides</td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michael Spanos</td>
<td>3/3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ioannis Zographakis</td>
<td>3/3</td>
<td>2/2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total meetings</strong></td>
<td><strong>3</strong></td>
<td><strong>2</strong></td>
<td><strong>N/A</strong></td>
<td><strong>N/A</strong></td>
<td><strong>N/A</strong></td>
</tr>
</tbody>
</table>

The Members hold position on the Board of Directors of other companies as noted in their curricula vitae published in the Corporate Governance Report for the year and they offer themselves for re-election. Their participation in other Boards does not prevent them from devoting the necessary time and attention to their duties as Members of the Board of Directors of the Bank.

On 31 January 2014, the Board appointed Mr. Panayiotis Agapiou as Company Secretary following the resignation of Mr. Phivos Zomenis.

On 26 November 2014, the Board appointed Ms Katia Santis as Company Secretary, following the resignation of Mr. Agapiou.

The duties and responsibilities of the Company Secretary are the following:

- To ensure the Board and its Committees are constituted and function in compliance with internal rules, the Articles of Association of the Bank, the Board manual, CBC Directives and other applicable legal and supervisory requirements.
- To facilitate the flow of information within the Board and its Committees, between senior management and non-Executive directors and between Heads of internal control functions and non-Executive directors.
- To provide access to independent professional advice at the expense of the Bank as required.
- To be involved in preparing the schedule of all Board and Committee meetings.
- To ensure that relevant information is dispatched timely to all members of the management body to enable them to prepare adequately for these meetings.

The Company Secretary ensures minutes are kept in accordance to regulatory requirements; the Company Secretary must:

- express explicitly, in a separate paragraph, her assessment as to whether the meeting had been held in compliance with internal rules and regulations of the management body, the provisions of the CBC Directive and other applicable legal and supervisory requirements;
- ensure minutes are circulated, finalised and approved in a timely manner by all members present at the meeting;
- ensure finalised minutes are distributed in a timely manner to all recipients;
- ensure decisions taken are properly communicated, pursue follow up actions and report on matters arising.

All Directors have access to the advice and services of the Company Secretary and the Corporate Governance Compliance Officer and relevant information related to Board procedures and the
Independent professional advice is also available to the Directors in accordance with the internal policy that was formulated and approved by the Board of Directors.

The key areas of focus in 2014 for the Board were:

- Group strategy and long term objectives in light of the regulatory and economic environment
- The release of decree deposits
- The recapitalisation of the Bank and assessment of funding solutions based on the recommendations of Executive management
- Legal issues / actions against the Bank
- Examination and approval of BOC Group Financial results
- Updates on regulatory developments
- Approval of the Group’s risk appetite
- Disposal of non-core assets

During 2014 the following new Policies were approved by the Board of Directors:

- Group Risk Appetite Statement
- Policy Relating to the Prevention of Money Laundering and Terrorism Financing
- Group Customer Acceptance Policy
- Sanctions Policy
- Concentration Policy
- Liquidity Policy
- Provisioning Policy
- Group Information Security Policy
- Group Competition Law Compliance Policy
- Group Customer Complaints Management Policy
- Market Abuse Policy
- MiFID Obligations on Personal Transactions Policy
- Valuation Policy Statement
- Liquid Assets Investment Policy
- Country Risk Policy
- Reputational Risk Policy
- Business Continuity Management Policy
- Non-salary benefits & Allowances for Members of the Board of Directors
- Non-salary benefits & Allowances for staff
- Anti-Bribery Policy
- Personal Data Protection Policy
- New Product/Service/Delivery Channel Development Management Policy
- Regulatory Developments and Communication with competent Authorities Policy
- Stress Testing Policy
- Market Risk Policy
- Lending Policy
- Operational Risk Management Policy
- Fraud Risk Policy
- Group Procurements Policy
- Conflicts of Interest Policy

1.5 Board Renewal

The rules regarding the composition of the Board of Directors and the appointment and rotation of its members are defined in the Articles of Association of the Bank as follows:

- The number of Directors shall neither be less than seven nor more than thirteen.
- At the first and every subsequent Annual General Meeting of the Company, one-third of the Directors, or if their number is not three or a multiple of three, then the nearest number to one third, shall retire from office.
- The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those
to retire shall, unless they otherwise agree among themselves, be determined by lot (Rotation Decision).

- A retiring Director shall be eligible for re-election.
- No person other than a Director retiring at the Meeting shall unless recommended by the Directors be eligible for election to the office of Director at any General Meeting unless not less than six or more than twenty-one days before the date appointed for the Meeting there shall be left at the registered office of the Company notice in writing, signed by a member duly qualified to attend and vote at the Meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.
- The Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with the Articles of Association. Any Director so appointed shall hold office only until the next following Annual General Meeting, and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

A Rotation Decision as to the identity of the Directors to be retiring at the upcoming Annual General Meeting of the Company has not been taken to this date but shall be taken or made not later than the giving of Notice for the said Annual General Meeting and be announced (including the provision of CVs of those offering themselves for re-election) accordingly.

1.6 Other Key Milestones in 2014

Pursuant to the provisions of the ‘Bail-in of Bank of Cyprus Public Company Ltd Decree of 2013’, the Company has been re-capitalised through a bail-in (deposit-to-equity conversion) of uninsured deposits and structured products in 2013. In addition, the Company completed the issue of additional share capital of €1 billion in 2014.

Other provisions of the ‘Bail-in’ decrees issued in July 2013 included certain restrictive measures applicable to the Bank’s deposits affected by the bail-in. Deposits remained blocked in the form of three equal fixed term deposits with terms of 6, 9 and 12 months respectively, beginning 1 August 2013. The Bank was allowed to renew them for an additional equal term at the same interest rates, depending on market conditions.

The Company decided to release the six-month, nine-month and twelve-month time decree deposits maturing on 31 January 2014, 30 April 2014 and 31 July 2014 respectively. The six-month time deposits were fully released on 31 January 2014. The nine-month time deposits were released in three equal tranches on 30 April, 31 July and 31 October 2014. The twelve-month time deposits are released in three equal tranches on 31 July 2014, 30 October 2014 and 30 January 2015.

The Group’s operations in Cyprus and overseas are supervised by the CBC and the ECB as a supervisory body for all the banks in the Eurozone area (referred to as the Single Supervisory Mechanism (SSM)). The ECB fully assumed several supervisory responsibilities on 4 November 2014 (subject to implementation arrangements and measures set forth in article 33(2) of the ECB Regulations).

The shareholder base of the company changed radically following the recapitalisation of the Bank. In light of the above various actions were taken in compliance with the CBC Directive on Governance and Management Arrangements of Credit Institutions always taking into consideration the CSE Code.

2. Members of the Board of Directors

The curricula vitae of all the Members of the Board of Directors as at the date of this Report are provided below.
2.1 Non-Executive Directors

Josef Ackermann (Chairman)
Born in 1948. Dr. Ackermann is the former chairman of the management board and the group Executive committee at Deutsche Bank. Dr. Ackermann joined Deutsche Bank’s board of managing directors in 1996, where he was responsible for the investment banking division. Under his leadership, this business unit developed into one of Deutsche Bank’s principal revenue sources and entered the top group of global investment banks. Prior to Deutsche Bank, Dr. Ackermann was president of Schweizerische Kreditanstalt (SKA), today’s Credit Suisse. Dr. Ackermann has held numerous board positions including sitting on the board of directors at Zurich Insurance Group, Royal Dutch Shell plc, Siemens AG and EQT Holdings AB among others. Today, he still holds numerous mandates, amongst them as a member of the board of directors at Investor AB, and Renova Management AG. Dr. Ackermann also serves as honorary chairman of the St. Gallen Foundation for International Studies, honorary senate member of the Foundation Lindau Nobel Prizewinners Meetings at Lake Constance, vice chair and a member of the board of trustees of The Conference Board and advisory director at New York's Metropolitan Opera, among other posts. Dr. Ackermann also served as vice-chairman of the foundation board of the World Economic Forum. Dr. Ackermann studied economics and social sciences at the University of St. Gallen, where he earned his doctorate, and holds an honorary doctorate from the Democritus University of Thrace in Greece. Dr. Ackermann is also an honorary fellow of the London Business School, was visiting professor in finance at the London School of Economics, and was appointed honorary professor at the Johann Wolfgang Goethe University in Frankfurt.

Wilbur L. Ross (Vice-Chairman)
Born in 1937. Mr. Ross is the Founder, Chairman and Chief Strategy Officer of WL Ross & Co. LLC, a private equity firm. Mr. Ross was also formerly the Chief Executive Officer of WL Ross prior to April 30, 2014 when he became its Chairman and Chief Strategy Officer. In March 2014 Mr. Ross became the Chairman and Chief Executive Officer of WL Ross Holding Corp, a special acquisition company. Mr. Ross is currently a member of the board of directors of Arcelor Mittal, the world’s largest steel and mining company; EXCO Resources, Inc., a natural gas and oil exploration company; DSS Holdings LP, a shipping transportation company and Sun Bancorp, a bank holding company. Mr. Ross formerly served as a member of the board of directors of many banks, financial and other companies, including but not limited to The Governor and Company of the Bank of Ireland, a commercial bank in Ireland until June 2014, BankUnited, Inc., until March 2014; Talmer Bancorp., Assured Guaranty, an insurance company; International Textile Group; NBNK Investments PLC; PB Materials Holdings, Inc.; Ohizumi Manufacturing; Ocwen Financial Corp.; Navigator Holdings, a maritime transport company until November 2014; Plascar Participacoes SA, a manufacturer of automotive interiors, until 2014 and Air Lease Corporation, an aircraft leasing company from 2010 to December 2013; International Coal Group from April 2005 to June 2011, Montpelier Re Holdings Ltd., a reinsurance company, from 2006 to March 2010; The Greenbrier Companies, a supplier of transportation equipment and services to the railroad industry from June 2009 until January 2013. Mr. Ross was Executive Managing Director of Rothschild Inc. for 24 years before acquiring that firm's private equity partnerships in 2000. Mr. Ross is a graduate of Yale University and of Harvard Business School. Through the course of Mr. Ross' career, he has assisted in restructuring more than $400 billion of corporate liabilities. Mr. Ross is well qualified to serve as a director due to his over 35 years of experience in private equity, numerous public and private company directorship roles, and globally-recognized financial expertise having been elected to both the Private Equity Hall of Fame and the Turnaround Management Association Hall of Fame. Mr. Ross has been appointed by President Clinton to the Board of Directors of the U.S-Russia Investment Fund and has served as Privatization Advisor to New York City Mayor Guiliani. He was awarded a medal by President Kim Dae Jung for assisting Korea during its financial crisis and in 2014 was awarded the Order of the Rising Sun with Gold and Silver Stars by the Japanese Government.

Vladimir Strzhalkovskiy (Vice-Chairman)
He was born in 1954. He has held the position of Deputy Minister of the Ministry of Economic Development of the Russian Federation for four years (July 2000 – November 2004), Chairman of the Executive Board of the World Tourism Organisation (2003 - 2004), Head of the Federal Agency Tourism Organisation (November 2004 – August 2008), member of the Board of Directors of the company INTER RAO Ues (June 2011 – June 2013) and he also served as CEO - Chairman

Arne Berggren

Born in 1958. Mr. Berggren has been involved in corporate and bank restructurings, working for both the private sector as well as for international organizations since the early 90s staring with Nordea during the Swedish financial crisis. This was followed by bank crises management and bank restructuring assignments in numerous countries in Latin America, Eastern Europe and Asia, and more recently during the current financial crisis in the Baltics, Spain and Slovenia. He has been head of Financial Restructuring and Recovery at Carnegie Investment Bank AB and Swedbank AB and as CEO of Swedcarrier AB he led the restructuring of parts of Swedish Rail. Mr Berggren has held numerous board positions in the financial and corporate sector and currently serves on the board of directors at LBT Varlık Yönetim AS and DUTB Ltd. He is a graduate of the University of Uppsala, Sweden.

Maksim Goldman

Born in 1971. Mr. Goldman currently serves as Director of Strategic Projects at Renova where he is responsible for coordinating the business development of various significant assets under management of the Group. Previously, Mr. Goldman served as Deputy Chief Investment Officer of Renova Group, responsible for implementing the investment policy and support of key mergers and acquisitions transactions. During 2005 to 2007 he worked as Vice President and International Legal Counsel of Sual-Holding, which was the management company for OAO “SUAL”, the second largest aluminium company in Russia, and also participated in the creation of UC Rusal through combination of the assets of Sual-Holding, Rusal and Glencore. From 1999 to 2005 Mr. Goldman worked as an associate at Chadbourne & Parke LLP in New York and in Moscow. Mr. Goldman holds a J.D. from the School of Law, University of California (Los Angeles). He also holds a Bachelor of Arts degree in History at the University of California (Los Angeles).

Marios Kalochoritis

Marios Kalochoritis was born in 1973. He is a Financial Executive with experience in investment banking, hedge fund management, private equity, wealth management and as a Chief Financial Officer. Geographically he has covered North and South America, Western and Eastern Europe and the Middle East. He is experienced in start-ups and turnaround situations. He has recently moved to Dubai from Cyprus to set up a family office for an industrialist family as Head of Investments, after spending five and a half years in Cyprus where, as the Managing Director, he had set up and ran the operations and risk management of a global macro hedge fund. Prior to that he was Senior Vice President for Credit Suisse Bank in Zurich and he was heading business development for Central and Eastern Europe and Turkey. Between 2003 and 2006 he was the Chief Financial Officer for Amana Group in Dubai, a major regional construction group. He had moved to Dubai following a couple of years in New York where he was the co-founder of a boutique investment bank. He started his career at Enron in Houston where as a financial analyst and later an associate in the finance department, he analysed and made investments in oil & gas, energy and other infrastructure opportunities around the world. He also interned with J.P. Morgan Bank in New York and McKinsey & Co in Athens. He holds an MBA from Harvard Business School and a BSc in Finance from Louisiana State University.

Michael Spanos

Mr. Spanos, born in 1953, is a Managing Director of M.S. Business Power Ltd, which provides consultancy services on strategic and business development (since 2008); non-Executive Chairman of Lainitis Bros Ltd (since 2008); founding Chairman of Green Dot (Cyprus) Public Co Ltd (since 2004); and a member of the board of directors of Coca-Cola İçecek (since 2012). Mr. Spanos worked at Lainitis Bros Ltd from 1981 to 2008 as Marketing Manager, General Manager and Managing Director. Between 2005 and 2009, Mr. Spanos served as vice-chairman of the board of directors of the Cyprus International Institute (Republic of Cyprus and Harvard School of Public Health). Mr. Spanos has also served on other boards, such as Heineken-Lainitis Cyprus Ltd (2005 to 2007), Lumiere TV Public Ltd (2000 to 2012), A. Petsas & Sons Public Ltd (2000 to
2007) and CypriaLife Insurance Ltd (1995 to 2000). Mr. Spanos is a former director of the CBC Board of Directors. Mr. Spanos holds a Master's degree in economics from North Carolina State University.

Ioannis Zographakis

Born in 1963. Mr. Zographakis is a senior Executive with a broad and diverse international experience in the banking industry. He has worked with Citibank for over 20 years, in the USA, UK and Greece. His line/business positions and divisional/corporate responsibilities, have provided him with an extensive background in corporate governance, business restructuring, re-engineering, crisis management, separation of businesses, business strategy, profit & loss management, finance, product and segment management, operations & technology management, and dealing with various regulatory bodies and industry related organisations. He started his career in 1990 with Citibank in Greece as a Management Associate for Europe, Middle-East & Africa (EMEA). He then worked as the Deputy Treasurer and Treasurer for the Consumer Bank in Greece, before moving to the USA in 1996 as the Director of Finance for CitiMortgage. In 1997 he became the Financial Controller for Citigroup's Consumer Finance business in the US and then he was the Chief Financial Officer for the Consumer Assets Division. From 1998 until 2004 he worked in the Student Loan Corporation (SLC), a Citigroup subsidiary and a New York Stock Exchange traded company. He started as the Chief Financial Officer, became the Chief Operations Officer and in 2001 he was named the Chief Executive Officer. In his four years as CEO of SLC, he managed to almost triple the earnings and the stock price of the company, outperforming the markets. In 2005 he moved back to Europe as Citibank's Consumer Lending Head for EMEA and UK Retail Bank Head. Deciding to move closer to home in 2006, he took the position as Citibank's Retail Bank Head in Greece where he stayed until 2011, before moving back to Cyprus consulting on financial services when requested. He has been a Director for the Student Loan Corporation in the US, a Director for Tiresias (Greek Credit Bureau) and the secretary of the Audit Committee, a Director and member of the Audit Committee for Diners Club Greece, the Vice-Chairman of the Citi Insurance Brokerage Board in Greece and the Chairman of the Investments and Insurance Supervisory Committee in Citibank Greece. He holds a Bachelor's degree in Civil Engineering from Imperial College in London and an MBA from Carnegie Mellon University in the USA.

2.2 Executive Directors

John Patrick Hourican (Chief Executive Officer)

He was born in 1970. Mr. Hourican served as Chief Executive of The Royal Bank of Scotland Group's ("RBS") Investment Bank (Markets & International Banking) from October 2008 until February 2013. Between 2007 and 2008, he served on behalf of a consortium of banks (RBS, Fortis and Santander) as Chief Financial Officer of ABN AMRO Group and as a Member of its Managing Board. He joined RBS in 1997 as a Leveraged Finance banker. He held a variety of senior positions within RBS's wholesale banking division, notably on the division's board as Finance Director and Chief Operating Officer. He also ran the bank's Leveraged Finance business in Europe and Asia. Mr. Hourican started his career at Price Waterhouse and he is a Fellow of the Institute of Chartered Accountants in Ireland. He is a graduate of the National University of Ireland and Dublin City University.

Christodoulos Patsalides (Finance Director)

Born in 1962. Dr. Patsalides currently serves as Finance Director of the Bank. From 1989 to 1996, Dr. Patsalides previously worked for the CBC in the Management of Government External Debt and Foreign Exchange Reserves department. In 1996, Dr. Patsalides joined the Bank where he has held a number of positions in corporate banking, treasury and private banking, among others. In Dr. Patsalides' current capacity as Finance Director, he is responsible for Finance, Treasury, Investor Relations, Economics Research and Procurement. Dr. Patsalides holds a PhD in Economics from the London School of Economics.

3. Board Committees

Specific responsibilities have been delegated to Committees of the Board of Directors. The Terms of Reference of the Committees are based on the relevant provisions of the CSE Code and the Governance Directive of the Central Bank of Cyprus (where applicable).
Both the current and the previous Board of Directors set up Board Committees in accordance with the relevant requirements of the Code. Information about each of these Committees is provided in sections 3.1 to 3.4 below.

3.1 Audit Committee

The role of the Committee is to review and monitor among other things:

- The effectiveness of the Group’s system of internal controls,
- The integrity of the Group’s financial statements and related announcements,
- The effectiveness of the internal and external audit processes,
- The Group’s relationship with the external auditors,
- The effectiveness of the Group’s whistleblowing procedures,
- The effectiveness of the Group’s compliance function,

and make recommendations to the Board on such matters.

The role of the Audit Committee is fundamental to ensuring the financial integrity and accuracy of the Bank’s financial reporting. Good, open relationships between the Committee, the Finance Director, the Chief Risk Officer, the Group Internal Audit Director and the Group Compliance Director as well as the external auditors, are essential to adding value to the organisation. This is encouraged by holding management to account for the implementation of all audit recommendations (internal and external); inviting appropriate business heads to meetings to explain how they are delivering their agreed actions for which they are responsible. As well as providing assurance within the governance and accountability structures of Bank of Cyprus, it is essential that the Committee contributes, delivers results and adds value to the Group.

Financial Reporting

The Committee has discussed the key areas of judgment in the Group’s financial reporting with the external auditors, Ernst & Young Cyprus Ltd. Particular areas for discussion have been their findings/observations as part of their audit review of the Group’s financial statements including inter alia loan provisioning and impairment policies, going concern issues and the recoverability of deferred tax assets. The Committee is satisfied that it has considered for disclosure all material relevant issues that have concerned management and the Group statutory auditors during the year.

The Committee has reviewed and monitored the appropriateness and completeness of the published financial statements and related announcements to shareholders of the Company and any formal announcements relating to the Group’s financial performance, including significant financial reporting judgements and estimates made by the Group.

The Committee has considered management’s recommendations in respect of provisions for impairments of loans and advances and any other impairment losses and charges as reported in the Group’s financial statements. It also considered management’s assessment in determining that the going concern basis for preparing those financial statements continues to be appropriate.

The Committee has the responsibility for examining any significant transactions in any form, carried out by the Bank and/or its subsidiary companies, where any Member of the Board, Chief Executive Officer, Senior Executive Officer, Secretary, Auditor or large shareholder has, directly or indirectly, any significant interest. It ensures that these transactions are carried out within the framework of the Bank’s normal commercial practices (at arm’s length).

Control Environment

The Committee’s activities included the consideration of reports submitted by the Group Internal Audit and Compliance Functions. Management’s responses to Group Internal Audit’s findings and recommendations were reviewed and monitored. The monthly findings reports issued by the Directors of Internal Audit and Compliance enable the Committee to focus discussion on specific areas of concern and root causes and to track remediation progress over time. Areas of focus during 2014 have been Anti-Money Laundering procedures and relevant policies, KYC procedures,
Regulatory and Ethics policies, procurement processes, data quality and provisioning policies. The Committee has also reviewed important investigations carried out in 2014 by the Director of Internal Audit relating to matters and events of earlier years.

The Committee reviewed and approved the annual plans of the Group Internal Audit and Compliance Functions and the monitoring of subsequent actions.

The Board has delegated authority to the Nominations and Corporate Governance Committee to draw up the Corporate Governance Report, but the Audit Committee retains its duty to review and approve the Annual Corporate Governance Report.

The Audit Committee held 17 meetings during 2014.

3.1.1 Audit Committee up to the Election of the New Board on 20/11/2014

The members of the Audit Committee during 2014 and up to election of the current Board of Directors on 20 November 2014 were as follows:

Ioannis Zographakis (Chairman)
Anjelica Anshakova
Marinos Gialeli
Konstantinos Katsaros
Xanthos Vrachas
Andreas Yiasemides

The key areas of focus for the Committee in 2014 were as follows:

- Discussion of the results of the audit of the 2013 Financial Statements with the external auditors
- Recommendations in respect of provisions for impairment of loans and advances
- Corporate governance issues for subsidiary companies
- Scrutinising of key accounting judgements and estimates
- Review of monthly audit reports and internal control issues
- Appointment of the External Auditors
- Review of the annual report of the Group Internal Audit Function and major pending audit issues
- Consideration of major compliance issues and reports submitted to it by the Compliance Function
- Review and approval of the Anti-Money Laundering (‘AML’) risk appetite statement, AML Policy, Customer Acceptance Policy and Sanctions Policy
- Review and approval of Regulatory and Ethics policies
- Review of the independence of the Group Internal Audit Function and the Director of Group Internal Audit

3.1.2 Audit Committee since 20/11/2014

Audit Committee members

Ioannis Zographakis (Chairman)
Arne Berggren
Maksim Goldman

The Group Audit Committee which was appointed on 20 November 2014 held 2 meetings during 2014, during which the following topics were discussed:

- Third quarter of 2014 Financial Results
- Provisions for impairment of loans and advances for the third quarter of 2014
- Approval of audit and tax compliance fees for year 2014
- External Audit Plan for 2014
- Approval of revised Terms of Reference of the Audit Committee
- The Internal Audit Activity Report
• The procedure for Providing Assurance for internal controls
• Compliance Monthly and Quarterly Reports
• The Group Compliance Division 2015 Action plans
• Review and approval of Corporate Governance Policy, Group Fitness and Probity Policy and other Regulatory and Ethics Policies

3.1.3 Internal and External Audit Independence

The Group Internal Audit and Compliance Functions report directly to the Board of Directors through the Audit Committee. They are organisationally independent of units with Executive functions and are not subordinated to any other unit of the Bank, except the Director of Group Compliance who has a second reporting line to the Group CEO.

The Committee proposes to the Board the appointment or replacement of the Director of Internal Audit and the Director of Compliance. It submits a report to the Board on a) the adequacy of the audits carried out, the conclusions and the proposals of the Group Internal Audit and b) subjects that are related to the independence and smooth execution of audit work carried out by Group Internal Audit.

The independence of the two functions as well as the independence of the Group Internal Auditor were reviewed by the Audit Committee in the 1st Quarter of 2014.

The objectivity and independence of the external auditors is safeguarded through monitoring of their relationship with the Group by the Audit Committee, including the monitoring of the balance between audit and auxiliary non-audit services. The external auditors have confirmed their objectivity and independence in writing to the Group. In addition, the external auditors do not provide internal audit services to the Group. The Audit Committee reviews annually detailed analysis of the audit and non-audit fees relating to work done by the external auditors. The Committee reviews this to confirm the independence of the external auditors and refers this analysis to the Board of Directors.

3.2 Nominations and Corporate Governance Committee

The role of the Committee is to support and advise the Board in relation to Chairman, Vice-Chairman, Director and CEO development and succession planning and ensuring it is comprised of members who are best able to discharge the duties and responsibilities of Directors.

The Committee focuses primarily on the composition, appointment, succession and effectiveness of the Board, but also oversees the adoption of appropriate internal policies on the assessment of the fitness and probity of members of the Group Executive Committee, other Senior Managers and Heads of the Internal Control Functions.

The Committee keeps the Board’s governance arrangement under review and makes appropriate recommendations to the Board to ensure that the Group’s arrangements are consistent with best practice corporate governance standards. The Committee assesses the structure, size, composition and performance of the Board of Directors on an annual basis and submits any recommendations to the Board.

The members of the Nominations and Corporate Governance Committee as at the date of this Report are:

Josef Ackermann (Chairman)
Wilbur L. Ross
Vladimir Strzhalkovskyi

The members of the Nominations and Corporate Governance Committee during 2014 and up to election of the current Board of Directors on 20 November 2014 were as follows:

Christis Hassapis (Chairman)
Marinos Gialeli – up to 31/1/2014
Marios Kalochoritis
Konstantinos Katsaros – up to 31/1/2014
During 2014, the Nominations and Corporate Governance Committee held 14 meetings. The Committee assessed the structure, size and composition of the Board, the independence of its members as well as the skills, knowledge and expertise of the Members of the Board and reported accordingly to the Board of Directors. The Committee also recommended changes in the composition of subsidiary Boards and Board Committees. The Committee submitted the Annual Corporate Governance Report for 2013 to the Board of Directors for approval.

The Committee has also supervised the gap analysis process driven by the Corporate Governance Compliance Officer following the issue of the relevant CBC Directive issued in August 2014. The need to appoint a second Executive Director was discussed with a view to enriching the composition of the Board with further skills and expertise.

### 3.3 Risk Committee

The main purpose of the Committee is to review, on behalf of the Board, the aggregate Risk Profile of the Group, including performance against Risk Appetite for all risk types and to ensure that both the Risk Profile and Risk Appetite remain appropriate. Specifically it:

- Considers and recommends to the Board the Group’s overall Risk appetite.
- Reviews on behalf of the Board the aggregated Risk Profile for the Group and performance against the Risk Appetite.
- Identifies the potential impact of key issues and themes that may impact the Risk Profile of the Group.
- Ensures that the Group’s overall Risk Profile and Risk Appetite remain appropriate given the external environment, any key issues and themes impacting the Group and the internal control environment.
- Seeks to identify and assess future potential risks which, by virtue of their uncertainty, of low probability and unfamiliarity may not have been factored adequately into review by other Board Committees.

Like other financial organisations, the Group is exposed to risks, the most significant of which are credit risk, liquidity and funding risk, market risk (arising from adverse movements in exchange rates, interest rates and security prices) and operational risk. The Group monitors and manages these risks through various control mechanisms. Detailed information relating to Group risk management is set out in Notes 46 to 49 of the Consolidated Financial Statements and the Additional Risk Disclosures section of the Annual Financial Report.

The members of the Risk Committee as at the date of this Report are:

Vladimir Strzhalkovskiy (Chairman)
Wilbur L. Ross
Arne Berggren
Marios Kalochoritis
Yiannis Zographakis

The members of the Risk Committee during 2014 and up to the election of the current Board of Directors on 20 November 2014 were as follows:

Vladimir Strzhalkovskiy (Chairman)
Anjelica Anshakova
Dmitry Chichikashvili
Marinos Gialeli
Xanthos Vrachas
Yiannis Zographakis

During 2014, the Risk Committee held 6 meetings. Key areas of focus for the Committee during 2014 were arrears management and the improvement of the risk management framework while taking into account new regulatory developments. Furthermore, the Committee made
recommendations for the enhancement of the framework of the reporting to the Committee in order to facilitate its oversight role over risk management.

The Committee addressed significant risk management policy issues and submitted its recommendations to the Board for approval. Such areas included the risk appetite statement, restructuring policy, arrears management strategy and detailed implementation plan, loan sanctioning authorities and write-off limits. These policies were reviewed and revised, taking into account the new operating and regulatory environment in which the Bank operates.

3.4 Remuneration and Human Resources Committee

Further information on the composition and the role of the Committee as well as issues reviewed during 2014 can be found in the Remuneration Policy Report.

3.5 Other Committees

No other Committees are in place as at the date of this Report.

Other Committees up to 20 November 2014

The Board of Directors elected on 10 September 2013 had decided to set up a Committee to monitor the restructuring of the Group as follows:

Strategy & Restructuring Committee Attendance

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andreas Yiassimides (Chairman)</td>
<td>8/8</td>
</tr>
<tr>
<td>Dmitry Chichikashvili (Vice–Chairman)</td>
<td>0/8</td>
</tr>
<tr>
<td>Anjelica Anshakova</td>
<td>4/8</td>
</tr>
<tr>
<td>Marinos Gialeli – from 31/1/2014</td>
<td>6/6</td>
</tr>
<tr>
<td>Marios Kalochoritis</td>
<td>7/8</td>
</tr>
<tr>
<td>Adonis Papaconstantinou</td>
<td>8/8</td>
</tr>
<tr>
<td>Xanthos Vrachas</td>
<td>7/8</td>
</tr>
<tr>
<td>Marios Yiannas - up to 4/4/2014</td>
<td>1/2</td>
</tr>
<tr>
<td>Konstantinos Katsaros</td>
<td>7/8</td>
</tr>
<tr>
<td>Ioannis Zographakis</td>
<td>8/8</td>
</tr>
</tbody>
</table>

4. Loans to Directors and Other Transactions

Details of loans to Directors and other transactions with the Group are set out in Note 52 of the Consolidated Financial Statements for the year 2014.

It is forbidden by Law to extend credit to any independent members of the management body. Furthermore, any credit to be extended to non-independent members of the Board must comply with the following provisions of the Law:

(a) be approved by a resolution of the Board carried by a majority of two-thirds of the members that participated in the relevant Board meeting and the member concerned should not be present during the discussion nor should he vote on the resolution,
(b) the exposure granted should be on the same commercial terms as would apply to customers for similar exposures in the ordinary course of banking practice,
(c) the total value of exposures to in respect of all members of the management body should not exceed at any time 10% of the Bank’s own funds, or such other lower percentage as the Central Bank of Cyprus may determine from time to time,
(d) the total value of any unsecured exposures granted to all members of the Board should not exceed at any time 1% of the Bank’s own funds or such other lower percentage as the Central Bank of Cyprus may determine from time to time,
(e) the total value of exposure to any member of the Board should not exceed at any time the amount of €500.000 or such other lower amount as the Central Bank of Cyprus may determine from time to time, and
(f) no financing is permitted to any Executive member of the management body that does not comply to the commercial terms or exceeds the limits that apply to all staff or such other lower amount as the Central Bank of Cyprus may determine from time to time.

5. Accountability and Audit

5.1 Going Concern

The Company’s management, taking into consideration the factors noted in Note 4.1 of the Consolidated Financial Statements, is satisfied that the Group has the resources to continue in business for the foreseeable future and therefore, the going concern principle is appropriate.

5.2 System of Internal Controls

The Board of Directors is responsible for the adequacy and effectiveness of the system of internal controls in the Group. Policies and procedures have been designed and implemented for safeguarding assets against unauthorised use, for maintaining proper accounting records and for the sound and effective operation of Information Technology systems, amongst others. Such policies and procedures have been designed in accordance with the scale and complexity of the Group’s operations and are aimed in identifying, assessing, mitigating and monitoring risks faced across the Group. These procedures can only provide reasonable but not absolute assurance against material misstatements, errors, losses, fraud or breaches of laws and regulations.

The Board of Directors, through the Group Audit and Risk Committees, has conducted an annual review of the effectiveness of the system of risk management and internal controls covering all material controls, including financial, operational and compliance controls and risk management systems. During the year, the Group Audit and Risk Committees have kept under review the effectiveness of this system of internal controls and have reported regularly to the Board of Directors. In carrying out their reviews, the Group Audit and Risk Committees receive regular business and operational risk assessments, regular reports from the Group Director Internal Audit and Group Chief Risk Officer, internal and external audit reports, as well as regulatory reports. Additionally, the Board of Directors receives a confirmation on an annual basis by the Group Chief Executive Officer as to the effectiveness of compliance, risk management and information security system of internal controls.

The Board of Directors, through the Group Audit and Risk Committees, has received confirmation that Executive management has taken or is taking the necessary actions to remedy all weaknesses identified through the operation of our framework of internal controls.

The Board of Directors confirms that it is not aware of any violation of the Cyprus Securities and Stock Exchange Laws and Regulations, except those that are known by the relevant authorities (where applicable).

5.3 Corporate Governance Compliance Officer

The Board of Directors appointed Mr. Marios Skandalis as Corporate Governance Compliance Officer on 28 February 2014 after the resignation of Mr. Phivos Zomenis.


The Remuneration Policy Report was prepared by the Board of Directors following a proposal by the Remuneration Committee in accordance with Appendix 1 of the Code. It is presented in the Annual Financial Report of the Group after the present Report on Corporate Governance. The Remuneration Policy Report will be presented to the Annual General Meeting of shareholders for approval.

Information on the remuneration of the Members of the Board of Directors for the year 2014 is disclosed in Note 52 of the consolidated financial statements of the Group, as well as in the Remuneration Policy Report itself.
7. Shareholder Relations

The Board of Directors has appointed Mr. Constantinos Pittalis as Investor Relations Officer, responsible for the communication between shareholders and the Bank. Information concerning the Bank is provided to shareholders, prospective investors, brokers and analysts in a prompt and unbiased manner free of charge.

The Senior Independent Director, Mr. Michael Spanos, is available to shareholders if they have concerns that have not been resolved through the normal communication channels.

All shareholders of the Bank are treated on an equal basis. There are no shareholders of securities with special control rights. Shareholders are promptly and accurately informed of any material changes regarding the Group, including its financial condition, financial results, ownership and governance.

The Board of Directors provides to holders of at least 5% of the Company’s share capital the opportunity to request the inclusion of items on the agenda of General Meetings. The Board of Directors is available at the Annual General Meeting to answer shareholders’ questions.

Any change or addition to the Articles of Association of the Bank is only valid if approved by special resolution at a meeting of the shareholders.
Remuneration Policy Report for the year 2014

1. Introduction

In accordance with the provisions of the Code of Corporate Governance (the “Code”) published by the Cyprus Stock Exchange (4th revised edition – April 2014) and in particular Annex 1 of the Code, the Remuneration Committee prepares the Annual Board of Directors’ Remuneration Report which is ratified by the Board of Directors and submitted to the shareholders’ Annual General Meeting. The Board of Directors Remuneration Report for the year 2014 was ratified by the Board of Directors on 31 March 2015.

2. Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee is responsible for the development and periodic review of the Group Remuneration Policy which is proposed to the Board of Directors for ratification. In addition, the Board of Directors, through the Remuneration and Human Resources Committee, is ultimately responsible for monitoring the implementation of the Group Remuneration Policy.

The Group’s aim is to align its Remuneration Policy and Human Resources practices, with its long term objectives, its risk tolerance, capital and liquidity availability, the interests of its shareholders and ensuring that they are consistent with and promote sound and effective management of risk and do not encourage excessive risk-taking.

In developing its Remuneration Policy, the Group takes into account the provisions that are included in the Code as well as the Central Bank of Cyprus (CBC) Directive on Governance and Management Arrangements of Credit Institutions which came into effect in August 2014 and incorporated the requirements for Remuneration Policies included in the European Capital Requirements Directive (CRD IV), as well as regulatory restrictions pertinent to the banking sector currently.

It is acknowledged that the implementation of the relevant requirements by financial institutions and the policies and practices that are to be adopted will evolve over time, as further experience and knowledge is gained and with the development of best practice in this area. Within this context, the Group aims to review its remuneration policies and practices on an ongoing basis and amend them where necessary, with the aim of ensuring that they are consistent with and promote sound and effective risk management.

Every year, the Remuneration and Human Resources Committee proposes to the Board of Directors, the Annual Remuneration Policy Report as part of the Annual Report of the Group, which is submitted to the shareholders’ Annual General Meeting for approval. The Committee also reviews and approves the consolidated financial statements of the Group which include a related party transactions note (Note 52) and the Remuneration Policy Report itself.

The members of the Remuneration and Human Resources Committee (all non-Executive) as at the date of this Report are as follows:

Michael Spanos (Chairman)
Maksim Goldman
Marios Kalochoritis

Board up to 20 November 2014

Marios Yiannas (Chairman) – up to 4/4/2014
Xanthos Vrachas (Chairman) – from 4/4/2014
Marinos Gialeli – from 31/1/2014
Marios Kalochoritis
Konstantinos Katsaros – from 31/1/2014
Adonis Papaconstantinou
Andreas Yiassimides – from 4/4/2014
3. Governance of Group Remuneration Policy

3.1 Principles of the Code of Corporate Governance

Companies should implement official and transparent procedures for developing policies concerning the remuneration of Executive Directors and fixing the remuneration of each Board Member separately.

The level of remuneration should be sufficient to attract and retain the Directors needed to run the Company successfully, but companies should avoid paying more than is necessary for this purpose. Part of the remuneration of Executive Directors should be determined in such a way as to link rewards to corporate and individual performance.

The Company’s Corporate Governance Report should include a statement of the Remuneration Policy Report and relevant criteria, as well as the total remuneration of the Executive and non-Executive Members of the Board.

3.2 Terms of Reference of the Remuneration and Human Resources Committee

The Role of the Committee

The role of the Committee is to consider and approve the remuneration arrangements of the Non-Executive and Executive Directors of the Company, other senior Executives and other key employees, as well as the employee compensation policy bearing in mind the EBA Guidelines on remuneration policies and practices of 2010, the Directive for the Governance and Management Arrangements issued by the CBC and the Code. The Committee sets the over-arching principles and parameters of remuneration policy across the Group and exercise oversight for remuneration issues.

Furthermore the Committee is committed to ensuring that the Group has the human capital (competencies and attitude) pertinent for the achievement of its strategic goals, the organisational capital (values, alignment, leadership) to be able to achieve continuous improvement and the information capital and the technology that facilitates process improvements that lead to a comparative advantage in the market.

Appointment of the Committee

The Committee has a minimum of 3 and a maximum of 5 members. The Committee must consist entirely of non-Executive Directors of whom the majority must be independent Directors including the Chairman of the Committee who cannot chair any other Committee of the Board. The Board appoints the Chairman of the Committee whose members are appointed annually.

Meetings of the Committee

The Committee holds regular meetings and, additionally, ad hoc meetings whenever called by the Chairman of the Committee. The quorum for a meeting is 2 members or 50% rounded up whichever is the highest. The Committee keeps detailed minutes of its meetings.

The Committee has authority to obtain independent advice and information from external parties whenever this is considered necessary.

All independent non-Executive Directors have the right to attend any meetings of the Remuneration and Human Resources Committee, and the Committee may invite any person who may contribute to its conduct of business.

Duties and Responsibilities of the Remuneration and Human Resources Committee

The Committee’s key objective is to ensure that the Remuneration Policy and HR practices of the Group are aligned with its long term strategic goals, its risk tolerance, capital and liquidity availability, the interests of its shareholders and do not encourage excessive risk taking.
The Committee reviews the operation and effectiveness of the Remuneration Policy and ensures this is in line with the Remuneration Framework as this is described in the Central Bank of Cyprus Directive on Governance and Management Arrangements.

Directors Remuneration

The Committee develops remuneration packages for the Chairman, Vice-Chairmen, Executive and non-Executive Directors of the Board, including their pension rights and any compensation payments, and makes appropriate recommendations to the Board considering such factors as the relevant workload, responsibilities, qualifications, experience, academic background, performance, comparable remuneration in the market, remuneration at other levels in the Group, the level of remuneration considered necessary to attract, retain and provide incentives to individuals who have the required knowledge and experience, while at the same time avoiding having to pay more than is necessary for the purpose, as well as non-financial criteria such as compliance with applicable rules and procedures.

The Committee manages new or existing employment contracts for the Executive Directors of the Board, including remuneration guidelines and termination clauses, taking into consideration such factors as the existing compensation commitments including pension rights and compensation payments in employment contracts in the event of early termination. The Committee takes into account the opinions expressed by the Chairman and Vice-Chairmen of the Board regarding the remuneration of individuals other than themselves, the opinion expressed by the CEO regarding the remuneration package of other Executive Directors and the use of performance incentives (e.g. share options) to align the interests of individuals with those of shareholders. The Committee will directly oversee the remuneration of the Directors and other senior officers of the Group Risk Management and Group Compliance Divisions.

The Committee defines the remuneration of non-Executive Directors of the Board, and makes appropriate recommendations to the Board for approval by the Annual General Meeting, considering the following factors:

- The time allocated by non-Executive Directors to meetings and decision-making in the management of the Group,
- The requirement not to link remuneration of non-Executive Directors to the profitability of the Group,
- The requirement that non-Executive Directors do not participate in the pension schemes of the Group,
- The requirement not to include share options as remuneration of non-Executive Directors,

The Committee reviews remuneration packages of Group Directors, Senior Managers and subsidiaries’ General Managers, including salary, pension policy, option plans, and other types of compensation, recommended by the Group CEO. It also reviews evaluations of Group Directors, Senior Managers and subsidiaries’ General Managers performed by the Group CEO, and makes appropriate recommendations to the Board.

The Committee reviews appointments, transfers and dismissals of Group Directors, Senior Managers and subsidiaries’ General Managers, recommended by the CEO of the Group, and makes appropriate recommendations to the Board.

The Committee ensures the Remuneration Policy and practices are consistent with the risk appetite of the Group, prevent conflicts of interest and promote sound and effective risk management.

The Committee exercises oversight of / participates in negotiations with Labour Unions, advises the Board on the approval of the Collective Agreements and reviews the general remuneration and benefits policy for the staff of the Group based on the proposals submitted by the Group Human Resources (‘HR’) Division. It ensures that internal control functions are involved in the design, review and implementation of the Remuneration Policy and that staff members who are involved in the design, review and implementation of the Remuneration Policy and practices have relevant expertise and are capable of forming independent judgment on the suitability of the Remuneration Policy and practices, including their suitability for risk management.
The Committee reviews any voluntary retirement / separation schemes in cooperation with the Group HR Division and succession planning for all Divisions and subsidiaries for key personnel and throughout the Group.

The Committee monitors the application/implementation of the Remuneration Policy and the compliance with the Code of Conduct and reviews disciplinary controls and measures of the Group. It annually reviews and monitors compliance with the Anti-Bribery Policy.

The Committee reviews and approves the consolidated financial statements of the Group which include a related party transactions note (Note 52), in accordance with Annex 2 of the Code of Corporate Governance.

The Committee reviews and approves the content of any resolutions submitted for approval at the General Meeting of the shareholders, which are prepared by the Company Secretary in cooperation with the Group’s legal advisers in accordance with Annex 3 of the Code and concern possible plans for the compensation of Members of the Board in the form of shares, share warrants or share options.

The Chairman of the Committee is available to shareholders in the Annual General Meeting to answer any questions regarding the Remuneration Policy of the Group.

4. Committee’s Activities in 2014

The Remuneration and Human Resources Committee acts within the framework of the relevant provision of the Code as determined in Chapter B of the Code and bearing in mind the provisions of the CBC Directive on Governance and Management Arrangements.

The Remuneration and Human Resources Committee held ten meetings during 2014. The Committee reviewed the remuneration of non-Executive Directors as well as the Policy on non-salaried benefits and allowance for Board Members. The Committee approved the Policy as proposed by the Group HR Division and submitted it to the Board for ratification. Following the review of the remuneration of non-Executive Directors, the Committee appointed external consultants to prepare a proposal for setting out the non-Executive Directors’ fees. The Committee also discussed the reimbursement of Directors for trips abroad and reviewed the fees paid to Directors for their membership on subsidiary Boards. It also reviewed the remuneration of the Uniastrom CEO and the compensation of the BOC UK acting Chairman.

The Committee considered the CEO objectives and Key Performance Indicators (KPIs) for measurement of the performance of the Group CEO and assigned the project to external consultants.

The Committee approved the Policy of non-salary benefits and allowances for staff and submitted it to the Board for ratification. The Committee discussed significant personnel issues, such as the culture of the Group on collective and individual responsibility, staff morale and complaints following transfers and reshuffling of staff across the Group. The Group HR Division submitted the HR Strategy and Plan including workforce planning to the Committee for discussion and review. The results of the staff survey were also reviewed and assessed and the staff training agenda was approved.

The Committee reviewed statistics on Staff Appraisals and KPIs, and reviewed the HR Director’s proposal on how to implement succession planning and talent retention as well as the introduction by HR of the advertising of internal vacancies and the preparation of job descriptions. Finally the Committee held internal interviews for the position of HR Director and Corporate Director.

4.1 Remuneration of non-Executive Directors

The remuneration of non-Executive Directors is not linked to the profitability of the Group. The remuneration of non-Executive Directors is related to the responsibilities and time devoted for Board meetings and decision-making for the governance of the Group, and for their participation in the Committees of the Board of Directors and the Boards of Group subsidiary companies. The shareholders’ Annual General Meeting held on 20 November 2014 approved the same level of remuneration as the one approved in 2013.
The Chairman of the Board receives annual fees and hospitality expenses of €68,000, each of the Vice Chairmen annual fees €51,000 and the Members €13,000.

The Chairman of the Audit Committee receives annual fees of €6,300 and each member €4,200. The Chairmen of the Risk, Remuneration and Nominations Committees receive annual fees of €3,300 and each member €2,100.

4.2 Remuneration and Other Benefits of Executive Directors

Remuneration Policy

The Board of Directors sets the remuneration of Executive Directors, following the recommendation of the Remuneration and Human Resources Committee. The employment contracts of Executive Directors are reviewed by the Remuneration and Human Resources Committee (unless they are members of the Senior Management team and their terms of employment are based on the provisions of the collective agreement), and are subsequently submitted to the Board of Directors for approval.

Contracts of Employment

The remuneration (salary and bonus) of Executive Directors is set out in their employment contracts which can have a maximum duration of five years, unless any of the Executive Directors is an appointed member of the Senior Management team, in which case the terms of employment are based on the provisions of the collective agreement in place.

The employment contract of the Chief Executive Officer, Mr. John Patrick Hourican, is for a period of three years commencing on 1 November 2013. The contract does not include provisions for the award of bonuses.

The Group at present does not grant guaranteed variable remuneration or discretionary pension payments.

Service Termination Agreements

The service contract of the Chief Executive Officer includes a clause for termination, by service of four months’ notice to that effect upon the Executive Director, without cause but at its sole discretion. In such a case the Company shall have the right to pay the Director, in lieu of notice for immediate termination.

The terms of employment of Dr. Patsalides are based on the provisions of the collective agreement in place, as with the rest of the employees, which provides for notice or compensation based on years of service.

Bonus

No bonus was recommended by the Board of Directors for Executive Directors for 2014.

Retirement Benefit Schemes

The Chief Executive Officer, Mr. John Patrick Hourican, and the Finance Director, Dr. Christodoulos Patsalides, participate in a defined contribution plan on the same basis as other employees.

The main characteristics of the retirement benefit schemes are presented in Note 13 of the Consolidated Financial Statements for the year 2014.

Share Options

No share options were granted to Executive Directors during 2014.
Other Benefits

Other benefits provided to the Executive Directors include other benefits provided to staff, medical fund contributions and life insurance. The Chief Executive Officer is provided with other benefits related to his relocation and residence in Cyprus. The relevant costs for Executive management are disclosed in Note 52 of the Consolidated Financial Statements for the year 2014.
Disclosure of Information Regarding the Remuneration of Directors for the Year 2014

<table>
<thead>
<tr>
<th>Remuneration for services*</th>
<th>Remuneration for participation in the Board of Directors and its Committees</th>
<th>Total Remuneration for services</th>
<th>Remuneration and benefits from other Group companies</th>
<th>Remuneration in the form of profit and/or bonus distribution</th>
<th>Assessment of the value of benefits that are considered to form remuneration</th>
<th>Total remuneration and benefits</th>
<th>Annual Contribution to retirement benefits</th>
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*Includes employers' contributions

31 March 2015