ΕΠΙΤΡΟΠΗ ΚΕΦΑΛΑΙΑΓΟΡΑΣ ΚΥΠΡΟΥ
CYPRUS SECURITIES AND EXCHANGE COMMISSION

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PRESS RELEASE

CySEC fines Bank of Cyprus and its former directors for accounting disclosure failures

Regulatory action follows failure to adequately provide for doubtful debts in 2011

NICOSIA – The Cyprus Securities and Exchange Commission (CySEC) today announces that it has imposed a series of fines totaling €595,000 on Bank of Cyprus Public Company (the "Company") and ten of its former directors - including its former Chief Financial Officer (together, the "directors") - for individual and collective failings to make adequate provision for doubtful debts in the Company's financial report 2011.

This decision is based on the findings of CySEC's long-term investigation into the Company's activities preceding the financial crisis and the circumstances which arose in the Company and that of the Cyprus banking sector's subsequent depositor bail-in in 2013.

CySEC's investigation focused on assessing the Company's compliance with the Insider Dealing and Market Manipulation (Market Abuse) Law (2005, as amended) and the Company and its former directors' compliance with the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law (2007, as amended); principally as it refers to the adequacy of doubtful debt provision in the Company's annual report in 2011.

CySEC is committed to enforcing the highest standards of corporate transparency on all companies it supervises on the Cyprus Stock Exchange. The directors' statement, as part of the Company's financial reports for the period ending 31 December 2011, confirmed that the consolidated financial statements therein provided a true and fair view of the Company's financial position at that time.

However, CySEC has found that the Company's consolidated financial statements were not prepared in accordance with the Companies Law, and in particular under IAS 39, because it did not made any further provisions for loan impairments of at least €362 million.

As a result of this serious failing, the Company had to increase its total losses, by at least €362 million.. In particular, the total additional provisions for its collective exposure to lending portfolios in Cyprus, Russia and Ukraine and Greece had to reach at least €198.9

million, €41.3 million and 121.8 million, respectively. The Company should have disclosed an equity decrease of at least €362 million, reducing its overall capital adequacy – a key tool of the Company's financial and operational sustainability - from €2.3 billion to at least €1.9 billion.

Together, these failings meant that the Company and its directors did not provide a true and fair view of the Company's financial position.

As a result, a total of €595,000 in financial penalties has been imposed on:

- Former Non-executive Chairman of the Board of Directors, Theodoros Aristodemou (€100,000)
- Former Executive Director and Chief Executive Officer, Andreas Eliades (€100,000)
- Former Executive Director and First Deputy Chief Executive Officer, Yiannis Pechlivanidis (€70,000)
- Former Executive Director and Deputy Chief Executive Officer, Yiannis Kypris (€70,000)
- Former Non-Executive Director and Chairman of the Bank's Audit Committee, Stavros Constantinides (€50,000)
- Former Non-Executive Director and Member of the Bank's Audit Committee, Costas Severis (€30,000)
- Former Non-Executive Director and Member of the Bank's Audit Committee, Georgios Georgiades (€30,000)
- Former Non-Executive Director and Member of the Bank's Audit Committee Irene Karamanou (€30,000)
- Former Non-Executive Director and Member of the Bank's Audit Committee, Manthos Mavrommatis (€30,000)
- Former Chief Financial Officer Christos Hadjimitsis (€70,000).

- CySEC has also imposed a €15,000 financial penalty on the Company.

In determining the quantum of the administrative fine, CySEC took into account, inter alia, the seriousness attributed by Cyprus' lawmakers to such infringements and the significance of the declarations contained in the Company's financial statements by the Members of Board of Directors; the Chief Executive Officer and the Chief Financial Officer at the time; all of whom are personally responsible for disclosing true and fair financial information for the Company's long-term financial position.

In imposing the fine on the Company, CySEC has taken into account that a number of material improvements have been made to the competency of the Company's management and its processes since the time of the infringement in question. CySEC has also taken into consideration the relevant Central Bank of Cyprus decrees and the Company's subsequent recapitalisation with the full participation of its shareholders and bondholders, and through the partial conversion of unsecured deposits into shares. Given these circumstances, the imposition of a higher administrative fine in the present case would burden the new shareholders of the Company unnecessarily.

No administrative penalties were imposed on the following former non-executive Directors of the Company, Andreas Artemis, Vasilis G. Rologis Christos Mouskis, Costas Hadjipapas, Nikolaos Tsakos, Anna Diogenous, Evdokimos Xenophontos and Elias Neocleous, due to their non-executive status and the fact that they did not participate in the Company's Audit Committee, to whose work the infringement relates.

Demetra Kalogerou, Chair of the CySEC, said: *"This announcement follows an in-depth thorough investigation by CySEC into management actions taken at the Bank of Cyprus in the period leading up to the Cyprus banking crisis. The Bank of Cyprus and its former directors failed to adequately disclose the true nature of its clearly worsening financial position in 2011, which had a direct and negative impact on the course of the unprecedented banking crisis in Cyprus in the years that followed. The Company's management had a fiduciary responsibility to ensure adequate provision for bad loans – a fundamental accounting procedure which they did not uphold."*

Further details of CySEC's decision is available on its website, in the Greek language.

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