Bank of Cyprus Holdings

ANNUAL GENERAL MEETING OF SHAREHOLDERS

25 May 2021

Bank of Cyprus Holdings PLC Headquarters

Remarks by Panicos Nicolaou,

Group Chief Executive Officer

Opening remarks

Dear Shareholders,

Thank you for taking the time this morning to attend our AGM virtually and for allowing us the opportunity to present an update on the progress of the Group since our last meeting.

Before addressing the Bank's progress, I would like to say a few words about how the economy in Cyprus and our Bank are coping with the challenge presented by the COVID-19 crisis over the last year.

COVID-19 and the operating environment

COVID-19 is a world-wide health crisis, presenting an unprecedented economic shock to the global economy.

The economy in Cyprus declined by 5.1% in 2020 (according to the Cyprus Statistical Service), however, this wasn't as bad as initially anticipated and better than most other EU countries particularly in the south.

Unfortunately, some restrictive measures continue into 2021 for the management of the pandemic. Preliminary estimates show that real GDP contracted by 1.6% in the first quarter of 2021 against the same period last year although was up by 2.0% against the fourth quarter of 2020. For the whole of this year GDP is forecast to grow by 3.1% and by 3.8% in 2022, according to the latest predictions by the European Commission, which are in line with the IMF's most recent forecasts. The Cypriot Ministry of Finance predicts growth of 3.6% this year and 3.8% next year.

The Cyprus Government announced a large fiscal package in 2020 in response to the COVID-19 pandemic totalling c.3.6% of GDP which included income support for households, wage subsidies for businesses and grants to small businesses and the self-employed, helping to mitigate the negative impact of the crisis and support the recovery of the Cypriot economy. An additional package of measures was launched this year to further support businesses and the self-employed impacted by the 2021 lockdowns.

The results of the vaccination programmes are encouraging. As evidenced by countries that are further progressed with their vaccination programmes (such as Israel), these are expected to act as strong catalysts for both global and local economic recovery. Cyprus ranks 4th in the EU in COVID-19 vaccine doses administered per 100 people[1]. As at 21 May 2021, 48% of the adult population in Cyprus have already been vaccinated with the first dose and the Cyprus Government remains on track to reach its target of 65% by the end of June 2021[2].

Financial Year 2020

We have already presented the Full Year 2020 results to the markets, but I would like to make a few key observations on the 2020 Financial Statements presented to you today.

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[1] According to ECDC; https://vaccinetracker.ecdc.europa.eu/public/extensions/COVID-19/vaccine-tracker.html#uptake-tab

[2] 20% of adult population in Cyprus have completed their vaccination regime. Data as at 21 May 2021 (Source: Ministry of Health)

During 2020 we had clear priorities. To play our role in supporting our clients and the broader economy, to deliver significant progress in reducing NPEs while maintaining strong capital ratios, and to share our view of the future Bank of Cyprus with the launch of a New Strategic Plan.

The investment we had previously made in our digital transformation programme has not only strengthened our operational resilience, but more importantly, has enabled us to quickly respond to the changing landscape and fully deploy our digital service channels to the benefit of our customers. The increased digital engagement with our customers during this period is impressive, increasing to 75% at the year-end, up by 6 p.p. on year on year basis.

During 2020, we granted c.€1.4 bn of new loans, supporting the recovery of the Cypriot economy.

We further supported our customers by granting payment holidays to over twenty-five thousand clients representing loans of €5.9 bn as at the year-end, all of which expired on 31 December 2020. We closely monitor these loans that were under payment deferrals and we continue to be in close contact with our customers in order to provide support to alleviate any short-term cash flow burden. To date, we are experiencing encouraging performance trends following the end of the moratorium and we are cautiously optimistic based on the customer behaviour seen so far. Specifically, as at 31 March 2021, over 80% - €4.2 bn - of these performing loans under expired payment deferrals had an instalment due by 14 May 2021, and of those, 95% present no arrears.

Despite the challenging environment, we achieved further significant progress on balance sheet de-risking. During 2020, pro forma for NPE sales, we reduced NPEs by c.€2.1 bn, or 55%, from €3.9 bn to €1.8 bn and the NPE ratio from 30% to 16%. At the same time, our coverage ratio pro forma for the NPE sales increased to 59% and RWA intensity reduced further to 53% from 61% in 2019.

And importantly we strengthened our capital ratios. As at 31 December 2020, our capital ratios[3] pro forma for the NPE sales remained healthy, with the CET1 ratio at 15.2% and the Total Capital ratio at 18.7%.

Our deposits remained broadly flat in the year at €16.5 bn despite the challenges of the pandemic and we continue to operate with significant surplus liquidity in excess of €4 bn. We reduced our cost of deposits by a further 11 bps in 2020 bringing the total reduction in deposit costs to 71 bps over the last three years.

Reflecting our clear focus on rigorous cost management we reduced our operating expenses by 12% in 2020 allowing our cost to income ratio to remain steady at 60%, despite revenue pressures.

Overall, during 2020 we generated total income of €567 mn and a positive operating result of €197 mn. The underlying result for the year was a loss of €16 mn. The overall result for the year was a loss after tax of €171 mn, when including the impact of NPE sales.

The first three months of 2021

This morning, we have announced our first quarter 2021 financial results. A copy of these is available on the Group's website.

Progress since the beginning of the year has been in line with our plans. Since the news is fresh, I will highlight some points.

- We prudently extended new loans of €487 mn, up 30% on the prior quarter and the strongest since the beginning of the COVID-19 crisis in Cyprus.

- We generated total income of €136 mn and a positive operating result of €45 mn. Cost of risk was reduced by 33 bps to 66 bps. We delivered an underlying

[3] Allowing for transitional arrangements

profit of €14 mn and the overall result for the quarter was a profit after tax of €8 mn.

- At the same time, we reduced our total operating expenses (excluding levies and contributions) by €9 mn or 9% on the prior quarter to €82 mn, reflecting our on-going efforts to contain costs.

- The Bank's capital position remains good and comfortably in excess of our regulatory requirements with Total Capital ratio at 18.3% and CET1 ratio at 14.6%, both pro forma for NPE sales and on a transitional basis. Our liquidity position also remains strong and we now operate with almost €5 bn surplus liquidity and an LCR at 284%. Deposits on our balance sheet remained broadly flat in the quarter at €16.3 bn.

- In April 2021, we successfully refinanced our Tier 2 capital, further optimising the capital structure of the Group. The issuance of €300 mn Tier 2 Capital Notes is expected to increase the Group's Total Capital ratio as at the quarter end pro forma for NPE sales by c.100 bps to 19.2%. The transaction also enhanced the diversification of our investor base, and the significant reduction in the coupon confirms market recognition of the significant progress made in evolving the Group's financial profile.

- Balance sheet repair has also continued in the first quarter of the year. As previously noted, in January 2021, despite the challenging environment, we reached agreement for the sale of a further €500 mn NPE portfolio, continuing to deliver on one of the Group's strategic priorities of improving asset quality through the reduction of NPEs. Overall, since the peak in 2014, we have now reduced the stock of NPEs by €13.3 bn or 89% to €1.7 bn and the NPE ratio by 47 percentage points, from 63% to 16%, pro forma for NPE sales. This remained stable in the quarter as organic NPE reduction was impacted by the new lockdown. We expect this to recover in the coming quarters and at the same time we continue to actively explore strategies to accelerate de-risking including further portfolio sales. We remain on track to achieve a single digit NPE ratio by the end of 2022.

Priorities for the journey ahead

Focus on operational excellence and good governance

We continue to work hard towards becoming a more customer centric organisation and have stepped up our efforts in this regard. At the beginning of this year a Transformation Office was established further reinforcing our commitment to the Bank's modernisation agenda. The transformation programme will enable the implementation of the strategy with key shifts focusing on a leaner and more efficient operating model, capital profitability and optimisation of the client service and distribution models with an emphasis on the customer.

Repositioning – Key Pillars of our Strategy

Our strategic objectives are to become a stronger, safer and a more efficient institution capable of supporting the recovery of the Cypriot economy and delivering appropriate shareholder returns in the medium term.

The key pillars of our strategy are:

Firstly, to complete balance sheet de-risking. We have a clear path to reduce the NPE ratio to a single digit by end of 2022 and to c.5% in the medium term.

Secondly, to grow revenues in a more capital efficient way, not only via growth in performing book but also with multiple initiatives to deliver growth in non interest income with a focus on fees, insurance and non traditional banking business.

Thirdly, to improve operating efficiency, by achieving a leaner operating model through digitisation and automation;

And finally, to enhance organisational resilience and deliver on our ESG (Environmental, Social and Governance) agenda, by building a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG agenda priorities.

As part of our responsibility to a wider group of stakeholders, we are working to build a forward-looking organisation with a clear strategy supported by effective corporate governance aligned with ESG priorities. Earlier this year we set up a dedicated executive committee, the Sustainability Committee, that will oversee the ESG agenda of the Group, review the evolution of the Group's ESG strategy, monitor the development and implementation of the Group's ESG objectives and the embedding of ESG priorities in our business targets.

Medium Term Strategic Targets

Towards the end of 2020, we outlined our medium term strategic targets to which we remain committed. These include delivering sustainable profitability and shareholder returns, enhancing revenues by capitalising on the Group's market leading position; improving operating efficiency; and optimising capital management.

We recognise that our shareholders have suffered over the past few years as a result of the considerable cost and efforts necessary to de-risk the bank and hence we felt it was important to introduce a ROTE target for the first time.

The Board and the Executive Management team are committed to generating a return on tangible equity of c.7% over the medium term.

Maintaining a strong capital base has been a key foundation of the past few years and it remains a non-negotiable for the bank going forward. Our business plan is based on us maintaining a CET1 ratio of at least 13% over the entire period of our plan.

We have a clear strategy in place, leveraging on our strong customer base, our renewed customer trust, our market leadership position, and further developing

digital knowledge and infrastructure, in order to achieve the medium term targets and deliver value for our shareholders.

Closing remarks

Ladies and Gentlemen, our vision for the future of the Bank is clear, as is our understanding of how we will deliver that vision. Significant progress has been made in repositioning the Bank. We know there is more to be done, with a focus on driving down costs through effective digitisation and automation, and enhancing revenues by capitalising on our market leading positions across our businesses. We remain confident that the initiatives we are focused on will allow us to create shareholder value in the medium term.

We remain well positioned, with a good capital base and strong liquidity position, as we stand ready to support the recovery of the Cypriot economy.

Finally, I would like to express my sincere thanks to our employees and senior management team, especially in the current circumstances. They have risen to the challenge to continue to serve our customers during these unprecedented times and shown exceptional resilience. I would also like to thank our customers for the trust they continue to place in the Bank of Cyprus, the Chairman and the Board of Directors for their continuous support and last, but not least, our shareholders. It is a great privilege to work here and lead this great Bank.

Thank you