

## **AGM OF SHAREHOLDERS OF BANK OF CYPRUS HOLDINGS PUBLIC LIMITED COMPANY 20 MAY 2022**

### **Speech by Mr Efstratios-Georgios Arapoglou Chairman of the Board of Directors**

Dear Shareholders,

As the challenges of the COVID-19 pandemic seem to subside in most of the world, the resulting global economic recovery in demand, followed by labour shortages has created severe supply chain reactions and high inflationary pressures. This has forced central banks around the globe to start reversing their accommodating policies in order to contain inflation. Invariably, interest rate hikes have failed to generate “soft landings” and have resulted in recessions. These expectations have produced extreme market volatility, as the world looks as if it is entering a new era of more permanent high inflation and doubtful growth prospects.

On top of this, the war in Ukraine has created huge geopolitical challenges that will no doubt reshape the global social and macroeconomic landscape and add further volatility in markets in the years to come, contributing additional and more lasting inflationary pressures and goods shortages.

Despite this very complex and challenging environment during the course of 2021, we, at Bank of Cyprus continued our restructuring and deleveraging initiatives and dealing with the last of the major legacy challenges that thwarted the Bank for many years, meeting all our targets, much earlier than all expectations. Most importantly, among many other achievements, during 2021 we managed to reduce our NPEs, with two overall accretive transactions, to a single figure (7.5%) one year ahead of guidance and we expect to reduce this further to c.5% by year-end 2022. This is being clearly recognised by our regulators and market analysts. The current year 2022 will be a transitional year influenced by the tail-end effects of all above actions, positioning the Group for organic profitability going forward in order to start delivering sustainable returns and resume payment of dividends to our shareholders from 2023 onwards, subject to performance and regulatory approvals and in line with our relevant market guidance.

In addition to streamlining the traditional bank functions through our Project “Sunrise”, we are intensifying our focus on Digital Transformation including an investment for the creation of a Digital Economy Platform, which will redefine the operating model of the Bank, increase further operating efficiency and deliver a superior quality of customer experience. Equally, ESG is now a “centre of the plate” focus for us across the Group with a lot of time and effort spent on it by the executive team and for which our Board of Directors is receiving relevant structured training. It is our intention to further emphasise the importance we place on Digital Transformation, Cyber protection and Climate strategy, by adding gradually board members with relevant specialist expertise and putting in place a Technology Advisory Board (TAB) in line with best international practise.

The Cyprus economy proved to be quite resilient beyond any expectations to the Covid-19 pandemic challenges. These have resulted in negligible negative influence to our portfolio quality and has allowed us to grow our loan book in a healthy way, with best in class underwriting practices. Clearly now, profitability is a priority compared to the market share focus of the past.

It is yet unclear to what extent the Cyprus economy will be affected by the recent very sad war and humanitarian disaster in Ukraine which we all hope will end soon and peacefully. However, similar to other European countries, the growth of the Cyprus economy is estimated to slow down to 2.7% in 2022 as a result of the Russian war. It is also important to note that the Bank of Cyprus direct exposure to the region is negligible to non-existent. It is becoming though increasingly clear that the war has created geopolitical uncertainties with huge socio-economic impact across the globe which we should all monitor very closely.

On behalf of all the members of the Bank of Cyprus Group Board of Directors, I wish to once again congratulate executive management and all employees of the Group for their superior performance in executing our strategy. We strongly believe it is our duty to set up clearly defined and measured compensation processes to reward them for their efforts and successes all these years. For a start, we have prepared an annual Long-Term Incentive Plan (LTIP), in line with regulatory guidance, which if approved by the shareholders today will be activated later in the year and will support long-term employee retention and participation in the Bank’s progress through the ownership of Bank of Cyprus common shares.

Lastly, I would like to offer my sincere thanks to all my fellow Board members for their continued commitment, diligence and leadership in pursuing their Board and Committee responsibilities without which the Bank’s successful path would not have been possible.

May you all have a safe, healthy and rewarding year and hope that we'll be able to offer more good news on the Group's progress in our next communication.

Efstratios-Georgios (Takis) Arapoglou  
Chairman