



ANNUAL GENERAL MEETING OF SHAREHOLDERS

26 May 2023

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 and for allowing us the opportunity to present an update on the progress of the Group since our last meeting.

Before providing an update on the Cypriot economy and going into detail about the Bank's progress, I would like to take a step back.

In 2022 we completed the ten-year transformation of Bank of Cyprus into a strong, diversified, well-capitalised and sustainably profitable banking and financial services organisation. The importance of these actions cannot be underestimated, given the starting point for the transformation in 2013 and the Bank's vital role in supporting the growth of the Cypriot economy.

The decisive and sustained management actions taken during this 10-year period enabled us to position the Bank on the path to sustainable profitability, capable of delivering value to its shareholders. These actions included:

- the completion of balance sheet de-risking through the reduction of NPEs by 97% since their 2014 peak
- the reinstatement of wholesale market access

- the sale of non-core assets
- the reduction of the cost base through the initiation of efficiency actions in an elevated inflationary environment and;
- delivering digital and IT transformation

The enduring trust of our customers, the dedication of our employees, the commitment of our Chairman and members of the Board of Directors and the support of our investors were crucial during this period.

I will now provide an update on the Cyprus economy, followed by a review of the Bank's progress.

Operating environment

The strong recovery in economic activity in Cyprus in 2021 continued into the start of 2022; however, the outbreak of war in Ukraine in February 2022 led to a downwards revision in growth expectations for Cyprus, because of the potential impact on the tourism and professional services sectors.

Against this backdrop, Cyprus demonstrated once again considerable resilience to external shocks. The economy was at a different stage of the economic cycle, growing by 5.6% in 2022, on the back of a strong recovery in tourist activity despite the loss of tourism from Russia. Recent projections by the Ministry of Finance point to growth of c.2.8% in 2023, significantly outperforming the Euro area average.

The war in Ukraine exacerbated inflationary pressure and supply chain disruptions, which were already present from the pandemic period. This inflationary shock led to larger and faster interest rate increases than had been expected ex ante as central banks around the world moved to prevent inflation from becoming embedded.

In Cyprus, inflation peaked in July 2022 and has been decelerating since, falling to 3.8% in April 2023, whilst Eurozone inflation has proved stickier. For 2023, inflation in Cyprus is expected to decelerate further to c.3% according to the Ministry of Finance.

Financial Year 2022

We have already presented the Full Year 2022 results to the market, but I would like to make a few key observations on the 2022 Financial Statements tabled before you today.

To reiterate, 2022 marked the end of the transformation of Bank of Cyprus into a strong, diversified and sustainably profitable banking and financial services organisation.

We reported a positive set of financial results for 2022 and we achieved all our targets ahead of schedule, including an NPE ratio of 4% (our target was below 5%) and recurring ROTE of 11.3% (our target was c.10%).

We continued to support our clients and the Cypriot economy extending a record €2.1 bn of new loans. This represented an increase of 17% on the prior year to reach pre-pandemic levels of lending.

In 2022 we generated total income of €699 mn, recovering by 20% on the prior year, driven mainly by the expansion in net interest income, up by 25%, whilst our non-interest income remained a significant contributor to total income, covering more than 95% of our total operating expenses.

Our disciplined approach to cost management meant that operating expenses decreased by 1% year-on-year to €343 mn as the efficiency actions undertaken during the year more than offset inflationary pressures. In July 2022 we completed a Voluntary Staff Exit Plan (VEP) through which 16% of the Group's full-time employees were approved to leave at a total one-off cost of €101 mn. The gross annual saving was estimated at €37 mn or 19% of total staff costs. We also reduced the number of branches by 20 to 60 branches. As a result, our cost to income ratio, excluding special levies and other contributions, improved by 11 p.p. in the year to 49%.

Our cost of risk of 44 bps remained well within our normalised target range, reflecting healthy asset quality performance.

The reported result was a profit of €71 mn, reflecting the one-off restructuring charge of €101 mn we took earlier in the year for the VEP.

Our liquidity position strengthened during 2022, with deposits increasing by 8% in the year to €19 bn and we continued to operate with significant surplus liquidity of €7.6 bn.

As mentioned, we achieved our NPE ratio target of below 5% ahead of schedule, with an NPE ratio of 4% as at 31 December 2022. This was the result of the completion of the sale of €0.6 bn NPEs in Project Helix 3 in November 2022 as well as organic reductions of c.€360 mn NPEs in 2022.

We continued to maintain a robust capital position comfortably in excess of our regulatory requirements. We ended the year with a CET1 ratio of 15.4% and a Total Capital ratio of 20.6%, both on a transitional basis.

The strong performance in 2022 allowed us to achieve a significant milestone with the delivery of our longstanding intention to resume dividend payments after 12 years. This represents an important step in the Group's journey of delivering sustainable profitability and shareholder returns.

In April 2023 Bank of Cyprus was the first bank in Cyprus and Greece to be granted an approval by the European Central Bank to resume dividend payments. Following the ECB approval, we proposed a dividend of €0.05 per ordinary share in respect of 2022 earnings, equivalent to a 14% payout ratio on adjusted recurring profitability (as reported in 2022 annual report). The dividend is evidence that the Group's period of restructuring is complete and its transformation into a strong, diversified, well-capitalised organisation, successfully exceeding on all its 2022 financial targets that had been set in prior year.

Going forward, dividends are expected to build prudently and progressively towards a payout ratio in the range of 30-50% of our net profits before any non-recurring items, adjusted for the AT1 coupon.

The first three months of 2023

You have probably seen our first quarter 2023 results, which we published on 16 May 2023, and which are available on the Group's website, so I will just highlight a few points.

We started the year strongly with the performance in the quarter being ahead of our 2023 targets.

- We generated total income of €234 mn, up 8% on the prior quarter and up 70% year-on-year, €162 mn of which came from net interest income. We delivered a profit after tax of €95 mn, an increase of 26% on the fourth quarter of 2022 following higher than expected interest rates and a continued modest level of deposit pass-through.
- We continued to support our clients and the economy with a seasonally strong quarter of new lending of €624 mn, up 41% quarter-on-quarter and broadly flat year-on-year with notable growth in shipping & international, and corporate lending.
- Our capital position remains robust and comfortably in excess of our regulatory requirements. We ended the quarter with a CET1 ratio of 15.2% and a Total Capital ratio of 20.3%, generating c.90 bps of organic capital during the quarter. For CRR compliance purposes, we also accrued a dividend payout ratio of 30% in line with our dividend policy. As a reminder, dividends are subject to regulatory approval.
- Liquidity position also remains robust, with surplus liquidity of €7.4 bn. Deposits remained flat quarter-on-quarter to €19 bn.
- Asset quality remains resilient and in line with our targets, reflected in an NPE ratio of 3.8%, and an improved level of coverage of 73% as at quarter end. Our cost of risk remained broadly flat at 44 bps.
- We saw the benefits from recent efficiency actions with total operating expenses 3% lower on the prior period at €80 mn. As a result, the cost to

income ratio (excluding levies and contributions) stood at 34%, compared to 60% in the prior year.

Our positive set of financial results this quarter provides the foundations to help us deliver against our targets.

Immediate priorities for the next chapter

Focus on operational excellence

We plan to continue to deepen our relationships with our customers as a customer centric organisation through our transformation plan, which is already in progress. This plan is facilitating the shift to modern banking by digitally transforming customer service, as well as internal operations with the following aims:

- to shift to a more customer-centric operating model by defining customer segment strategies;
- to redefine our distribution model across existing and new channels;
- to digitally transform the way we serve our customers and operate internally, and;
- to improve employee engagement through a robust set of organisational health initiatives.

The transformation plan supports the Group's key strategic pillars, in terms of growing revenues in a more capital efficient way and delivering a leaner and more efficient operating model.

Under this plan we are launching new digital products and services, an example of which is QuickLoan, which we introduced during the fourth quarter of 2022. QuickLoan enables our retail customers to apply for a loan via our mobile app and internet banking and to get an instant update on the approval status of their application.

Digital transformation

In addition, we aim to be a leader in shaping the digital transformation of our local economy through Jinius, our Digital Economy Platform with horizontal end to end digital services, that optimize the economy processes and create new revenue sources over the medium term. The Platform aims to bring stakeholders together, link

businesses with each other and with consumers and to drive opportunities in lifestyle banking and beyond. The Platform is expected to allow the Bank to enhance the engagement of its customer base, attract new customers, and position the Bank next to the customer at the point and time of need.

ESG

We are clear that climate change and the transition to a sustainable economy are among the greatest challenges of our time.

As part of our vision to be the leading financial hub in Cyprus, the Bank is determined to lead the transition of Cyprus to a sustainable future. We will continue to build a forward-looking organisation embracing ESG in all aspects of our business and continue to expand our ESG strategy that was formulated in 2021.

Our focus is to maintain our leading role in the Social and Governance pillars and increase the positive impacts on the Environment by transforming not only the Bank's own operations, but also the operations of its customers.

We are committed to become carbon neutral by reducing the GHG emissions from own operations by 42% by 2030. During 2022 we have reduced our greenhouse gas emissions by 8%.

We are also committed to become net zero by 2050. In October 2022 Bank of Cyprus became the first bank in Cyprus to join the Partnership for Carbon Accounting Financials and thus following the recommended methodology for the estimation of the Financed Scope 3 GHG emissions.

We have launched environmentally friendly products, such as the low emission vehicle loan product, and the campaign on new Visa Debit cards produced from recyclable plastic extracted from the ocean. We expect to further expand this range of products in 2023 in line with our ESG Strategy and the Recovery and Resilience Plan for Cyprus.

We are proud for the publication of our first TCFD report that provides information about our ESG strategy and performance. Additionally, we have published the

Sustainable Finance Framework which will enable us to issue Sustainable bonds in the future.

The Bank has the commitment, the scale and the reach to deliver the desired change across Cyprus in the coming years.

Strategic priorities for the medium-term - An update

As I mentioned earlier, in 2022 we completed the ten-year transformation of Bank of Cyprus into a strong, diversified and sustainably profitable banking and financial services organisation. This included reaching significant milestones ahead of schedule in terms of asset quality (an NPE ratio of 4%) and profitability (recurring ROTE of 11.3%).

The completion of the transformation combined with our strong financial performance during 2022, enabled us to:

- improve our strategic targets, including increasing our return on tangible equity target to above 13% from above 10% for 2023, and;
- deliver on our intention to resume dividend distributions in 2023, following approval from the European Central Bank in April this year.

The key pillars of our strategy remain as follows:

Firstly, to grow revenues in a more capital efficient way; we aim to grow our high quality new lending, drive growth in niche areas for further market penetration and diversify through non-banking services, such as insurance and digital products.

Secondly, to improve operating efficiency, by achieving a leaner operating model through digitisation and automation.

Thirdly, to continue to strengthen asset quality and normalise cost of risk. Our NPE ratio target of below 5% for 2023 and our cost of risk target of 50-80 bps for 2023 remain unchanged to display conservative assumptions. We expect it to start to normalise to 40-50 bps from 2024 onwards.

And lastly, to continue to enhance organisational resilience and our ESG agenda.

Maintaining a strong capital base has been a key foundation of the past few years and it remains non-negotiable for the bank going forward.

We are confident that our proven strategy combined with our strong customer base, our market leading positions and our diversified business model will continue to create shareholder value.

On 8 June 2023, we will host an investor update event in London where we will present and discuss an update of the Group's outlook. We look forward to seeing you all there.

Closing remarks

Ladies and Gentlemen, we now have a strong, diversified and sustainably profitable banking and financial services organisation. This has been a ten-year journey that was made possible by the trust of our customers, the dedication of our employees, the commitment of our Chairman and members of the Board of Directors and the support of our shareholders.

As we have closed the chapter on the restructuring effort and have started to write a new chapter for Bank of Cyprus, I would like to thank all of our stakeholders for their continuing support.

Together, we have ensured that Bank of Cyprus continues to meet the needs of our customers, supports the growth of the Cypriot economy, contributes meaningfully to society and delivers value for our shareholders.

I would like to take this opportunity to thank the Chairman and the Board of Directors for their support and for inviting me to extend my appointment as Group CEO until 31 December 2026.

It is a great privilege and an honour to lead this great Bank.

Thank you