

AGM OF SHAREHOLDERS OF BANK OF CYPRUS HOLDINGS PUBLIC LIMITED COMPANY 26 MAY 2023

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

Dear Shareholders,

It is my pleasure to welcome you here today to our Annual General Meeting.

I would now like to provide you with some context before discussing the Bank's significant progress during 2022.

With Covid-19 now, for all intents and purposes, under control the headlines are monopolised by the fallout of the disastrous war in the Ukraine which regrettably continues. This fallout includes all kinds of geopolitical challenges, the destruction of legacy supply chains and the creation of new, significant inflation and a series of central bank interest rate hikes to control it, recalibrating economic models and the way the world works, distributes and prices goods and services.

After years of virtually zero or negative interest rates and as the world economy at long last was entering a promising growth path at the end of 2021 and early 2022, the war in Ukraine created huge supply or demand driven inflationary pressures, depending on geography. This has forced central banks around the world to aggressively raise intervention interest rates throughout 2022 risking a material global economic slowdown or even recession. Today in early 2023, rates continue being raised, albeit at a slower pace, and we are beginning to see some indications of an economic slowdown, but inflationary pressures have filtered through most economies and remain resilient. This indicates that perhaps inflation and high interest rates will stay with us for longer, perhaps in the end at lower levels than today but most certainly at a higher level than during the previous interest rate environment.

Naturally, higher inflation and higher interest rates have abruptly increased the cost of living and the cost of debt to individuals, households and businesses resulting in various degrees of political and social unrest. What will determine how long these economic conditions will prevail will be determined by the length of time it takes for the world economy to recalibrate and absorb the shocks and changes that are taking place.

In this environment, the Cypriot economy has demonstrated great resilience growing by 5.6% in 2022. While the economy is expected to grow at a slower pace during 2023, it is still expected to grow by a healthy c.2.8%, outperforming the forecast for the eurozone average. The country is expected to comfortably retain its investment grade rating and to reduce its Debt to GDP ratio further to 80%, while inflation has begun to significantly decline to around 3.8% from the highs of over 7% last year.

Despite the global headwinds, Bank of Cyprus completed its ten-year restructuring effort, exceeded its targets and returned to sustainable profitability in 2022, reducing NPEs to below 4% and delivering a recurring Return on Tangible Equity of 11.3% for the year, after sizeable extraordinary one-off items due to bold restructuring initiatives. With capital ratios well above the required minimums and liquidity surplus of over €7 billion, the Bank has turned the page. The Bank's significant progress was recognised by upgrades to its credit ratings from Moody's, S&P and Fitch during 2022.

Most importantly, the Bank has obtained approval by the European Central Bank to resume dividend payments. Bank of Cyprus is the first bank in Cyprus and Greece to be granted this approval. The Board of Directors' recommendation of a payment of €0.05 per ordinary share represents a payout ratio of 14% of the FY2022 adjusted profitability or 31% based on FY2022 profit after tax. This proposal, which is subject to your approval today, is the first step in delivering sustainable returns to you, our shareholders. Under the Group's new dividend policy, which has been approved by the Board of Directors, we expect dividend payments to build prudently and progressively over time, towards a payout ratio in the range of 30-50% of the Group's adjusted recurring profitability taking into consideration market conditions as well as the outcome of capital and liquidity planning.

We are grateful to our regulators for their strong and constructive cooperation and for their recognition of all the hard restructuring work done in all fronts from Governance, Compliance, Risk Management and NPE reduction to Cost Control, AML, IT and Digital transformation.

Having now turned the page, we are confident that Bank of Cyprus will continue its profitable growth trajectory in the years to come, delivering sustainable profitability, with negligible NPE growth, strict cost control adding new value accretive products to our business model and enhancing our Digital competencies.

In addition to our heavy investment in operational, client facing, digital transformation, we have continued building Jinius, our B2B and B2C digital platform, for which customer subscriptions are growing at a very fast pace.

Our focus on our ESG/Climate agenda and Cyber/Digital security continue to be centre of the plate, with deep commitment and awareness from everyone across the organisation. To emphasise our commitment to both we are in the process of identifying two new NEDs with respective best in class background to increase the robustness of our Board of directors' expertise.

In order to be able to reward our people for their efforts, we have already put in place last year a Long-Term (Equity) Incentive Plan (LTIP) to reward and retain management and senior employees with Bank equity, based on strict performance criteria. In addition, we have just put in place a Short-Term (Cash) Incentive Plan (STIP) to reward a much broader group of employees for their performance with cash bonuses.

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.

In particular we wish to congratulate Panicos Nicolaou, our CEO for his commitment, leadership and vision to guide the management team towards achieving all goals set by the Board, in record time.

Lastly, I would also 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.

Dear Shareholders, we remain focused on delivering sustainable shareholder returns. Today's proposed dividend payment is just the start.

Being allowed to distribute again after so many years a Common Dividend says it all!

Thank you for your continued trust and support.

Efstratios-Georgios (Takis) Arapoglou
Chairman