

ANNUAL GENERAL MEETING OF SHAREHOLDERS

14 May 2019

Bank of Cyprus Holdings PLC Headquarters

Remarks by John Patrick Hourican,
Group Chief Executive Officer

Opening remarks

Good morning ladies and gentlemen, distinguished guests and colleagues. Thank you for taking the time this morning to attend our AGM and for the opportunity to present an update on the progress of the Group.

As in previous years, my remarks will be in English and there is also a real-time translation facility available in Greek. A copy of these remarks will be put on the Group's website in a few minutes.

I would like to start by thanking our shareholders for continuing to support and encourage us as we have painstakingly attended to the Bank's repair. We appreciate both your continuing trust and, more importantly, your continued patience.

Before I turn to address the Bank's progress, I would first like to very publically record my sincere gratitude and thanks to our outgoing Chairman.

As Joe said, today is his last day in office. All of us at Bank of Cyprus are deeply appreciative and grateful for his exceptional service to the Bank, and dare I say the country since November 2014. On a personal note, it has been a true privilege to work with such an experienced and capable leader over the past nearly 5 years and to receive such valuable personal mentoring. On behalf of us all, thank you Dr. Ackermann and thank you Mrs. Ackerman for sharing him with us since 2014.

At the same time we look forward to welcoming Mr. Arapoglou to the Board as our Chairman-designate. Takis has extensive experience in the international capital markets and the banking world. He is enormously familiar with the economic environment in the region, understands Cyprus well and I have every confidence that he will seamlessly take up where Dr. Ackermann leaves off.

Separately, as you all know, at the end of the summer I will also depart the Bank to take up a different challenge in the United Kingdom. By that time, I will have spent nearly six years in Cyprus and, while there is still a great deal to do, it now feels like an appropriate time to hand the next chapter of the Group's leadership to another. I am delighted to be handing the reins to Panicos Nicolaou, my colleague on the current Executive Committee. It is very satisfying that a home grown talent has emerged as the Board's choice.

Ladies and Gentleman,

As Dr. Ackermann has already so eloquently outlined the Bank is in a stronger, more focused and future-fit state. I remain confident that the clear strategy we have chartered will deliver a strong and investable bank. The Executive Team remains fully focused on completing the Bank's return to full strength and ensuring no loss of momentum in 2019. I will not repeat the achievements or strategic choices that we have made over the past years. Dr. Ackermann has very fully outlined these and his story-telling needs no further explanation or emphasis.

SLIDE 1

Significant progress in the Bank's recovery

Ladies and Gentlemen,

The Bank has made good, if at times, painful progress in its recovery over the past 5 years. Today we present a Bank with much improved asset quality, stronger capital, stronger liquidity, less branches, better technology and a clear focus on completing the job.

You have a very strong Board and an excellent Management Team. And, of course, we are ably supported by exceptional colleagues at all levels within the Bank. We are committed to ever higher standards of governance. We recognise our ultimate objective of delivering great service to our customers and good returns to our shareholders.

€9 bn Smaller Balance Sheet

The Group's Balance sheet is c.€9 bn smaller now than it was in 2013. We have shed the risks associated with the ownership of Banks in overseas jurisdictions, concentrating our business model and capital base on our home market. We are the number one bank in Cyprus.

€10 bn reduction in Non-performing Loans

We have made very good progress in reducing problem loans. We reduced NPEs by €10 bn or c.70% since December 2014. We have recorded material NPL reductions for sixteen consecutive quarters and we expect that organic reduction of NPLs will continue into 2019. The NPL reduction was materially accelerated by the sale of

€2.7 bn non-performing loans in Project Helix. The reduction in our NPL stock is equivalent to c.50% of Cyprus' GDP and it has all been delivered without state-aid. Our future plans are focused on making further material progress and include the contemplation of further significant portfolio sales.

Strengthened Capital Base

Maintaining a strong capital base is essential for building confidence in any bank. In 2013 Bank of Cyprus was re-capitalised by the authorities to a CET1 level of 10.5%. This was nowhere near a sufficient level of capital for the Bank to achieve any accelerated de-risking.

As Joe mentioned,

We raised €1 bn of equity in late 2014 from international investors. We re-opened the Group's access to the capital markets and, separately raised a €250 mn Tier 2 bond in January 2017 and another €220 mn of AT1 in August 2018. The Group's capital levels have remained adequate throughout this process and we have strengthened our ratios further over the last year, as we de-risked the balance sheet.

Strong Liquidity Position

We started this journey with €11 bn of Emergency Liquidity Assistance Funding from the Central Bank. In January 2017 we completed the full repayment of that funding and today, after Helix, the Bank carries approximately €4 bn of surplus liquidity.

We have taken concrete steps during the past five years to rebuild customer confidence. Our deposits in Cyprus have grown by around €5 bn or 44% since 2014 and today we have a market share of c.34% in resident deposits and of c.38% in non-resident deposits. Our loan to deposit ratio is strong at 67% pro forma for Helix, more than adequate to fund loan balances and much better than European Bank averages.

Strong Macroeconomic Backdrop

As the Chairman noted, the outlook for the Bank of Cyprus is, because of its size, intrinsically linked to the outlook for the Cypriot economy. The Cyprus economy has been consistently one of the fastest growing economies in Europe and grew by 3.9% in 2018. It is pleasing to see the continuation of a broad-based recovery with high tourist numbers, rising property prices and falling unemployment.

We are committed to providing credit to support the recovering Cyprus economy. We are targeting sustainable new lending in selected sectors. Industries such as tourism, trade, professional services, information technology, health, energy, education and green projects present good business lending opportunities for the Bank. We granted new lending of €1.9 bn to the Cyprus economy in 2018 and we expect new lending in 2019 to be at similar levels.

Focus on operational excellence and good governance

We continue to focus on driving a customer-centric and strong set of values throughout the organisation. We have strengthened control over our business and we have been working hard to embed a transparent and modern set of values across our organisation.

We have embarked on a digital and physical transformation of our operations in Cyprus. We have become a leader among all financial institutions in Cyprus on digitisation and our customers are starting to enjoy the benefits of this strategy. We remain committed to a modernisation agenda designed to transform our business model so that we can compete efficiently in a changing world and better service the changing needs of our customers. This is a fundamental area of focus for Management into 2019 and beyond and we will need the positive engagement of our own employees, the union and Government to safely make these changes.

SLIDE 2

Financial Year 2018

Ladies and Gentlemen,

We have already presented the Full Year 2018 results to the market, but for the record I will make a few key observations on the 2018 Financial Statements presented to you today.

- 2018 was another important year in the safe transformation of the Bank and one in which we made good progress against our core objectives of balance sheet de-risking and refocusing the business on supporting the growing Cypriot economy.
- Our capital position was strengthened significantly. As at 31 December 2018, our CET1 ratio and Total capital ratios stood at 15.4% and 18.3% respectively, pro forma for certain tax legislation amendments and Helix. These capital ratios are well above the minimum regulatory requirements.
- In 2018 we made very good progress in reducing problem loans. NPEs reduced organically by €1.4 bn or 16% to €7.5 bn. Helix, accelerated this reduction to €4.8 bn. Our NPE ratio reduced to 36% pro forma for Helix and the provision coverage against the residual stock of NPEs was 47% at the end of 2018.
- During 2018, we announced three corporate actions that collectively unlock value for our shareholders and strengthen capital in support of our Cyprus business:
 - **First - we agreed to sell €2.7 bn of NPEs, “Project Helix”,** which received ECB approval in March this year. We expect this deal to legally complete in the coming weeks. The accounting loss from the transaction recorded in 2018 was €150 mn. In the first quarter of 2019, we recorded

an additional loss of €21 mn relating mainly to completion and timing adjustments. Overall the transaction is capital accretive and will have an overall net positive capital impact of 70 bps.

- **Second – we sold our UK subsidiary.** This was completed in November 2018 for a consideration of c.€120 mn and added 70 bps to capital. This was an “at book” transaction and good value for our shareholders.
- **Third – we issued €220 mn AT1 securities** in December 2018. This added 140 bps to our total capital ratios.
- In 2018 customer deposits in Cyprus grew by c.€1 bn or 5%. As at the year end the Bank had more than €4.0 bn surplus liquidity pro-forma for Helix.
- Our results in 2018 reflect continued de-risking. We generated a total positive operating result of €382 mn. The underlying result for the year was a profit of €140 mn. The impact of Helix amounted to a loss of €150 mn in 2018. The rapid de-risking of the Bank has also resulted in a partial impairment of the DTA of €79 mn, which, following the legislative amendments I mentioned earlier, was reversed in the first quarter of 2019. The combination of these actions resulted in a loss after tax of €104 mn for 2018. The results continue to reflect a bank “in repair”.
- Our Real Estate Management Unit continued to make good progress on the management and the disposal of the real estate assets. In the three years since the set-up of our Real Estate Management Unit in 2016, we have sold more than a 1000 properties with proceeds in excess of €1 bn. During 2018, we sold or signed SPAs for properties with value of €504 mn. The stock of real estate at the end of 2018 amounted to three thousand properties valued at €1.5 bn. Organic sales in 2018 were recorded at average prices in excess of the carrying value. Our property sales remain strong and we are optimistic that the pace of sales will continue into 2019.

SLIDE 3

Recent performance – first 3 months 2019

Ladies and Gentlemen,

You will have noticed that we announced our first quarter 2019 results last evening.

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

- **Asset Quality:** NPEs reduced organically by further €157 mn or 3% to €4.6 bn pro forma for Helix. This was the 16th consecutive quarter of reduction. This is broadly in line with our €800 mn organic reduction target for 2019. Provision coverage on the residual non-performing portfolio remains adequate at 48%.
- **Deposits:** At the end of March, the Bank held €16.3 bn of deposits and had €3.8 bn surplus liquidity. The Bank's loan to deposit ratio stood at 67%. The Bank has been focused on reducing the cost of deposits and ensuring its deposit base has the appropriate shape and size in light of a deliberately smaller balance sheet.
- The Bank continues to have a good capital position. The CET1 ratio at 31 March 2019, adjusted to reflect the impact of the NPL portfolio sale is 14.9% and Total capital is 17.9%. This allows us to explore further accelerated de-risking.
- The profit after tax in 1Q was €95 mn. The 1Q organic performance before after tax and restructuring costs was a positive result of €23 mn.

As I said, tackling the Group's loan portfolio quality remains the top priority for Management. The Group continues to make steady progress and will continue to

actively explore alternative avenues to further accelerate the reduction of NPEs including further portfolio sales.

Priorities for the journey ahead

Ladies and Gentlemen,

The last few years have been significant in our journey back to strength and shows our strategy is generally working. We have a materially lower level of non-performing loans. We have surplus liquidity. We have adequate capital. We have maintained our market share and we have a reasonable level of core operating profitability.

We remain committed to finish our balance sheet de-risking and refocus the business on supporting the growing Cypriot economy. Whilst there remains more to do in rebuilding the value and financial position of this institution, I am confident that we have the right building blocks in place to eventually achieve our goals.

A key objective over the coming quarters will be to further develop a more efficient business model with a focus on sustaining revenues while at the same time significantly reducing costs and better managing labour relations.

Closing remarks

Ladies and Gentlemen,

Together with the Chairman, the Board of Directors and our senior Management team, I continue to believe that the strategy we are pursuing is the right one. I remain committed to the job at hand over the coming months and have absolute confidence in the Executive Team that they will continue to lead the Bank back to strength.

Finally, I would like to express my sincere thanks to our employees, to our customers for the trust they continue to place in the Bank of Cyprus and last but not least, to our shareholders. It has been a great privilege to work here and to be embraced so warmly by Cyprus and its people.

Thank you