

ANNUAL GENERAL MEETING OF SHAREHOLDERS

26 May 2020

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. And thank you for your flexibility this year, in attending the AGM virtually as the world adapts to the impact of COVID-19. The COVID-19 pandemic has underlined the central role our Bank plays in the lives of so many people in Cyprus. The challenges we face as a community are unprecedented.

I am very proud of the significant efforts that colleagues across the Bank have made and are making to support each other, look after our customers and enable business continuity. Many of my colleagues are providing critical services to maintain day-to-day operations in branches, service centres and offices across Cyprus. I know the pressure that many of them are facing and I thank them sincerely for their work.

As you know I was officially appointed as CEO on 1 September 2019 and given that this is my first AGM I would like to very publicly record my sincere gratitude and honour for being given the opportunity to run this great and proud Cypriot institution.

I would also like to thank you, 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. While circumstances mean we cannot discuss in person today, I look forward to continuing our engagement as soon as is practicable. Your views will always be of great importance to me.

Before I address the Bank's progress, I want to say a few words about how the economy in Cyprus and our Bank are coping with the challenge presented by COVID-19.

COVID-19

Cyprus and the world are coming to terms with a global pandemic that is changing the way we run our businesses and conduct our daily lives. COVID-19 is first and foremost a health crisis, presenting an unprecedented external economic shock.

In 2019, the Cypriot economy grew by 3.2% and whilst clearly COVID-19 has caused a deterioration of the short-term prospects of the Cypriot economy it is an open, small and flexible economy which has demonstrated historically that recovery from economic crisis can be quick.

The spread of COVID-19 is expected to have a significant impact both on the global and the Cypriot economy. The impact on the Cypriot economy will largely depend on the duration and the intensity of the pandemic.

Our priorities during these unprecedented times are clear: protect the health of our colleagues and customers, support them and the Cypriot economy, while also ensuring the operational resilience of the Bank.

We are determined to help all our stakeholders continue to confront this challenge.

The Government's swift and decisive reaction to the outbreak of COVID-19 in Cyprus has successfully contained the spread of the pandemic in the country and has allowed

the gradual relaxation of containment measures. The package of policy measures announced by the European Central Bank and the European Commission, as well as the fiscal and other measures of the Cyprus Government, is helping to mitigate the negative impact of the crisis and support the recovery of the Cypriot economy.

Bank of Cyprus as the leading bank in Cyprus, has always been there for our customers in times of crisis, and we are confronting the present economic situation from an improved financial position. Since the peak in 2014, we have reduced the stock of NPEs by €11.3 bn or 75% to €3.7 bn as of 31 March 2020. We have a good capital position and a significant liquidity surplus of approximately €3 bn, as we head into these uncertain times.

We are working hard to provide our customers and our community with the support they need during the COVID-19 pandemic. This includes working closely with government to ensure that stimulus measures reach the real economy quickly and efficiently. We are setting up targeted and efficient strategies for each client segment and industry.

For private individuals, we are implementing the 9 month payment moratorium as announced by the Government on products such as mortgages, personal loans and credit cards. As at 20 May 2020 we have received c.21,000 applications for c.€2.0 bn of gross loans accounting for 52% of the respective loan book (excluding legacy). We have also launched various initiatives aiming to provide better, faster and safer services to customers including amongst others the issuance of debit cards free of charge and free subscription to internet banking.

For business customers, we are also implementing the payment moratorium as announced by the Government. We are in close contact with them in order primarily to assess the full extent of the COVID-19 economic side effects and secondly, to provide targeted liquidity support to affected customers to help alleviate their short term cashflow burden. Loan moratorium applications from businesses as of 20 May 2020 amount to c€3.7 bn or 72% of the loan book (excluding legacy).

The investment we had already 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 customers. The increased digital engagement level of our customers during this period is impressive at 70% as of the end of April 2020 and we expect further increases.

Focus on operational excellence and good governance

We continue to work hard to drive a customer-centric and honest set of values throughout the organisation. We continue to invest in our processes and to try and modernise our culture. We are 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.

In 2019, we have made a number of changes to the Executive Committee and other senior leadership positions to refresh the executive team and increase the focus on execution. We have the right team with the right mix of skills and experience to deliver our strategic priorities.

Financial Year 2019

We have already presented the Full Year 2019 results to the market, but for the record I will make a few key observations on the 2019 Financial Statements presented to you today.

- 2019 was an important year for the Bank with the significant reduction in NPEs and active cost management through staff reduction, branch closures and increase in the digital engagement.
- As at 31 December 2019, our capital ratios (IFRS 9 transitional) were CET1 of 14.8% and Total Capital ratio of 18.0%. These capital ratios are well above the minimum regulatory requirements.

- In 2019 we made very good progress in reducing problem loans. NPEs reduced organically by €889 mn, significantly surpassing our target of €800 mn for the year. In 2019 we also completed the sale of c.€2.7 bn non-performing loans in Project Helix, adding 140 bps of capital.
- Against the backdrop of market volatility arising out of the COVID-19 pandemic, we continue to work with our advisers towards the sale of a portfolio of NPEs. Due to the prevailing market and operational conditions, this process is taking longer than originally anticipated.
- Our Real Estate Management Unit continued to make good progress on the management and the disposal of the real estate assets. In the four years since the set-up of our Real Estate Management Unit in 2016, we have sold more than 1500 properties with proceeds in excess of €1.25 bn. During 2019, we sold properties with value of €505 mn. The stock of real estate at the end of 2019 was valued at €1.49 bn. Organic sales in 2019 were recorded at average prices in excess of the carrying value.
- In response to the persistently low interest rate environment in Europe, we have remained focused on actively managing our funding costs and reducing our cost base. In the fourth quarter of 2019, we reduced the number of employees by 11% through a voluntary staff exit plan, representing a gross annual saving in staff costs of 13%. During the year, we also reduced the number of branches by 18%, as the percentage of digitally engaged customers increased by 6 p.p. to 70% in the 15 months to 31 March 2020. In addition, in March 2020, we introduced liquidity fees for specific customer groups.
- Our deposits remained broadly flat during the year at €16.7 bn and we reduced our cost of deposits by 25 bps in 2019 and 60 bps in the last two years.
- New lending exceeded €2 bn in 2019, an increase of 9% compared to the prior year and the highest level since 2015, helping support the Cypriot economy.

- Our results in 2019 reflect continued progress against our core objective of balance sheet repair. We generated total income of €651 mn and a positive operating result of €241 mn. The underlying result for the year was a profit of €36 mn. After the one-off cost relating to the completion of the voluntary staff exit plan of €81 mn, the provisions/net loss relating to the NPE sales of €92 mn (including additional loan credit losses of €75 mn relating to further NPE sales in the future), the net loss from the sale of our investment in CNP of €21 mn and the net positive impact from the reversal of the impairment of the deferred tax asset of €88 mn, the overall result for the year 2019 was a loss of €70 mn.

This morning, we have announced our first quarter 2020 financial results. A copy of these is available on the Group's website.

Following COVID-19 outbreak, the economic outlook has deteriorated, and we have already seen this in reduced levels of activity in transactions and lower demand for new loans. The economic effects are expected to have a negative impact on the Group's 2020 financial performance. The full impact remains uncertain and will be driven by the duration of COVID-19 restrictions and the successful reopening of the economy.

Nonetheless, the Group is well positioned, with its good capital base and strong liquidity position, and stands ready to support the recovery of the Cypriot economy.

Priorities for the journey ahead

The last few years have been significant in our journey back to strength that shows our strategy is generally working. We have a materially lower level of non-performing loans and we have improved our liquidity and capital position. We have maintained our market share and our leading position in Cyprus and we have a reasonable level of core operating profitability. Our medium-term strategic priorities remain clear, with a sustained focus on strengthening our balance sheet, and improving asset quality and efficiency, including cost reduction to reflect our smaller revenue base. The

increased digital engagement of our customers during the lockdown period will support our efforts to improve our efficiency. This is a fundamental area of focus for Management into 2020 and beyond.

Closing remarks

Ladies and Gentlemen, together with the Chairman, the Board of Directors and the senior Management team, I continue to believe that the strategy we are pursuing is the right one. Of course, we are now operating in a very different environment. Therefore, we will need to adjust and consider what additional actions we need to take in response to the new economic circumstances that will emerge post COVID-19.

Finally, I would like to express my sincere thanks to our employees and senior management team, especially in the current circumstances They've risen to the challenge to continue to serve our customers during these unprecedented times and shown exceptional resilience. I'd 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