48th Annual General Meeting of Hellenic Bank

28 September 2022

Hellenic Bank Headquarters

Speech by Mr Oliver Gatzke, Group CEO

Dear shareholders, distinguished guests, and colleagues,

My presentation will be in English and there is a real-time translation to Greek, with headsets provided.

Good morning to all and thank you for joining us today. I officially took over the role of the CEO of Hellenic Bank in July 2021. So today I'm updating you about the strategic objectives we set, our so far achievements, as well as about the outlook of the Bank. Antonis Rouvas, our CFO, in his presentation, will provide more detail on the financials both of 2021 as well as the first half of 2022.

First, let me start with an update on the economy and the operating environment.

While the COVID-19 pandemic continued in 2021, we also experienced the strong resilience of society, households and businesses as Cyprus showed convincing signs of recovery from the economic crisis caused by the unprecedented pandemic. The strong economic rebound was underpinned by the generous and targeted government support package. Hellenic Bank rose to the occasion and supported its viable clients, households, and business by providing more than 900 million in new lending in 2021.

2022 is dominated by the war in Ukraine, which led to high geo-political and macro-economic uncertainty and exacerbated the very high inflation rates and low consumer confidence. Despite the weak international outlook, the Cyprus economy grew by 6% during the first six months of 2022. The positive GDP growth rate is mainly attributed to the good performance of industries such as trade, transport, hospitality, and other leisure related industries. At this point I would like to take the opportunity and mention that due to the continuous downsizing and de-risking of our International Business Division, the Bank has limited direct exposure and an insignificant impact from sanctions and other regulatory decisions as a result of the war.

The interest rate environment has changed significantly with the ECB increasing interest rates for the first time in 11 years to 0% in July 2022. Very recently interest rates were further increased to 0.75%. At the same time long-term interest rates have increased throughout Europe – Cyprus 10-year sovereign bond reached a maximum yield of 3,5% mid of the year primarily resulting from credit spread widening, reflecting the uncertain capital market environment.

Despite this challenging environment, Hellenic Bank performed well above expectations, making solid progress towards its strategic goals. During the first 6 months of the year, we delivered an after-tax profit of €55,4m demonstrating the resilience and robustness of our business model.

SLIDE – 4 pillars -with achievements

Ladies and Gentlemen, let me now focus on our strategic objectives and achievements. When I officially took over 15 months ago, a new leaner management structure was set up. The objective was clear: To transform and reshape the Bank, enhancing shareholders value. In driving the Bank forward, we concentrated on 4 main pillars:

1. Focused growth, through increased customer engagement, enhanced product proposition and cross selling, as well as strong emphasis on ESG initiatives.
2. Cost rationalisation by modernising our operations, rationalising the branch network and head count reduction.
3. NPA deleveraging through organic and non – organic solutions as well as focus on early arrears.
4. Capital and Funding Optimisation.

On the first pillar (focused growth/ESG) we are supporting our customers and financing the growth of the economy through healthy new lending. Our risk based pricing tool RAROC steers the Bank to good quality lending and during the first half of 2022 we provided more than 550 million euro of new loans, reflecting an increase of 43% compared to last year. The new lending target of 1.2 billion can be confirmed and given the higher interest rate environment we do envisage improved profitability.

Furthermore, the recent acquisition of more than 330million of performing loans of RCB increased the Bank's client base in corporate lending and improved our operating income through higher interest income.

On ESG we were the first Bank in Cyprus to set up a dedicated team and our action plan is progressing well. We recently released two products, Green Car and Green Mortgage and we also have a specialised team to consult and offer "green" solutions to our business clients.

Looking forward, I must stress that our 3-year transformation journey is on track. We aim to enhance customer experience, increase revenues, and at the same time drive efficiency. We are in the process of transforming into a customer centric organisation, by improving customers' experience, through digitalization, streamlining of our processes and offering simple and competitive products. More than 85% of all banking transactions are now executed through our alternative channels, outside the branch. This is a proof that our customers are embracing change. This gives us hope to continue our efforts and achieve the ambitious roadmap in order to streamline and simplify our lending processes and at the same time make use of all available data to offer targeted services and products to our clients' specific needs.

Moving now to the second pillar: Cost Rationalisation. During 2021 and 2022 in our effort to rationalise our branch network and physical footprint we closed 24 branches. We now operate with 25% less branches compared to 2020 and at the same time new lending targets are comfortably met, especially in retail. By end of 2022, we are planning to close another 9 branches to further optimize our cost structure.

The streamlining and cost management initiatives of the transformation plan are on track, and this will further reduce our costs and increase our efficiency.

Administrative costs are already declining and as far as the headcount is concerned, in 2021 and 2022 our staff has been reduced by more than 220 people mainly due to the release of temporary staff.

At this point I want to share with you an update with regards to labour issues and the discussions with the Unions. Over the last year we concentrated all our efforts to find a solution to an open issue that has been detrimental to the smooth operation of the Bank since 2018. We repeatedly stated our willingness and commitment to discuss with the Unions all open and pending labour issues aiming to find a compromise in a spirit of conciliation, for the benefit of the Bank, all its employees and all other stakeholders. We had ups and downs but now the discussions are on track, and I am optimistic that in the next few weeks we will conclude to the reinstatement of salaries of ex-CCI colleagues and to an exit scheme in order to reduce headcount by approximately another 500. We all have one common objective, to safeguard a healthy and robust Organization for the future and I am confident that we will work together with the Union for the benefit of all parties.

Let me now turn to the 3rd pillar: NPA deleveraging. In April we announced the agreement on Project Starlight which entails the sale of c. €0,7 bn of NPEs and the APS Debt Servicer. This was the most decisive step in dealing with the Bank's NPEs. The transaction substantially de-risks the Bank's balance sheet, reducing the NPE ratio to a proforma 3,6%, which is one of the lowest amongst peer Banks. The transaction is expected to be completed by the end of 2022.

Our aim is to safeguard our asset quality and further reduce the NPEs through organic deleveraging even if these are covered by the Asset Protection Scheme. Our provision coverage and collateral coverage ratios remain high at 57% and 159% respectively. We remain watchful and particularly wary about the challenges that lie ahead, and we are proactively reaching out to our customers to ensure that they will keep performing well.

I will now move to the 4th and final pillar of our strategy: Capital & Funding Optimisation. Our Capital Adequacy Ratio is c. 21,9% proforma, significantly above minimum capital requirements.

During the first quarter of 2021 we established an EMTN Programme of a €1,5 bn to issue MREL (Minimum requirement for own funds and eligible liabilities) as per the guidelines of the Bank Recovery and Resolution Directive. In July 2022 and despite the turbulent capital markets and the uncertain macroeconomic environment the Bank has successfully completed its inaugural MREL issuance of eligible senior preferred notes of €100 million.

As I already mentioned, the faster than anticipated change in the interest rate environment, will have positive impact on the revenues of the Bank mainly due to the ample liquidity (**LCR of 473%).**

We recently announced the termination of negative interest rates on corporate clients, the first Bank in Cyprus to do so, but given the excess supply in the system we do not envisage any significant increase on deposit rates soon. As far as the interest rates of new loans are concerned, we are in the process of formulating our new pricing which must reflect the new reality.

I must mention here that on the pricing of loans, there is a paradox in Cyprus compared to the rest of Europe. The actual yield of the 10-year sovereign bond of 3,5% is significantly higher than the average interest rate of corporate loans. Therefore, the corporate credit risk is currently not reflected correctly in the pricing of new lending in Cyprus. Interest rates should be reflecting the macroeconomic operating environment, therefore an increase from the all-time low rates is inevitable.

SLIDE - Medium term financial targets

Ladies and Gentlemen,

Let me provide you an outlook on the full year 2022 as well as on our medium-term financial targets.

Despite the profitable first half, the full year of 2022 will be impacted by (a) the cost of the envisaged exit scheme and the reinstatement of salaries of ex CCI employees, (b) the expected completion of the Starlight project, and (c) increased cost of risk related to the higher costs of servicing loans and the weakening economy. Hence, we continue to forecast marginal profits for the end of the year.

We are confident to overachieve our medium-term profitability targets as communicate end of 2022, because of the progress on our strategic objectives and the changing interest environment, where the higher interest rates are expected to have a positive impact on our net interest income of more than €130 million for 2023 and 2024.

In line with our latest announcement of our half-year results, we will be in a better position to provide a more detailed update on medium term targets as well as the payment of interest on the Contingent Capital Securities CCS1 and CCS2 (COCOS) following the completion of the planning cycle and the approval of the new Strategic Plan 2023 - 2025. Regarding the payment of coupons we are fully aware of the expectations of our bondholders and the Board is continuously reassessing the situation.

Dear Shareholders,

We managed to demonstrate resilience and agility during these extraordinary times and I am proud of my colleagues, who have risen to the occasion. I am optimistic that the Bank will continue to support the growth of the economy through focused, healthy lending, creating deeper and more meaningful relationships with our customers and continue the implementation of our transformation plan thus driving efficiency, reducing costs, and enhancing customer experience.

The solid foundations have been laid. I want to highlight my strong commitment to remain focused and continue working hard, along with the management team and our entire staff, to maintain a robust and healthy organisation, drive growth and create value to our shareholders.

I would like to thank you, our shareholders, our clients and, of course, our dedicated staff and our Board of Directors, for the confidence you have all shown to our organisation.

Thank you all for your attention.