



**HELLENIC BANK**

## 48<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS

28 September 2022

Hellenic Bank Head Office

Remarks by Mr. Antonis Rouvas, Chief Financial Officer

.....

Good morning dear shareholders, distinguished guests and colleagues.

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

At the AGM today we request shareholders' approval for the financial statements of 2021. During my speech I will also provide some highlights regarding the Group's financial performance for 22.

The Chairman and the CEO have covered the Group's progress and future direction and have addressed the challenging conditions we are currently going through due to the ongoing geopolitical crisis.

In my remarks, I will cover the Group's financial performance in more detail, starting with the Group's Income Statement.

## SLIDE 7 – Income Statement

In 2021, despite the challenges relating to the pandemic and its side effects, we managed to demonstrate resilience and agility.

Total net income for 2021 was €359 million, compared to €391 million for the previous year, with the year-on-year decline mainly driven by lower income on performing loans and on debt securities.

Total expenses for 2021 amounted to €263 million, almost unchanged compared to the year before. The decrease in administrative and other expenses was partially offset by higher staff costs.

Therefore, Profit before impairments for 2021 amounted to €95 million, compared to €127 million the year before.

Impairment losses for 2021 were extraordinarily high at €102 million, up by 53% year-on-year, mainly due to additional impairment losses on an NPE portfolio amounting to approximately €700 million agreed to be sold as part of the Starlight Project. As a result, the Group reported a loss for 2021 of €12 million, compared to a profit of €50 million in 2020.

Let us now move to the Group's Balance Sheet,

## SLIDE 8 – Statement of Financial Position

At 31 December 2021, the Group's total assets amounted to €18,8 billion, up by 19% compared to a year earlier, mainly due the Group's participation in the Targeted Longer-term Refinancing Operations (TLTROs) of the ECB in June 2021. As such, Deposits from Central Banks and Placements with Central Banks increased by c. €2,3 billion during 2021.

The Group's net loans and advances to customers amounted to €5,7 billion at 31 December 2021, compared to €6,1 billion the year before. Notwithstanding new lending of €908 million during 2021, the reduction in net loans mainly reflects the high level of loan repayments and the reclassification of net loans of €241 million to assets held for sale in relation to Project Starlight.

The Group's investments in debt securities amounted to €4,5 billion at 31 December 2021, down by 11% year-on-year and representing 24% of total assets. The net decrease was mainly due to maturities and disposals of debt securities during 2021.

Moving to the liabilities, customer deposits amounted to €14,9 billion as at 31 December 2021, up by 5% year-on-year. The increase in deposits was achieved despite the negative deposit rates applied since March 2020 on non-households, demonstrating the confidence and trust of customers towards Hellenic Bank.

Turning now to asset quality,

### **SLIDE 9 - Loan portfolio quality**

we continue to make progress and NPEs have reduced for the 5<sup>th</sup> consecutive year. NPEs, excluding those that are covered by the Asset Protection Scheme relating to the acquisition of certain assets and liabilities of the Cyprus Cooperative Bank, were reduced to 14,4% of gross loans at 31 December 2021.

We have further strengthened the NPEs provisioning coverage to 70% at 31 December 2021, while when considering tangible collaterals, the Net NPEs collateral coverage was more than 200%.

Our efforts to clean up the balance sheet are continuous and in April 22 we agreed the sale of an NPE portfolio and the sale of APS Debt Servicing Cyprus to an entity managed and advised by PIMCO. The transaction, known as Project Starlight, has reduced the pro-forma NPE ratio, excluding NPEs that are covered by the Asset Protection Scheme, to 3,6% as at 30 June 22, one of the lowest ratios among peers.

On Liquidity,

### **SLIDE 10 –Liquidity**

our position remains strong. At December 21, the Liquidity Coverage Ratio was 499%, the Net Stable Funding Ratio was 197% and cash and placements with Central Banks and banks totaled €7,8 billion or 41% of total assets. The abundant liquidity, which was a burden for the Group's financial performance during the period of negative interest rates when liquidity was placed with the ECB at negative 50 basis points, is now becoming a driver of profitability for the coming years. Accordingly, higher interest rates are expected to have a Net interest income positive impact of approximately €130 million for 23 and 24, based on current market expectations, with the basic assumption of the ECB Deposit Facility Rate going to 1,5% by 22.

On funding,

### **SLIDE 11– Funding**

the Bank enjoys a stable and well-diversified deposit base. Customer deposits totaled €14,9 billion at December 21. About 92% of deposits were Euro deposits while Cyprus deposits accounted for 84% of the total deposits. The ratio of net loans to deposits of 40%, the lowest among peers provides opportunities for prudent lending.

Moving on to capital,

### **SLIDE 12 - Capital ratios**

the Group enjoys a solid capital position. The Group's capital adequacy ratios remain above the minimum regulatory requirements, with the capital adequacy and the CET1 ratios totaling 21,7% and 19,3%, respectively, as at 31 December 21. Taking into account the 1H22 performance and the agreement for the Starlight Project, the Group's capital adequacy and the

CET1 ratios are estimated to be pro-forma, 21,9% and 19,6%, respectively, at 30 June 22.

Before concluding, let me comment on this year's performance so far.

During the 1<sup>st</sup> half of 22, we agreed the Starlight Project, which is a major step towards cleaning the Bank's balance sheet. Furthermore, we acquired a performing loan portfolio totaling €337 million from RCB Bank, solidifying the Bank's position as one of the leading commercial banks in Cyprus and evidencing its ability and determination to execute such transactions in a short time frame.

Despite the challenging environment with the Russia / Ukraine crisis, the high inflation rates, lower consumer confidence and weaker global economic outlook, the Group reported a profit after-tax of €55,4 million during the first half of 22.

Thank you.

I will now hand over to the Chairman for the rest of the proceedings.