HELLENIC BANK

49th Annual General Meeting of Hellenic Bank

28 June 2023

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. A lot has happened since we last met in September, so I will share an update on what we've been up to, and how we see the outlook of the Bank for 2023. Antonis Rouvas, our CFO, in his presentation, will provide more detail on the financials both of 2022 as well as the first quarter of 2023.

Economic Environment – Financial Performance

2022 was an unprecedented year in terms of geopolitical and economic volatility. With the pandemic shock receding, the war in Ukraine, the geopolitical tensions between major powers and the continued uncertainty over supply chains led to lower expectations of growth and exacerbated the very high inflation rates. Despite these external shocks, the Cyprus economy showed resilience, with GDP growing by 5,6% during 2022. Growth is expected to slow down to around 2,5% in 2023, which is still higher than most EU economies.

In response to the inflationary shock, in July 2022 the ECB increased interest rates for the first time in 11 years. The interest rate environment has changed significantly since then, with faster than expected interest rate increases, with the ECB deposit facility rate now standing at 3,50%. Having peaked at 10,6% in July 2022, inflation has been gradually declining and dropped to 3,6% in May 2023, year on year.

Despite operating in an environment where external shocks were unprecedented, our Bank's results for 2022 prove that (1) Our business model is resilient, (2) Our strategy is delivering, and (3) We are very well positioned to support the growth of the economy and the prosperity of our customers.

In 2022 we delivered a good set of financial results with a profit of €24 million (compared to losses of €12 million for 2021), confirming the progress in our transformation towards a client centric and technology driven bank. Adjusted for the extraordinary cost of the Voluntary Early Exit Scheme (VEES), we have achieved a profit of €95 million.

New lending during 2022 reached €1,2 billion, up 30% YoY, marking another record year. Financing sectors such as health, education, energy, Information & communication technologies, hospitality, transportation, and shipping remain a high priority to us. Net interest income reached €301 million, up 17% YoY, while non-interest income for 2022 amounted to €113 million also demonstrating a 10% increase compared to 2021.

The solid performance continued in the first quarter of 2023, when we generated a profit of €70 million, mainly reflecting higher interest income and cost rationalisation. This translates into a Cost-Income-Ratio of 40% and RoTE of 17,5%. New lending during the first quarter of 2023 reached €315 million, with our new lending market share rising to 35%, in April, up from 28% in 2022.

Our capital position remains robust with a fully loaded Capital Adequacy Ratio of 25% at 31 March 2023, while we still maintain ample liquidity, with an LCR of 454% and with €6,0 billion placed at the ECB. The solid and comfortable capital and liquidity positions, generate confidence by demonstrating that Hellenic Bank remained unaffected from the turbulence in the international financial markets during the first quarter of 2023.

In light of the latest EU sanction packages and the recent inclusion of Cypriot legal entities and physical persons in the US/UK sanctions' lists, I would like to reiterate the Bank's full adherence to sanctions issued by the European Union, the UN, the United States as well as the UK, applying a zero-tolerance policy through rigorous and strict controls and measures. The Bank has limited direct exposure and an insignificant impact from sanctions and other regulatory decisions arising from the crisis.

Main Achievements / Highlights since last AGM

Ladies and Gentlemen, as I reiterated numerous times, our strategic objective is clear: To transform and reshape the Bank and enhance stakeholder value. Let me now focus on the main recent key developments contributing towards achieving our strategic objectives.

1. In November 2022 we successfully completed a Voluntary Early Exit Scheme in line with the Bank's strategy to reduce its operating costs and achieve sustainable profitability. About 450 employees (c. 16% of total employees) exited the Group for a cost of €71 million. With an annual payroll cost of €30 million for these employees, the savings are amply reflected in a cost to income ratio of 40%

during the 1st quarter of 2023. Also considering the exit of temporary staff, the headcount reduction in 2022 was about 600 people, leading to a leaner and more agile organisation.

2. In November 2022 we also announced the coupon payment commencement, after roughly 10 years of no payments being made, for the Contingent Capital Securities CCS 1 and CCS 2 for the 4th quarter of 2022. This was an important milestone in reinforcing the confidence of our stakeholders reflecting the Bank's improved financial position.

3. In March 2023 the Bank successfully issued €200 million Tier 2 Subordinated Notes under its EMTN Programme, with a fixed coupon of 10,25% per annum. The issuance attracted significant interest from the investor community, with international investors representing c. 90% of the demand. The total orderbook exceeded €875 mn, almost 4,5 times oversubscribed. The high participation from investors once again demonstrated confidence in the Bank and re-affirmed the market's appetite for the Bank's creditworthiness.

4. Undoubtedly one of the most important achievements of recent months is the completion of Project Starlight in March 2023. Comprising the sale of c. €0,7 bn of NPEs and the APS Debt Servicer, Project Starlight has significantly de-risked the Bank's balance sheet, reducing its NPE ratio (excluding the NPEs under the Asset Protection Scheme) to 3,4% at 31 March 2023 from 13,5% at 31 December 2022. We are immensely proud of the fact that the NPEs issue that was dragging down the Bank and stigmatising the whole of the banking sector of Cyprus, has now been resolved.

   I must stress here that despite the shift of the NPEs outside the banking sector, the level of NPEs in Cyprus remains one of the highest in Europe. Therefore, we consider it imperative that the country has a stable and functional foreclosure framework to address the issue of strategic defaulters and for Cyprus to continue attracting foreign direct investments.

5. Our 3-year **transformation plan** is on track. We aim to enhance customer experience, increase revenues and drive efficiency. We are operating with a much leaner network, as we closed 24 branches during 2022, but at the same time new lending targets are above our expectations. In 2022 we introduced the concept of the **phygital branch** (our City Centre Branch in Nicosia), offering modern banking services within a multi-purpose space.

   Furthermore, we recently launched our new website and redesigned our online banking, offering a more comfortable and friendlier banking experience. In May 2023, 47% of transactions were carried out through Online Banking, 43% through ATMs, and only 10% of transactions were performed in the branches. These figures demonstrate that our customers are embracing change and give us ammunition to continue our efforts and achieve the ambitious roadmap to streamline and simplify our processes, both client facing and in the back office functions.

6. **ESG:** The new geopolitical and energy market realities is a clear signal that we need to drastically accelerate our transition into a more sustainable future with focus on the ESG priorities. In December 2022, the Board of Directors approved a new strategy, with clear and forward-looking targets, demonstrating our ongoing commitment towards ESG.

   We adjust our risk management framework and offer green lending products through which customers benefit from lower interest rates. We launched “Green Home” and “Green Car” loans, while a specialised team is consulting and offering “green” solutions to our business clients. The total green lending in the 1st quarter of 2023 was €55 million, or 17% of total new lending for the quarter.

   Our 2022 ESG Impact Report was published 2 days ago, where we share valuable information on our achievements and our long-term ambitions for sustainability and corporate responsibility.

Markets perception

Market perception and recognition is paramount for a financial institution like us. I would like to highlight our satisfaction that our efforts and achievements both quantitatively and qualitatively are recognised by the major credit rating agencies and are reflected in the markets. The Bank’s credit ratings were upgraded both by Fitch in December 2022 and by Moody’s in May 2023, based on the continued strengthening of the Bank's financial fundamentals, enhanced credit profile and improved outlook. On the equity side, the valuation of the bank’s share as indicated by the price/book ratio has improved significantly and compares well with European peer banks. Finally, the Bank’s recent debt issue in the international markets is performing well with the yield to call tightening significantly since issuance.

Medium Term Targets

The encouraging 1st quarter of 2023 is assuring that we are on the right track and that 2023 will be a very satisfactory year in terms of financial performance and fulfilment of the Bank’s goals and targets.
We believe that the evolving interest rate environment will continue to support our financial performance in the coming years, and we expect the **profit before tax for 2023 to be higher than €200 million**, mainly driven by changes in interest rates, improved miscellaneous income, e.g. through our insurance and card activities,

and the improved cost structure following the successful Voluntary Early Exit Scheme completed in November 2022.

Considering the Bank's expected financial performance and following the Project Starlight completion, the Bank will request approval from regulators for commencing dividend payments for the financial year 2023 onwards.

Conclusion

Dear Shareholders,

As we look to the future, we do so with confidence. Against a volatile economic environment, we continue to demonstrate the strength and resilience of our business, delivering a strong financial performance. I am proud of my colleagues, who have risen to the occasion and, on behalf of all the team, I highlight our strong commitment to remain focused and continue working hard, to sustain a robust and healthy organisation, to drive growth and to create value to our stakeholders.

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. Lastly, on behalf of the executive team I want to thank our Chairman Evripides Polykarpou for his hard work and dedication to the Bank over the last 9 years. It has been a privilege working with him and I wish him all the best in his future endeavours.

Thank you all for your attention.