

## CHAIRMAN'S SPEECH AT THE ANNUAL GENERAL MEETING FOR 2015

June 21, 2016

Dear Shareholders,

It gives me particular pleasure to welcome you all to the 53<sup>rd</sup> Annual General Meeting of the Shareholders of the Cyprus Development Bank Public Co. Ltd. Allow me at the outset to reiterate my commitment that I shall exert every possible effort to further promote the development and progress of the Bank and thus prove worthy of the trust you placed in me.

The year under review marked the return of Cyprus to international markets with successful bond issues rising well above €2 billion. The local banking sector which has been facing major challenges since 2013 achieved positive results in the stress tests conducted by the European Central Bank and the European Banking Authority, due to the strengthening of liquidity and capital adequacy. Credit rating upgrades put an end to prolonged uncertainty in the banking sector and provide new opportunities in the financial markets.

The adoption of a new legal framework for foreclosures and insolvency, which became effective last August, will facilitate the reduction of non-performing loans whilst the Government's determination to sustain the reform momentum with the adoption and implementation of additional ambitious structural reforms is expected to boost output growth and improve the business environment and reduce unemployment. An

appropriate growth strategy for the tourism sector where Cyprus has an unexploited comparative advantage will also help the Island achieve a major improvement in its financial performance.

We are on the verge of a new era, as far as the banking sector is concerned, and we are called upon to respond timely, efficiently and effectively to the new demands which are dictated by the far-reaching European and International regulation of the sector, ECB's unprecedented monetary policy of negative interest rates as well as the challenges still facing the Cyprus economy, which impose considerable work on the Bank and the Board. Our aim is to be ahead of our times by increasing productivity, reducing expenditure and adopting improved and efficient administrative systems and procedures in the interests of our clients and Shareholders. There is no time to waste; time moves fast and does not wait for us.

During 2015 the Bank focused its attention and intensified its efforts in dealing with the above issues as well as its organizational restructuring, the repositioning of its international business and its technological upgrade.

The Bank's strategic objective of improving its operating profitability, mainly through increased transactional business

both in the local and international markets, was actively and consistently pursued during 2015. Towards this end, the Bank proceeded with the recruitment of new professional and experienced staff, invested in new IT systems and most recently has launched a state-of-the-art e-banking system that provides an integrated cross-channel presence for its customers' convenience. Furthermore, the Bank is strengthening its presence in Limassol through the opening of new offices on the town's prime coastal front and is in the process of introducing its own card and custody services.

Notwithstanding the continuing difficult domestic and external settings, cdbbank has retained the confidence and trust of its clients and achieved, through prudent management of its business, a major improvement in its financial performance as demonstrated in the financial results for 2015, the key elements of which are highlighted below:

- Financial performance, which is the main agenda item for today's Shareholders' meeting, improved substantially during the year with the Group recording a profit before tax of €316.000 compared to a loss of €2.156.000 in 2014 whilst the after tax Group loss was only €290.000 compared to a loss of €2.786.000. At company level the Bank's profit before tax was of the order of €1.469.000

(2014: loss €1.970.000) whilst the profit after tax was €909.000 *vice* a loss of €2.658.000 in 2014.

- The Bank's Core Tier I capital adequacy ratio increased to 11,78% from 10.88% in 2014, vis-a-vis the 8% minimum prescribed by the Fourth Capital Requirements Directive.
- Non-performing exposures stood at a high 53% of the total loans and advances. The Bank is following a focused policy in effecting viable restructurings, in a targeted effort, to reduce significantly the non-performing ones. It is noted that currently 67% of restructured facilities show no arrears.
- Client deposits are increasing steadily. 2015 enjoyed a 10% increase compared to 2014, whilst the relationship between loans and advances to client deposits was 73%.
- Liquidity Ratio as at the end of the year stood at a healthy 28,3% with an improving trend.

The Bank's subsidiary company Global Capital plays an important role within the context of CDB Group's broader strategy through the exploitation of synergies in the areas of fund management, brokerage, corporate and investment

advisory, private wealth management and custodian services. On the other hand, our banking subsidiary in the region of Krasnodar in Russia, the cdbRussia, continued its activities in an *albeit* difficult economic environment. With its new Management, the bank focuses on the quality of its credit portfolio and new lending with caution.

Dear Shareholders,

I would now wish to turn to the recent changes agreed between yourselves regarding the shareholding structure of the Bank. As you are aware, in virtue of an agreement signed between ten Shareholders in March 2016, it was agreed that Shareholders Loramina Trading Ltd. and Dayarona Trading Ltd. will transfer proportionately to the remaining eight Shareholders 9.728.869 of their 13.000.000 Class B shares in the Company, thus, reducing their shareholding to 12,6%. I understand that meanwhile the parties have filed the relevant applications whilst they have also largely completed the submission of other supporting documents and are awaiting for the necessary approvals from the Authorities so that they may proceed with the full implementation of their agreement.

Before concluding, allow me to extend a special thanks to all our clients who put their trust in cdbbank throughout these

years, and to assure them that we shall spare no effort to continue addressing their needs and render to them high quality and professional services; and I take advantage of this opportunity to thank the Members of the Management Body for their commitment and determination to address the crucial issues facing the Bank, as well as our employees who are working very hard to ensure the success of this Organization. Similarly I also extend sincere thanks and appreciation for their valuable services to Ms. Andri Georghiou who was the Bank's CEO until the end of April of the year under review, and to Mr. Kyriacos Papadopoulos who took over thereafter as the Bank's CEO and held this position until mid-June 2016. Likewise, I wish to welcome Mr. George Spyrides who was meanwhile, designated as acting CEO and extend to him our best wishes for every success in his new duties.

Last but not least, I would, like to thank our external Auditors Messrs KPMG as well as our external Legal Advisers, Messrs Chryssafinis and Polyviou and Marcos Spanos and Co., for their valuable services and support.

Finally, let me stress that, while the Bank has made substantial progress, many challenges remain ahead. I am confident that our loyal, hardworking and dedicated staff and senior management team together with the cooperation and support

of our Shareholders and the Management Body will address these challenges and achieve the Bank's strategic goals.

Thank you very much.