

CYPRUS

**25th ANNUAL MEETING OF THE EBRD BOARD OF GOVERNORS
LONDON – MAY 2016**

Statement by Harris Georgiades, Minister of Finance, Governor for Cyprus

2016 marks the twenty fifth anniversary of the European Bank of Reconstruction and Development and it is a great honor for me to deliver this statement at this important juncture. First of all, I would like to express my appreciation to the UK authorities, and to the City of London for their kind hospitality and cooperation in organizing this Annual Meeting.

This year we welcomed the People's Republic of China as the newest member of the Bank, and since our last meeting in Tbilisi, EBRD started operations in Greece and Egypt became a recipient country. Furthermore, Lebanon's application for EBRD membership was adopted and we hope that very soon the formal steps for Lebanon's accession will be completed.

Over the course of the past 25 years, EBRD has witnessed great changes and challenges in its region. It has been instrumental in underpinning the advancement of democracy through its support for the transition towards open market economies, its work in strengthening private sector development and its support for establishing a strong and positive business environment.

As one of the Bank's founding members, Cyprus has always viewed favourably the objectives set by the Bank. More importantly, we are grateful to the Bank for the financial and other assistance offered to Cyprus during the difficult time of the economic crisis. We would like to acknowledge the Bank's important role in supporting our strong efforts to overcome the economic obstacles the country has faced during recent years.

On March 31st, 2016, Cyprus has successfully completed a three-year financial assistance program with the Troika of international institutions. The economy of the country has returned to positive rates of growth, reforms have taken place in most sectors of the economy, the severe level

of unemployment has been reduced, the regulatory and supervising framework of the banking sector has been enhanced and the country has regained access to international capital markets.

Nevertheless, while fiscal targets have been achieved and the national budget for 2016 is balanced, there are still challenges to overcome, such as the high volume of non-performing loans as well as further reducing unemployment.

2015 proved to be a successful year for EBRD. The Bank continued to overcome considerable economic and political challenges and delivered record results. To re-vitalise the transition process, the Bank intensified its efforts to maximise impact in its countries of operations, and placed greater emphasis on policy dialogue to support the reforms needed to create systemic, long-lasting change. The Bank's efforts in re-energising transition are underpinned by the Strategic and Capital Framework (SCF) for 2016-2020, approved by EBRD Governors in Tbilisi. In focusing on the objectives of the SCF, the EBRD should continue to be guided by its key operating principles of transition impact, sound banking and additionality.

We welcome the Bank's Green Economy Transition (GET) work which provides an additional tool in order to raise the level of environmental investment, and also the Bank's first Strategy for Promotion of Gender Equality. It will work towards increasing women's empowerment and equality of opportunity over the next five years. We also attach importance to the Bank's continued efforts to strengthen its engagement in equity financing to provide diversified funding options and improve corporate governance of investee companies.

We would like to congratulate President Suma, the Bank's Management and Staff for the strong operational results in 2015, despite the difficult economic and political context in the Bank's region. We are pleased to note that the Bank responded by increasing its support for transition and recovery. In 2015, EBRD's annual business investment (ABI) totaled €9.4 billion (compared to €8.9 billion in 2014). The Bank recorded a net profit of €0.8 billion for 2015 including provisions and unrealized amounts, compared to a net loss of €0.6 million in 2014. Given the conditions of

market volatility and economic uncertainty, this can be considered a substantial achievement.

We view the Bank's operational results as an ongoing commitment to countries in the EBRD region as they build and strengthen open-market economies. At the same time, we recognize that the geopolitical uncertainty in the EBRD region is likely to continue contributing to volatility in the Bank's earnings.

It is good to note that EBRD seeks to apply a range of strategic initiatives in order to deepen the impact of its activities. These are designed to promote the sustainable use of resources, support early transition countries, create conditions in which small and medium-sized enterprises (SMEs) can flourish and stimulate the development of local capital markets.

We support and welcome the Bank's Strategy Implementation Plan (SIP) which sets out how the Bank will deliver on the goal of supporting its countries of operation. We also welcome that the SIP 2016-18 provides a plan for growth in the Bank's activity and impact whilst addressing the challenge of capital efficiency with rising, but prudent, capital utilisation and continued sound financial management to ensure financial sustainability.

I would like to take this opportunity to again thank EBRD for the valuable contribution to the enormous efforts of Cyprus to successfully complete the three-year program with the international institutions. Also for the financial assistance as well as knowledge transfer and technical assistance offered to Cyprus. More specifically, the Bank – through its Trade Facilitation Programme - is currently working with three private banks, making a significant contribution to financially supporting small and medium sized enterprises.

The Bank's performance and results over many years have shown its ability to adapt to fluctuations in the international economic environment and its ability to implement its business model and policies. No doubt that with the strong cooperation and support of its members, we will see further achievements of the Bank in the coming years.

Let me congratulate Sergei Guriev who will join the Bank as its new Chief Economist in the summer of 2016, after fulfilling his current academic commitments. Best wishes should also go to Alain Pilloux who has taken on the role of Acting Vice President, Policy and Partnerships.

I would like to express my sincere thanks to Mr Johannes Seiringer for representing Cyprus in EBRD's Board of Directors and for his engagement. Our thanks should also go to Maria Kohlweg for the non-stop streaming of information regarding the Bank's business and all Board issues and discussions.

Once again, I congratulate the President, Management and Staff of the Bank for the excellent work and continued efforts, and wish them every success in fulfilling the Bank's mandate.

Before closing I would like to take this opportunity to invite you to Cyprus for the EBRD's 2017 Annual Meeting and extend my gratitude to President Chakrabarti, the EBRD Board of Directors and Governors for their support for Cyprus hosting this important event. Besides the pleasure of providing our warm hospitality and sharing our achievements, we hope to showcase Cyprus as a dynamic business center.