



Cyprus Banking- Facilitating Business Cooperation

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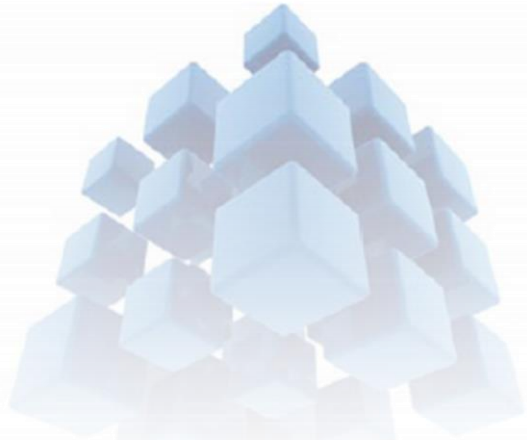
WE DELIVER WHAT MATTERS

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“Learn from yesterday,
live for today,
hope for
TOMORROW.”
—*Albert Einstein.*





LESSON ONE

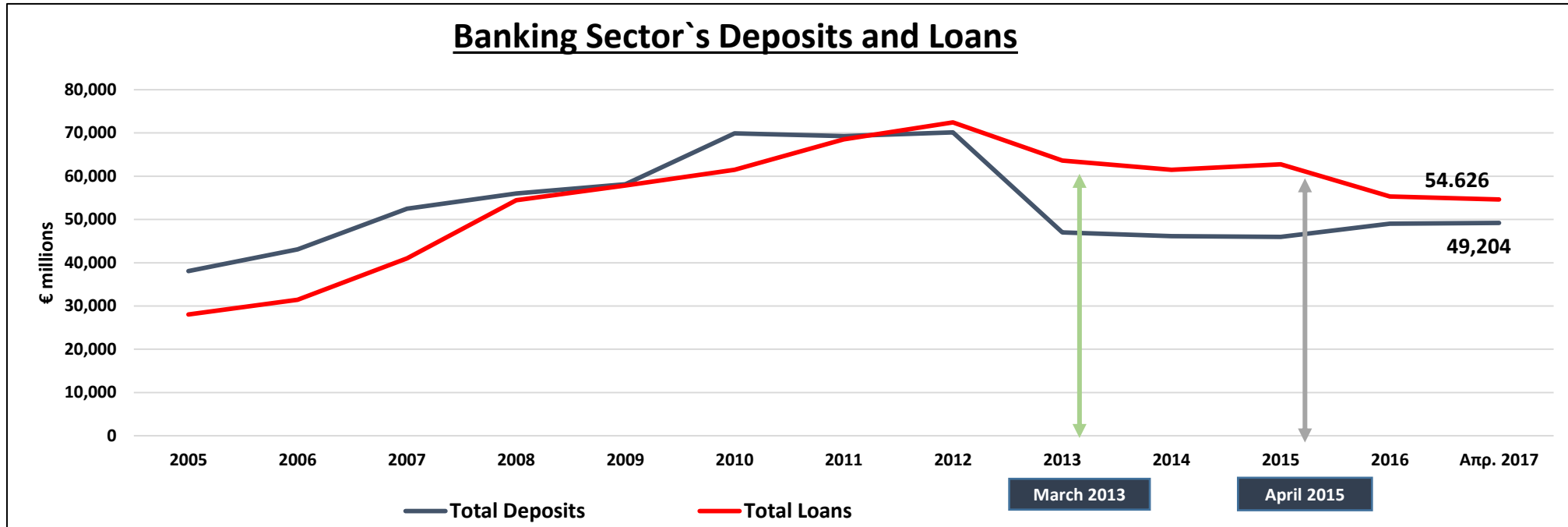
Prudent Management of Deposits





1: Prudent Management of Deposits

- *Large inflows following EU entry in 2004*



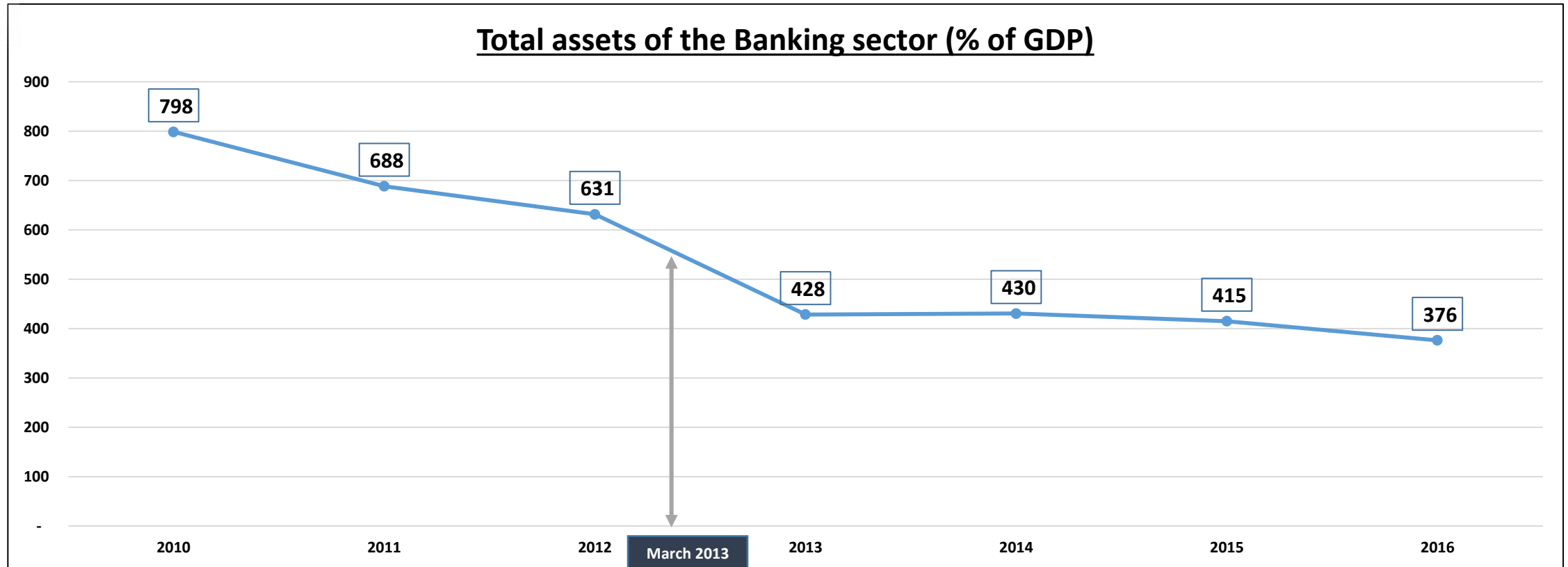


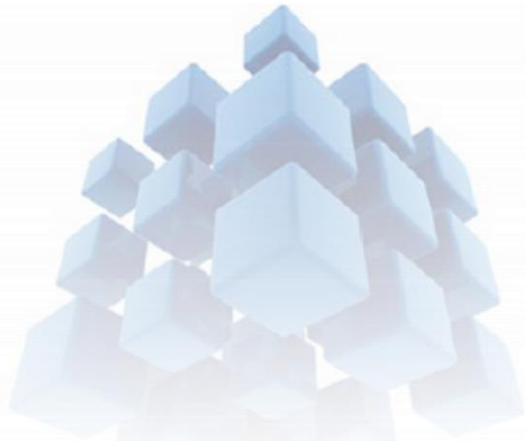
LESSON TWO

Right Sizing The Banking Sector



2: Right Sizing the Banking Sector





LESSON THREE

Optimum Regulation Is Key to Long-term Sustainability of the Sector





LESSON FOUR

Corporate Governance Can Make or Break A Bank





The Banking System – On The Path of Rebirth

Enhanced Supervisory and Regulatory Framework

Deleveraging



- Sale of overseas subsidiaries/operations
- Concentrate on local market

Recapitalization



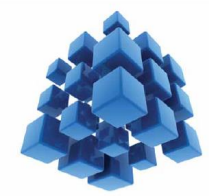
- New capital injection over €3bln
- Participation in Cyprus Banks by foreign investors & funds
- Capital ratios are above EU average

Reorganization



- Reduction in branch network and staffing levels
- Streamline of operations
- Risk Management Frameworks





The Banking System – On The Path of Rebirth



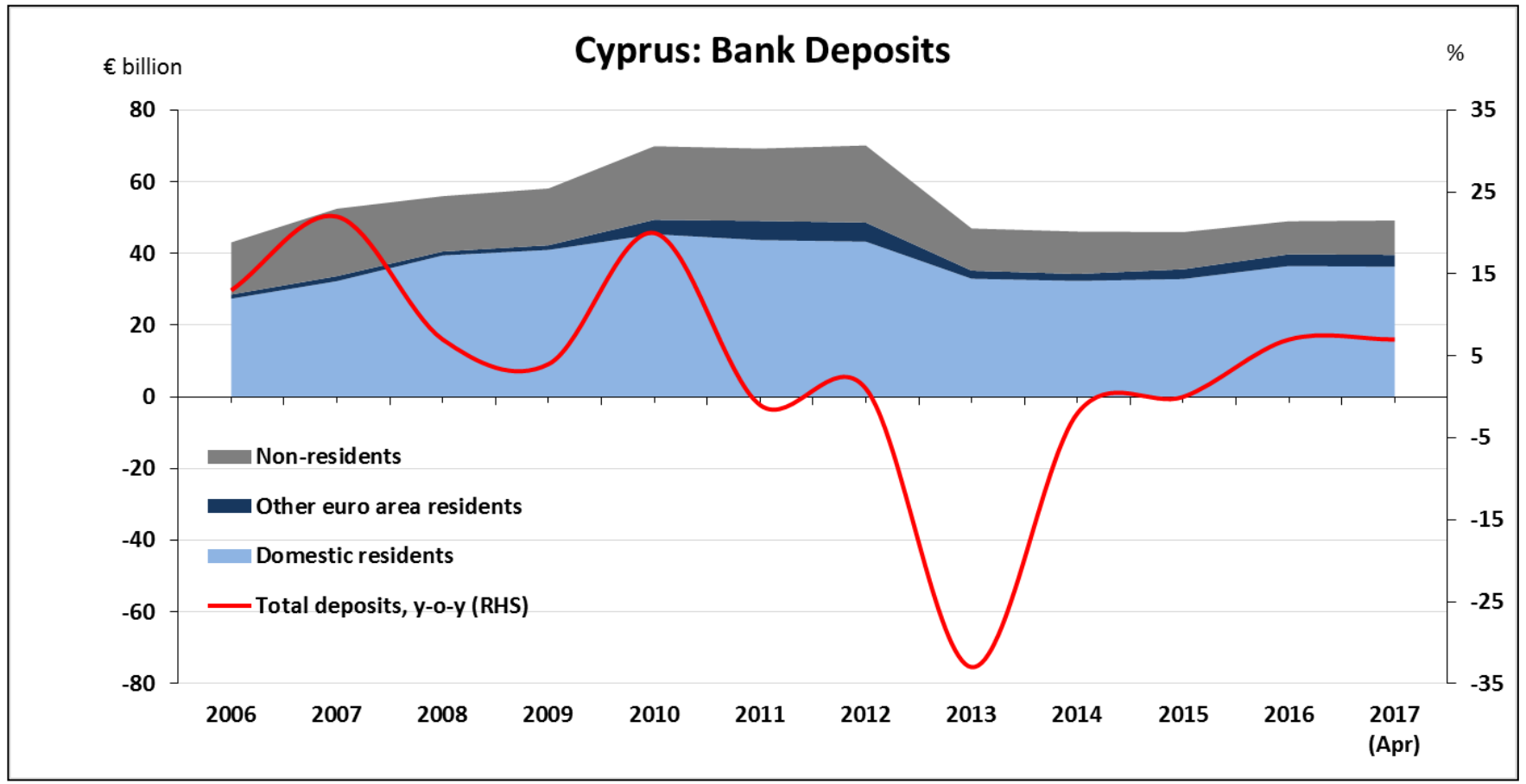
Enhanced Supervisory & Regulatory Environment





The Banking System – On The Path of Rebirth

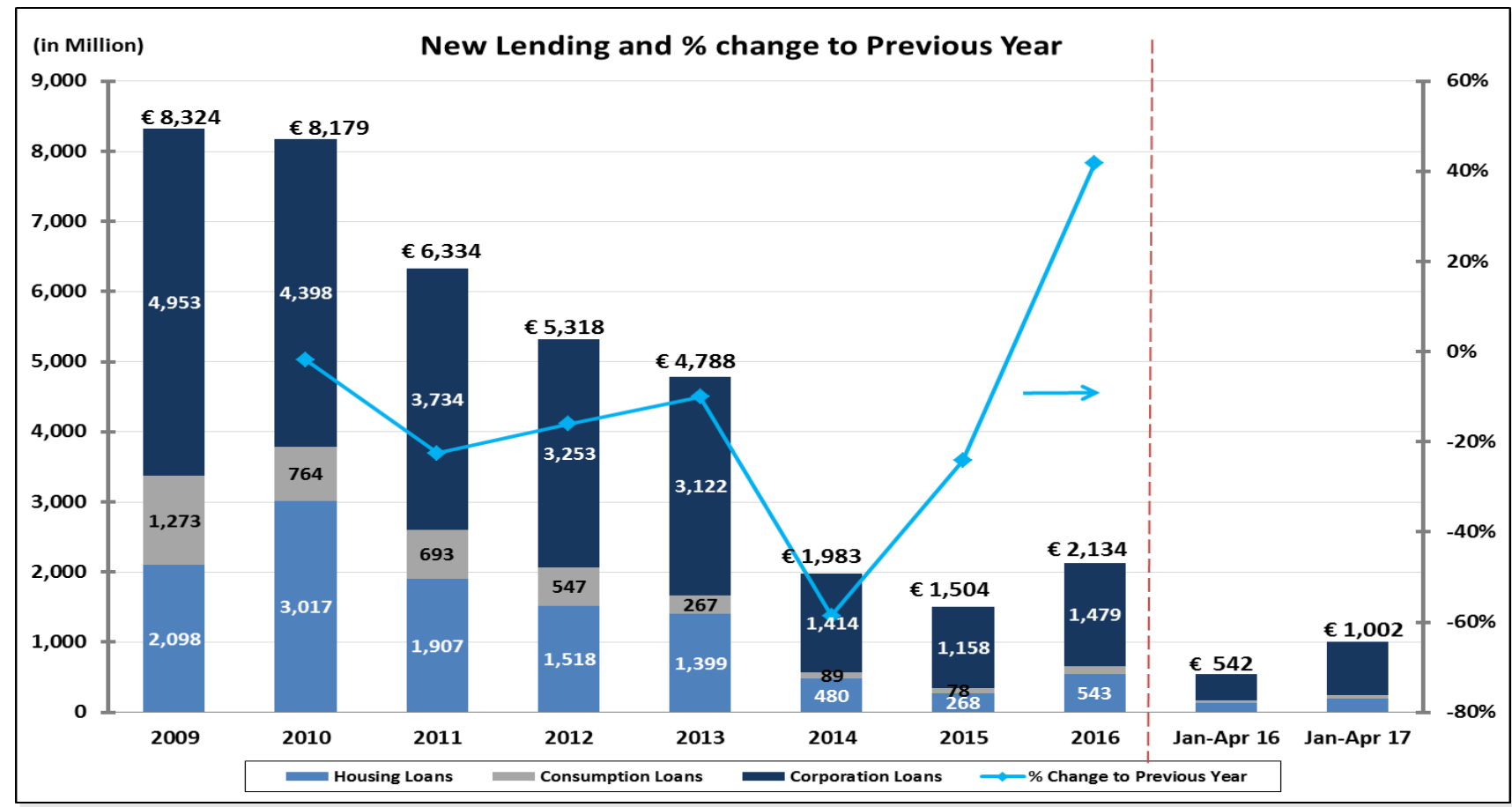
Restore of Confidence-
Inflow of deposits





The Banking System – On The Path of Rebirth

Demand for New Lending Picking Up





The Banking System – Challenges Ahead

High level of NPLs

- 47.8% of Gross Loans as at 31 December 2016
- Progress is slow and will take years

Pressure on Revenues and Profitability

- Reduced margins
- Reduced other commission income/fees

Competition from Non-Banks

- Fintech
- Payments Directives

Increased Regulation and Compliance

- High costs in terms of staff/system/fees
- New Directives at EU level

THE BIGGER THE CHALLENGE.
THE BIGGER THE
OPPORTUNITY TO GROW.



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