



Cyprus: Growth prospects in the financial sector

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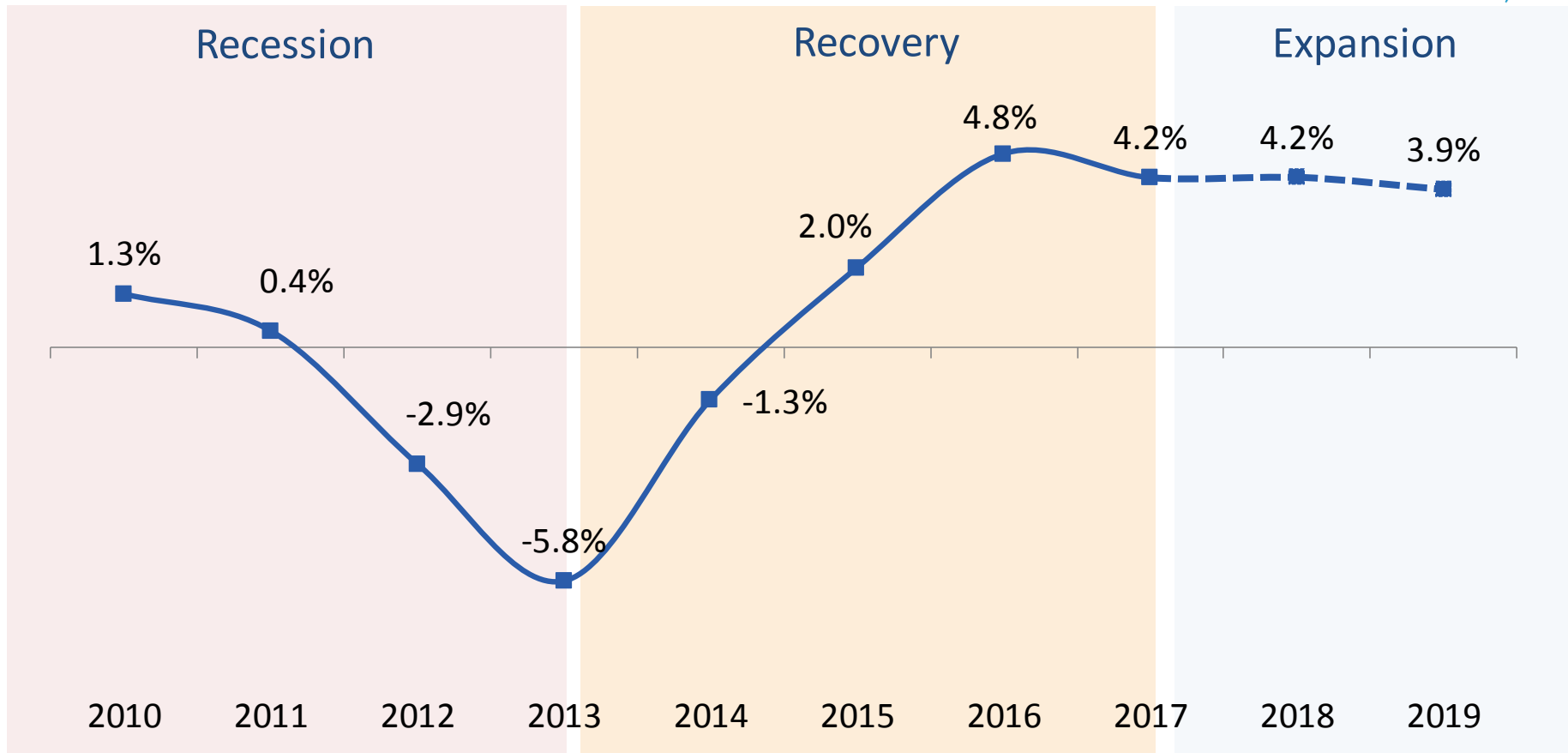
1 The Journey Towards Recovery

2 Tailwinds of Economy

3 The Cyprus Banking System

4 Challenges and Opportunities

The journey towards recovery



- Fiscal deterioration
- Banking crisis
- Economic Adjustment Program (“EAP”) agreed with Troika

- Strong ownership of EAP
- Consolidation of **public finances**
- Downsized, recapitalized and restructured **banking sector**

- Growth rate accelerates
- Economy operating on a **fiscal surplus**
- Reformed **banking sector**

Turning the crisis into an opportunity

Challenge

Policy Response

Opportunity

High NPEs



Infrastructure to
resolve NPEs in place



Lower NPEs implies
stronger growth

High Public debt



Prudent fiscal policy



Sustainable public debt
implies more fiscal space

Structural reforms



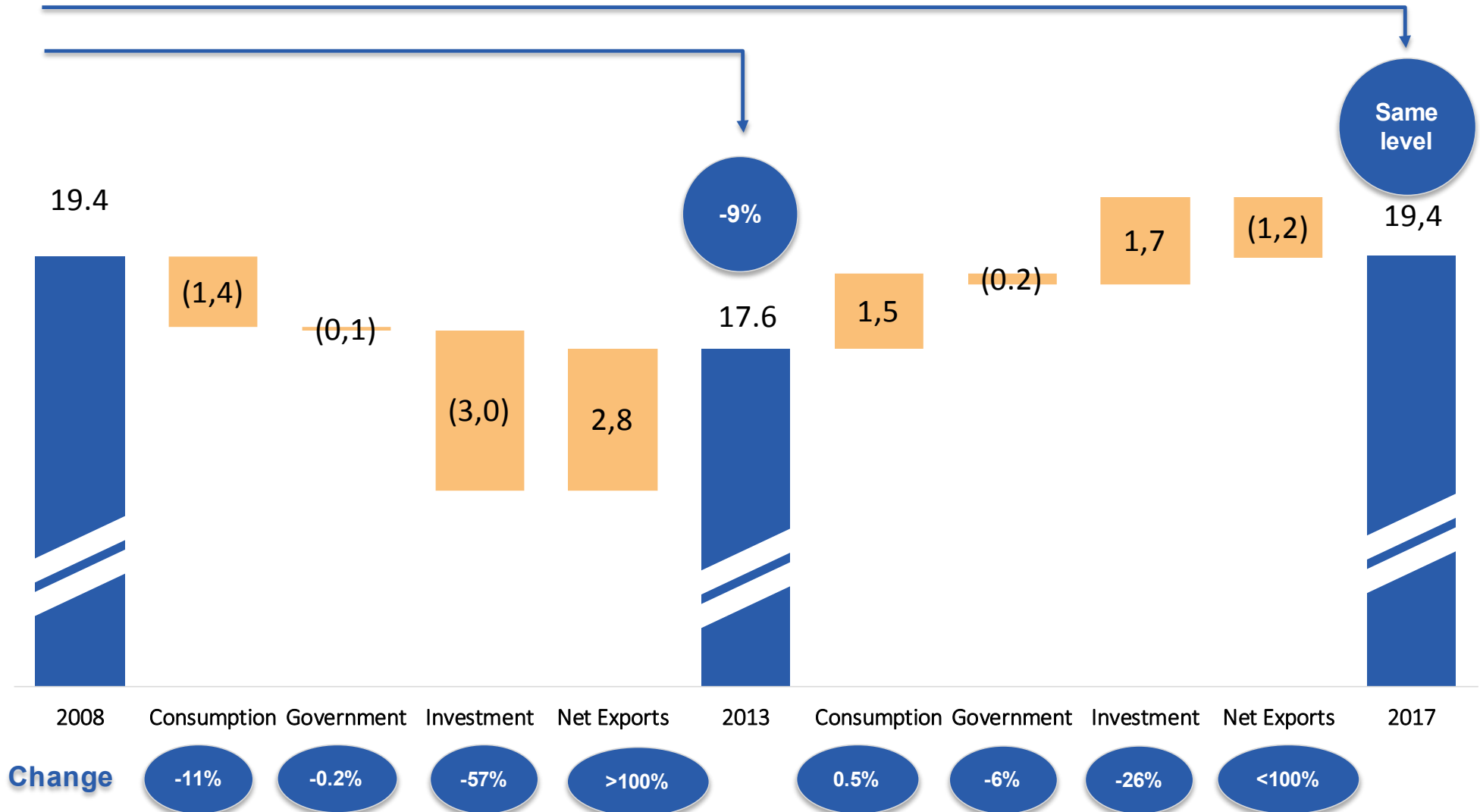
Reform agenda is
being implemented



More business friendly
environment implies more
investment

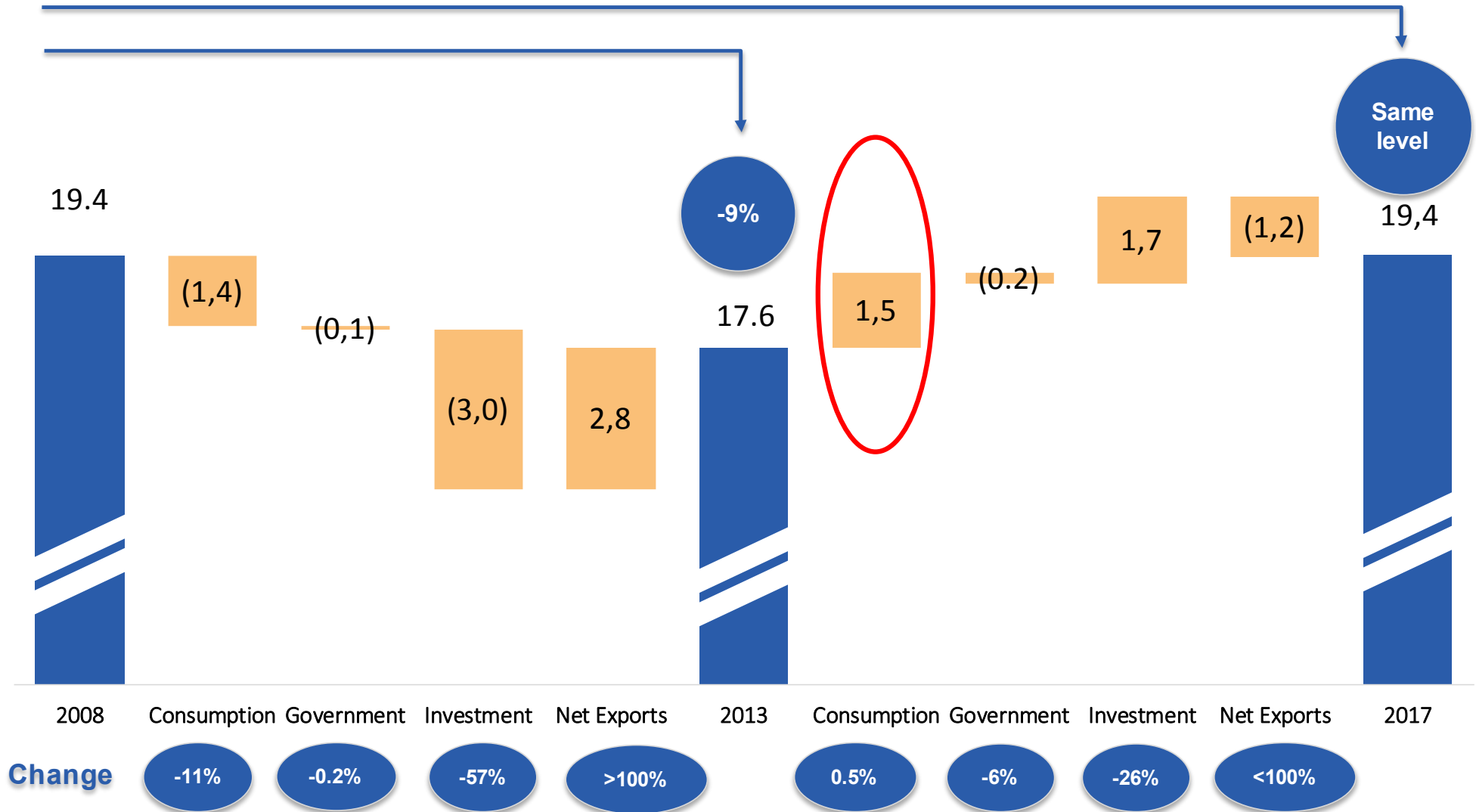
The economy is returning to 2008 following a dramatic reduction in investment

Real GDP in EUR billion, 2008 – 2017



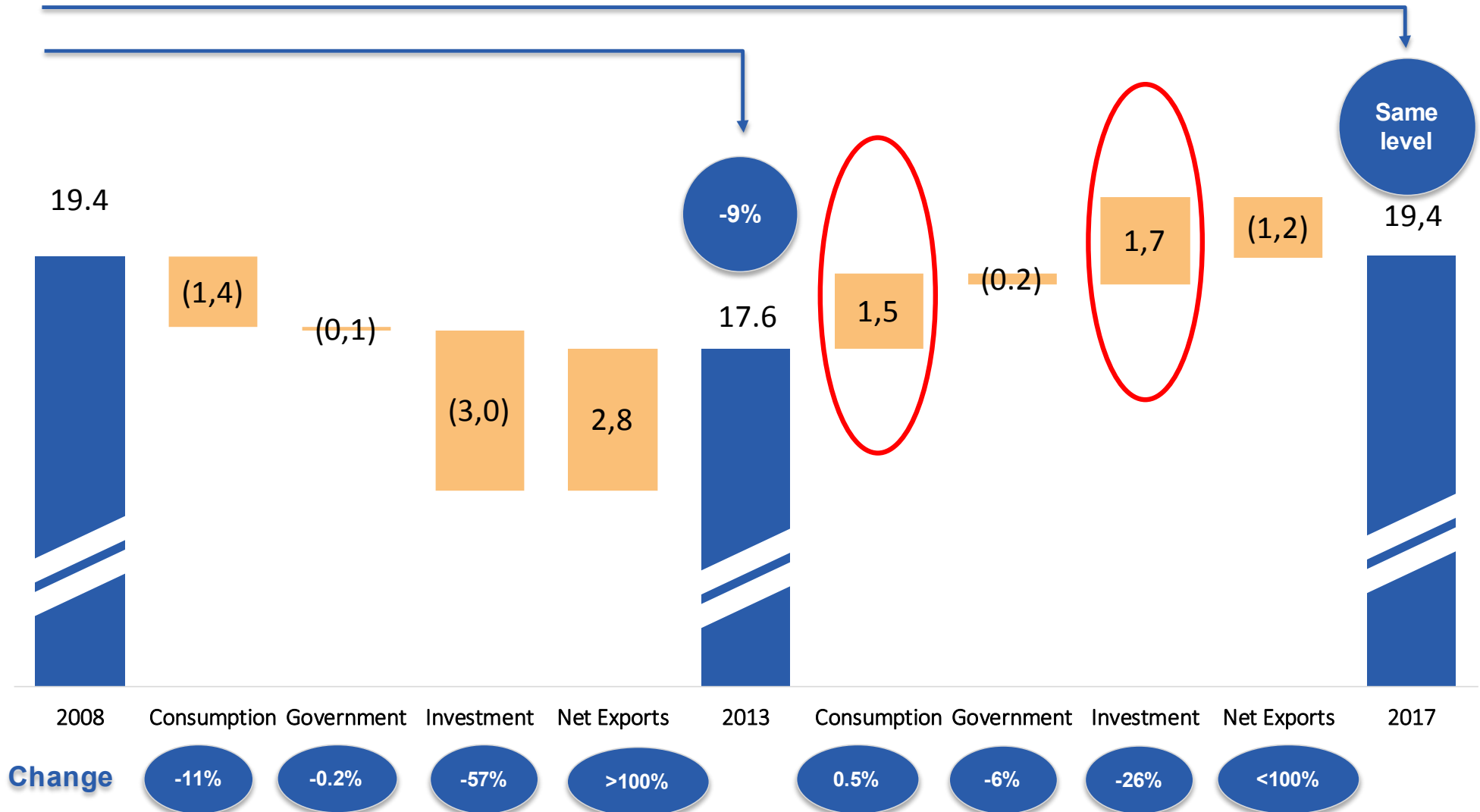
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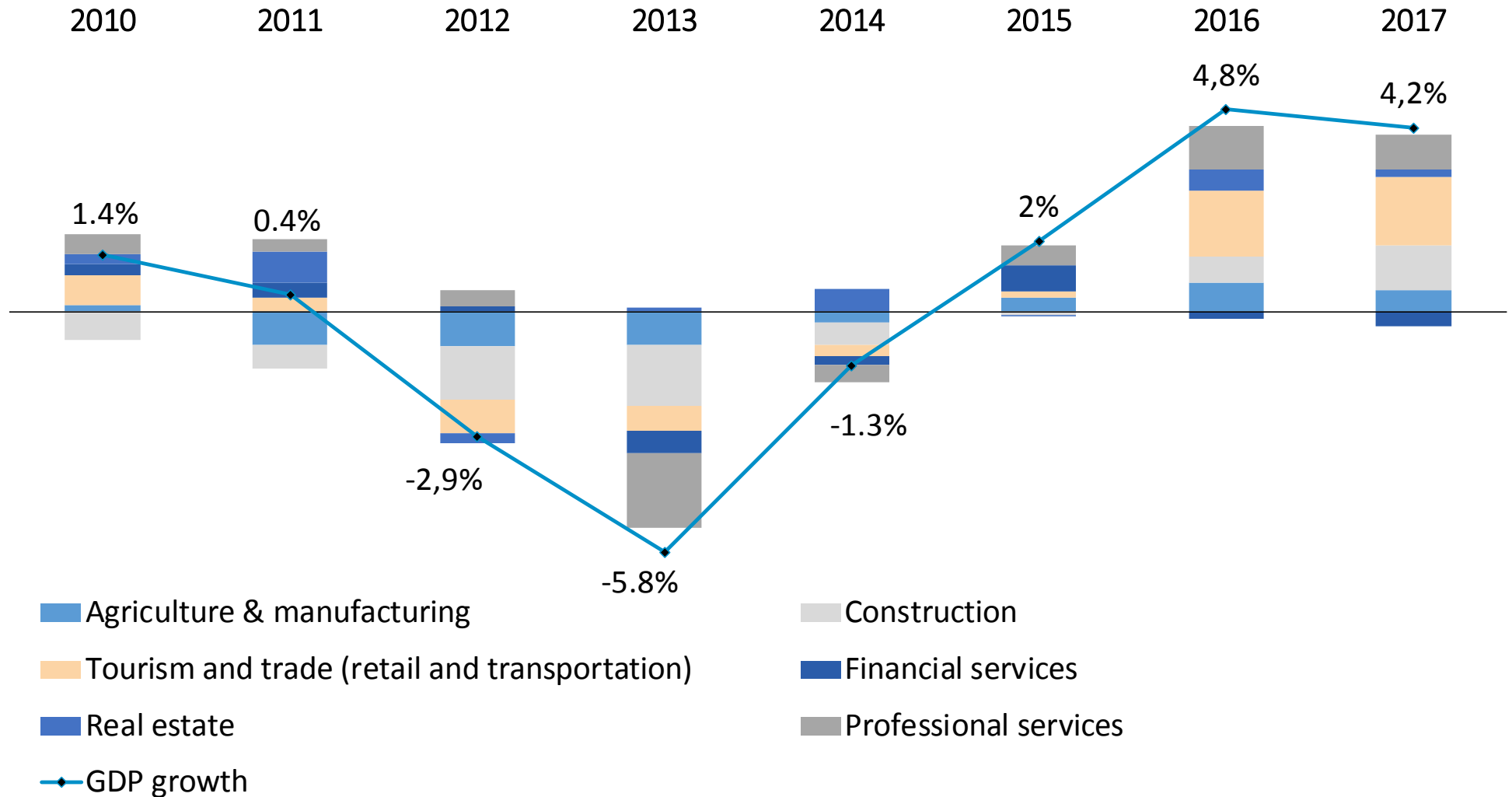
The economy is returning to 2008 following a dramatic reduction in investment

Real GDP in EUR billion, 2008 – 2017



Contributors to growth

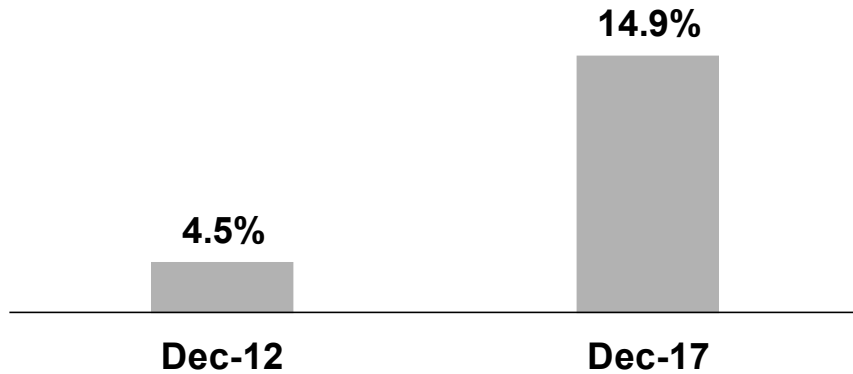
A broad-based economic recovery



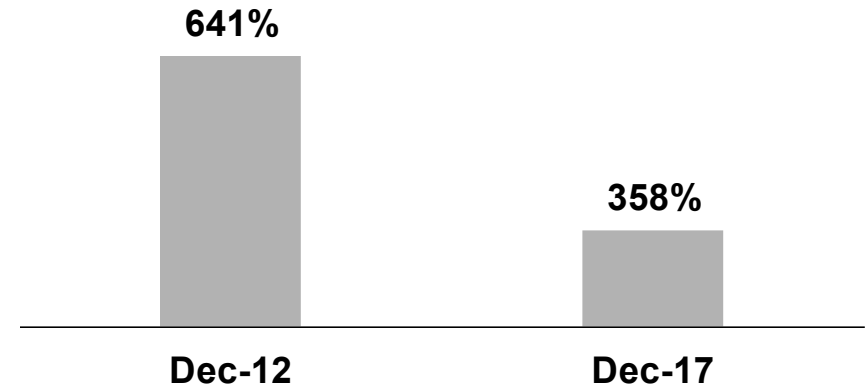
The Cyprus Banking System

... consolidated, recapitalized, stronger

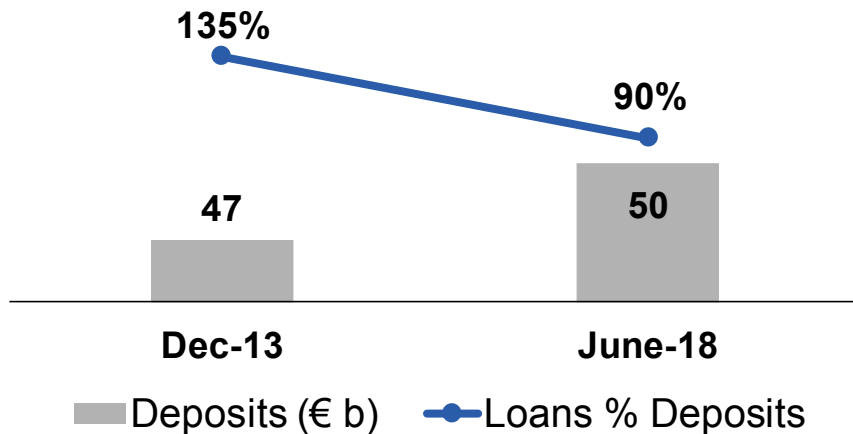
Tier 1 capital ratio (%)



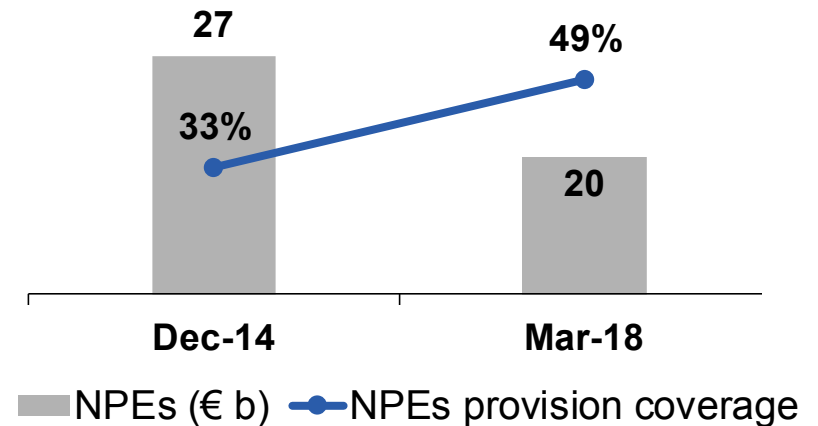
Banking sector size % GDP



Banking system liquidity



Loan portfolio quality



Banking sector still facing challenges...which turn into opportunities

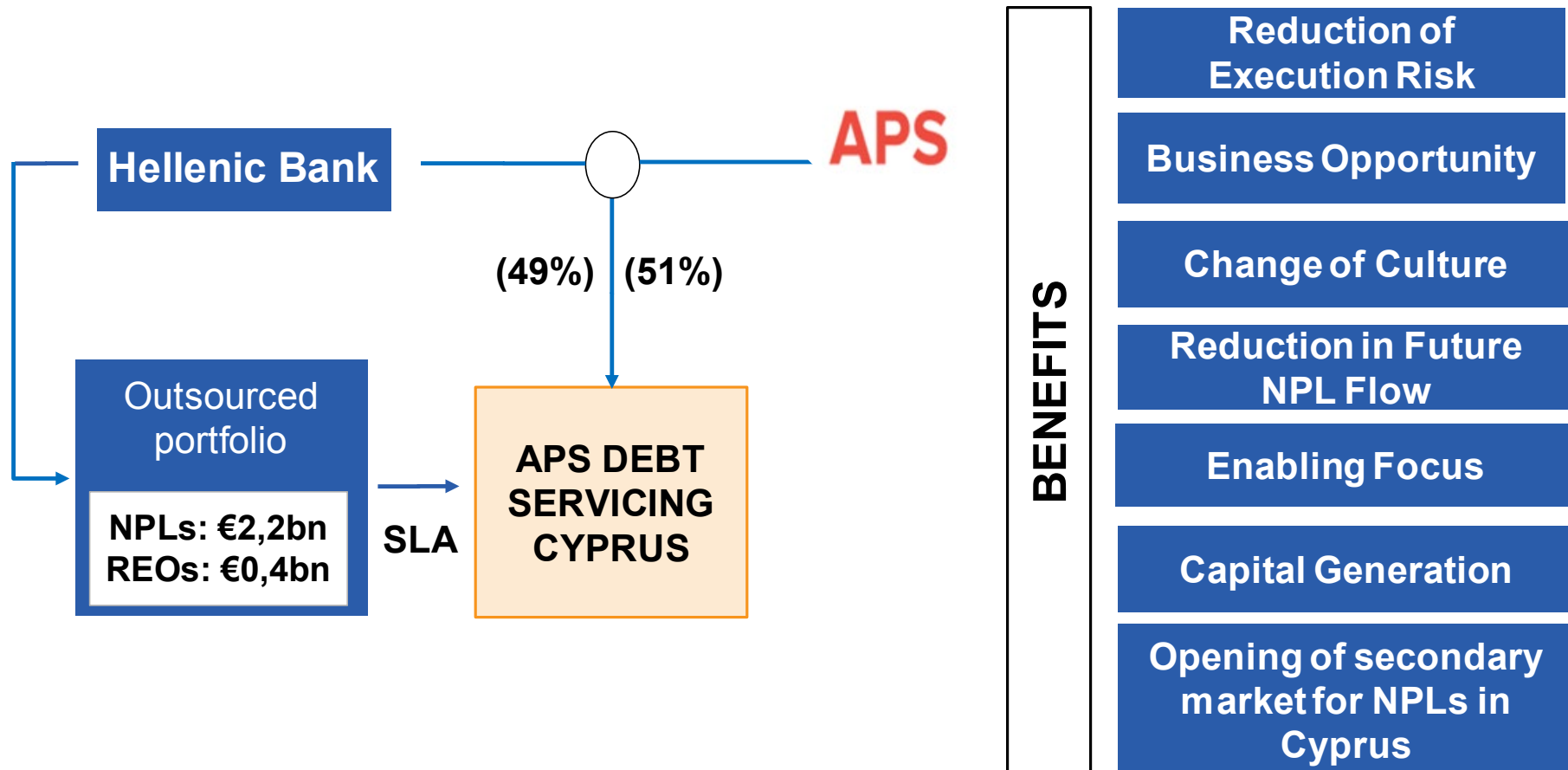
Level of NPEs remains high

Servicing Platforms

Sale of loan portfolios



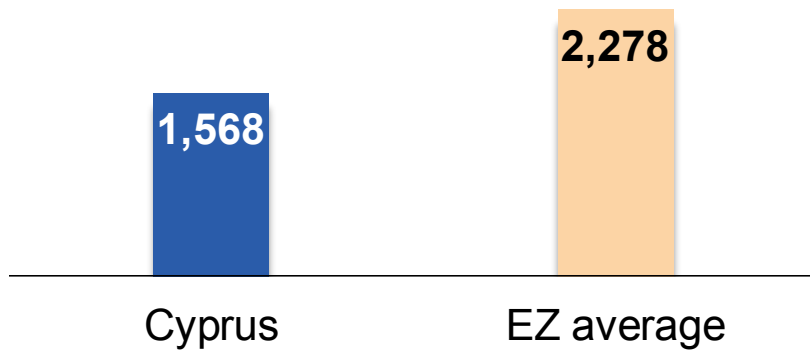
Successful creation of APS Debt Servicing Cyprus (“APS Cyprus”)



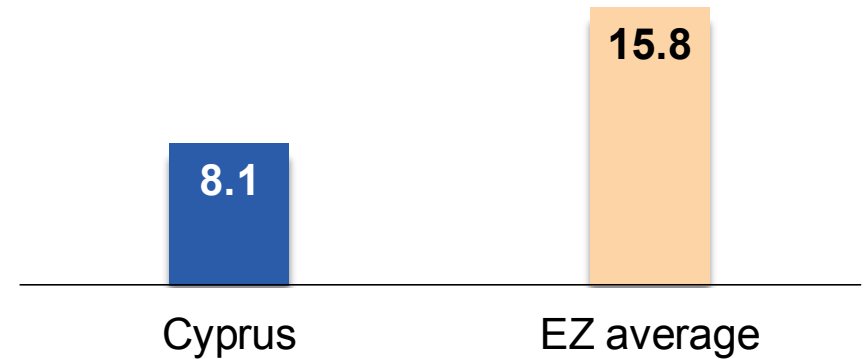
➔ **Successful completion of NPL sale with B2Kapital Cyprus.** The experience and credibility gained through the completion of the transaction (June 2018) will facilitate future NPL Sales

An overbanked banking system ripe for further consolidation

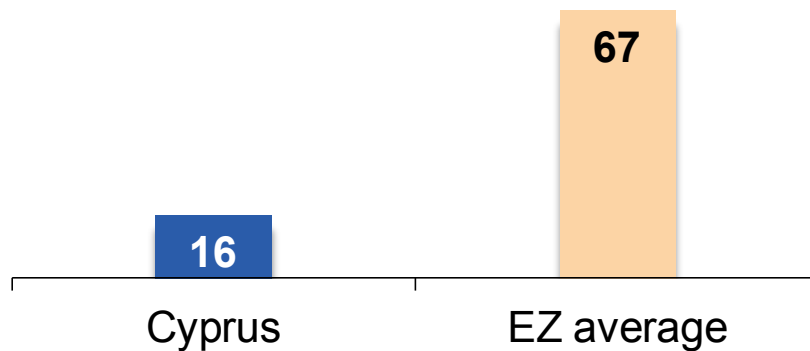
Population per branch



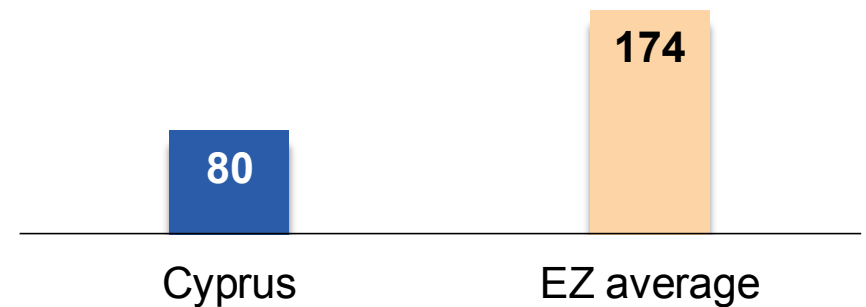
Assets per bank employee (€ m)



Population per institution (thousand)



Population per bank employee



Hellenic Bank acquired certain assets and liabilities of CCB

A

A strategic move to act as a catalyst for financial system stability and the sustainable profitability of the bank

B

Unique consolidation opportunity to create a leading retail and SME bank in Cyprus

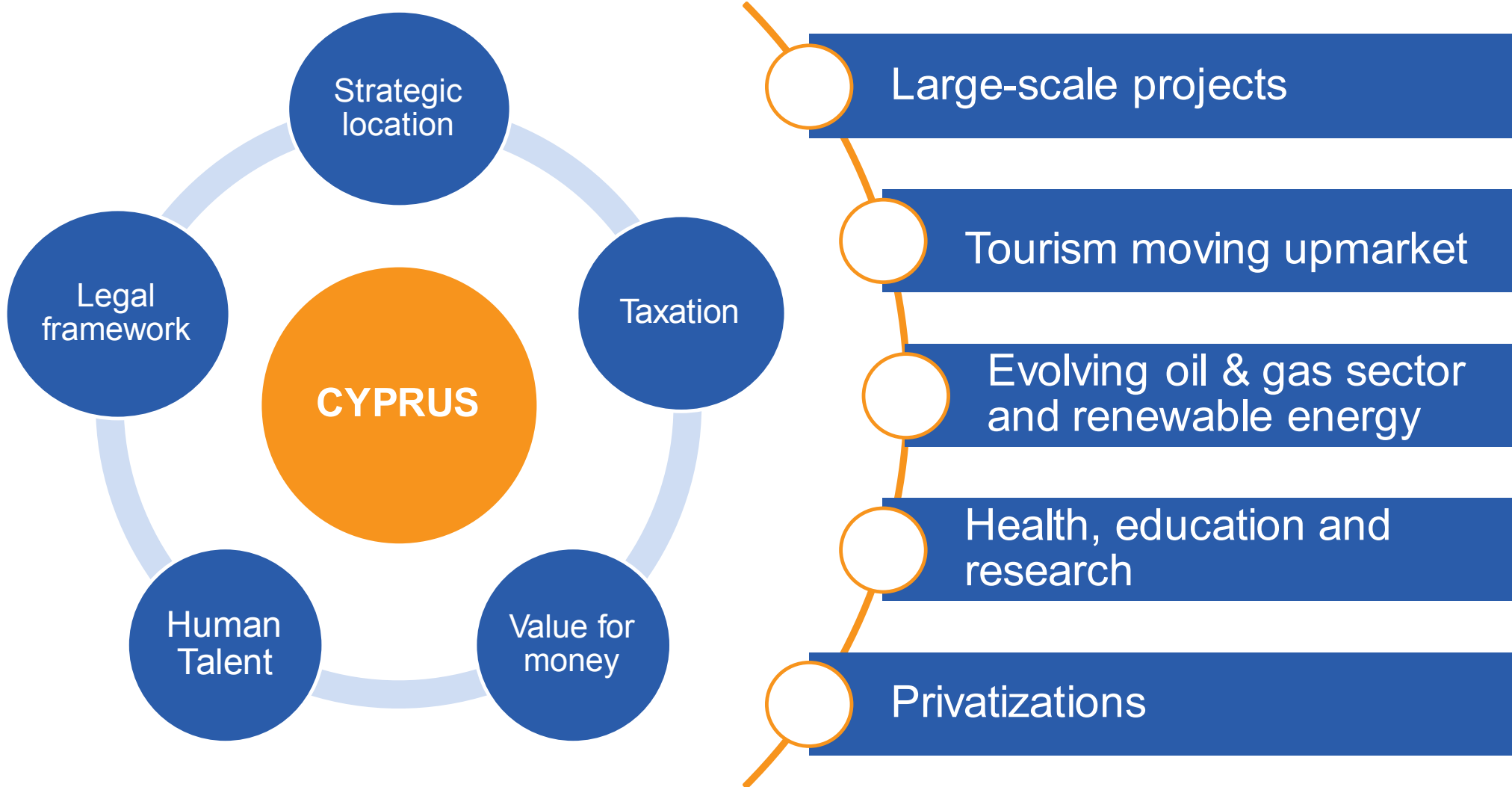
C

Value creation through synergies on Day 1


D

Attractive transaction structure resulting in a de-risked balance sheet


Cyprus – a hotspot for foreign direct investment



Cyprus Industry Overview

| Industries | Banking Credit | Industry Overview in Cyprus | | | |
|----------------------------------|---------------------------|---------------------------------|------------------------------|------------------------------|--|
| | Loan market 17 (EUR B) | Employment growth 17'-16' | Average Growth 10'-17' | Average Growth 15'-17' | Sectoral attractiveness  Low to high → |
| Construction | 4.70 | 3.5% | -4.8% | 10.7% | Red |
| Wholesale & Retail Trade | 3.95 | 6.1% | -0.7% | 3.35% | Light Green |
| Real Estate Activities | 3.90 | 28% | 2.4% | 0.8% | Yellow |
| Hospitality | 2.15 | 5.3% | 3.3% | 7.2% | Green |
| Manufacturing | 1.40 | 4.1% | -2.0% | 6.5% | Light Green |
| Transportation & storage | 0.90 | 9.3% | 0.1% | 0% | Light Green |
| Professional activities | 0.70 | 7.6% | 2.0% | 4.8% | Light Green |
| Information & communication | 0.30 | 9.7% | 3.6% | 4.0% | Yellow |
| Agriculture, forestry, fishing | 0.30 | -28% | -1.3% | 0.2% | Orange |
| Other Services | 0.26 | 10.2% | -1.8% | 2.8% | Orange |
| Healthcare and Social Work | 0.24 | 8.5% | 1.5% | 3.4% | Green |
| Administrative Services | 0.23 | 0.6% | 2.3% | 6.3% | Yellow |
| Education | 0.14 | -1.7% | -1.0% | 2.6% | Light Green |
| Water Supply | 0.14 | 4.2% | 0.3% | 2.4% | Yellow |
| Mining & Quarrying | 0.12 | -28.5% | 10.7% | 64% | Orange |
| Electricity, Gas & A/C supply | 0.12 | 29% | -0.6% | 2.2% | Light Green |
| Arts, Entertainment & Recreation | 0.11 | 3.8% | 1.1% | 3.8% | Yellow |

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Thank you