

# Share Capital Increase

## Additional Information Pack – Part 2

July 2014



# Table of contents

## **Margins and profitability**

- Interest earning assets decomposition 3

## **Asset quality**

- Recovery analysis 4

## **Capital**

- Q2 2014 actions impact on capital 5

## **Other information**

- Risk monitoring indicators 6
- Further Cyprus breakdowns 7



€m

Calculation of NIM	FY 2013	Q1 2014	Source
Computation of interest earning assets			
Cash and balances with central banks	1,240	964	Q1 2014 pg 3
Placement with banks	1,290	1,141	Q1 2014 pg 3
Net advances	21,764	21,234	Q1 2014 pg 3
Investments in debt securities	3,323	3,357	IM pg 145
<b>Interest earning assets</b>	<b>27,617</b>	<b>26,696</b>	
<b>Average interest earning assets</b>		<b>27,157</b>	
<b>Net interest income</b>		<b>267</b>	Q1 2014 pg 1
Annualisation factor		4x <sup>1</sup>	
<b>Net interest margin</b>		<b>3.99%</b>	

Note:

1. Based on 365/90

### Customers transferred to Recoveries after 1/1/2008 and have settled before 31/12/2013

€m

Portfolio	Segment	Adjusted balance max balance (Credit turnover) [A] <sup>1</sup>	Pure credit turnover [A – B]	Total write offs [B] <sup>2</sup>	Weighted average recovery <sup>3,4</sup>	Customer Count
BoC	Retail unsecured	20,361	15,812	4,549	77.7%	2,844
BoC	Retail total secured	55,144	50,642	4,501	91.8%	1,112
	<i>Of which RREs</i>	<i>12,355</i>	<i>11,501</i>	<i>854</i>	<i>93.1%</i>	<i>104</i>
	<i>Of which other secured</i>	<i>42,788</i>	<i>39,141</i>	<i>3,648</i>	<i>91.5%</i>	<i>1,008</i>
Ex-Laiki	Retail unsecured	101,062	63,703	37,359	63.0%	8,313
Ex-Laiki	Retail total secured	50,869	41,327	9,542	81.2%	505
BoC & Ex-Laiki	SME unsecured	28,027	16,379	11,649	58.4%	437
BoC & Ex-Laiki	SME secured	60,563	46,335	14,228	76.5%	209
BoC & Ex-Laiki	Corporate	56,036	29,648	26,389	52.9%	58

Notes:

- Adjusted balance represents the carrying account balance plus additional charges and expenses
- Write-offs are only performed by the Recoveries Department and only at closure of a case
- Recovery % is the average of the sum of pure credit turnover / adjusted balance for customers in the segment
- Note that the extensive use of personal/corporate guarantees in Cyprus often produces collections over and above the value of the collateral

€bn	CET1 impact	RWA	Capital effect from decrease of RWA	Total capital impact
	A		B	A+B
<b>Q2 2014 actions</b>				
Ukraine operations disposal	(0.06)	(0.38)	0.03	(0.02)
BT disposal	0.05	(0.08)	0.01	0.05
Serbian loans disposed	0.03	(0.21)	0.02	0.05
Gain on Cyprus government bond repayment	0.10	-	-	0.10
<b>Total</b>	<b>0.11</b>	<b>(0.67)</b>	<b>0.06</b>	<b>0.17</b>
<b>RWA<sup>1</sup></b>				<b>23.53</b>
<b>Indicative impact on CET1</b>				<b>0.7%</b>
<b>Expected capital increase</b>				<b>1.00</b>
<b>RWA<sup>2</sup></b>				<b>23.45</b>
<b>Indicative impact on CET1</b>				<b>4.3%</b>

Notes:

1. Based on announced RWA (transitional)
2. Based on fully loaded RWA



### Risk Management Division

- Risk Management produces a monthly Risk Report which addresses all areas of Risk, including a significant number of risk metrics. The recipients of the report are the Board Executive Committee, Board Risk Committee, Board of Directors and the Central Bank of Cyprus. In addition, individual Risk Departments monitor and report a number of indicators as per below list (not-exhaustive).

		Key Risk Metrics		
		Daily	Monthly	Quarterly
Market Risk	<ul style="list-style-type: none"> <li>FX open position</li> <li>Regulatory liquidity ratios</li> <li>Interest rate risk (earnings)</li> <li>Renewal of fixed deposits inflows/outflows</li> <li>stock of cash</li> <li>counterparty and country limits monitoring</li> <li>rating changes</li> </ul>	<ul style="list-style-type: none"> <li>Loans to Deposits ratio</li> <li>Liquidity Coverage Ratio (LCR)</li> <li>Bonds portfolio</li> <li>Equities</li> <li>Derivatives</li> <li>Internal Liquidity ratio</li> <li>Concentration of deposits</li> <li>Liquid assets and bonds concentration</li> <li>Funding sources concentration</li> <li>Internal Leverage Ratio</li> <li>Intra Group balances</li> <li>Group Interest rate risk - impact on earnings</li> <li>Group Interest rate risk - impact on Economic Value</li> </ul>	<ul style="list-style-type: none"> <li>Net Stable Funding Ratio (NSFR)</li> <li>Leverage ratio</li> <li>Sensitivity analysis from market price changes</li> <li>Properties by location and type</li> </ul>	
	Operational Risk	<ul style="list-style-type: none"> <li>Potential &amp; Actual Losses as well as near Miss incidents daily and on an ad-hoc basis.</li> <li>Though the above we cover Legal cases (new legal cases, legal cases for which the probability of losing the case has been re-evaluated and changed)</li> </ul>	<ul style="list-style-type: none"> <li>Customer complaints</li> <li>Human resources</li> <li>Internet / Alternate channels</li> <li>Systems downtime</li> <li>Compliance / AML department</li> <li>Operational areas: Valuations &amp; Estate Management; Centralised Execution centres; Central Archive department</li> </ul>	
	Asset Quality / Credit Risk	<ul style="list-style-type: none"> <li>The Bank monitors a number of asset quality indicators (NPLs, 90+, Restructurings performance, evolution of restructurings, new loans, provisioning, portfolio analysis by economic sector and by division, concentration limits, etc) on a continuous basis.</li> </ul>		

## Breakdown of housing sector gross loans

Q1 2014	€m
Total gross loans <sup>1</sup>	5,227
o/w Holiday / investment	2,119
o/w First mortgages	3,108

## LTV by business line for Cyprus operations

Cyprus operations - Weighted Avg LTV	As at 31/03/2014
Corporate	83.1%
SME	95.4%
Retail housing	123.6%
Consumer and other	89.2%
Total	93.4%

Note:

1. Per page 45 of management presentation, gross loans (before FV adjustment on initial recognition) for housing sector is €5,227m



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