

International banks in Cyprus: How to cope with new challenges?

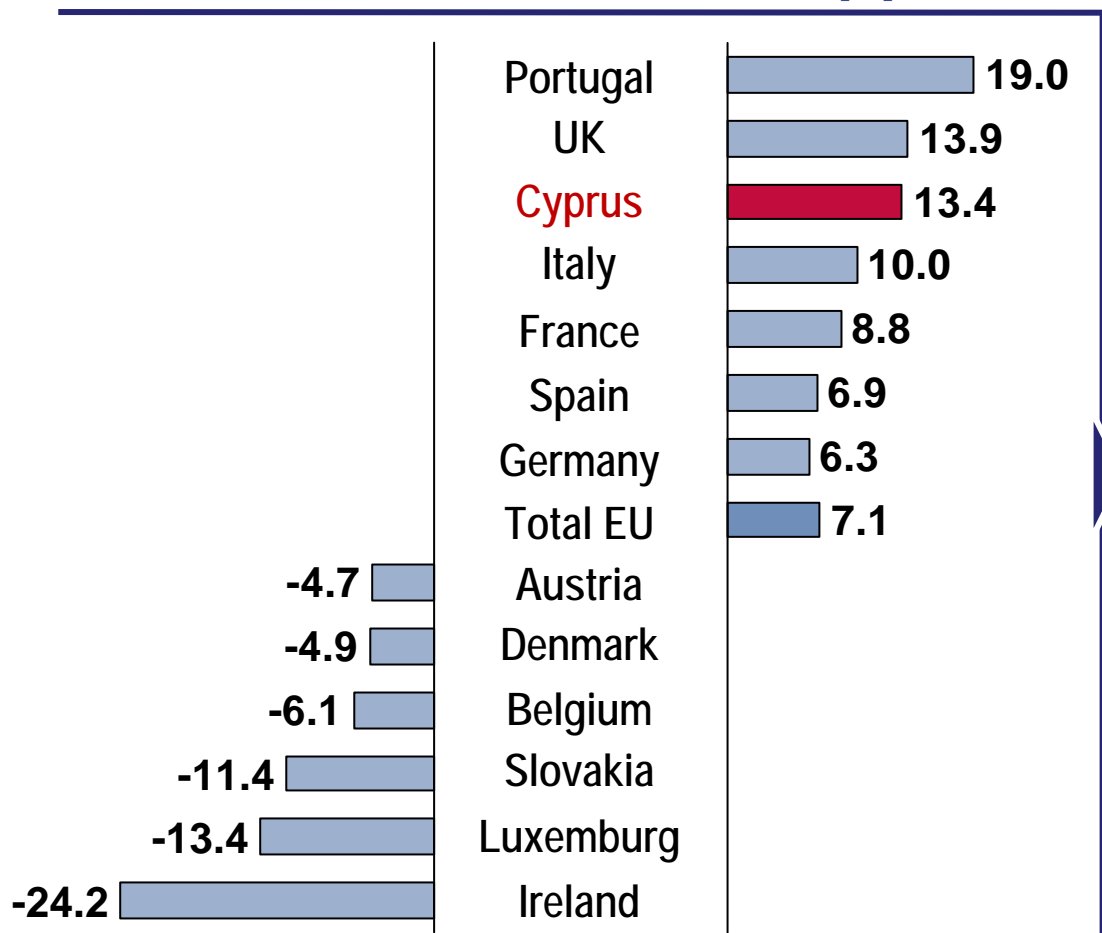
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Despite the recessionary trends in the world economy the Cyprus banking sector has been performing well compared to other EU banking markets

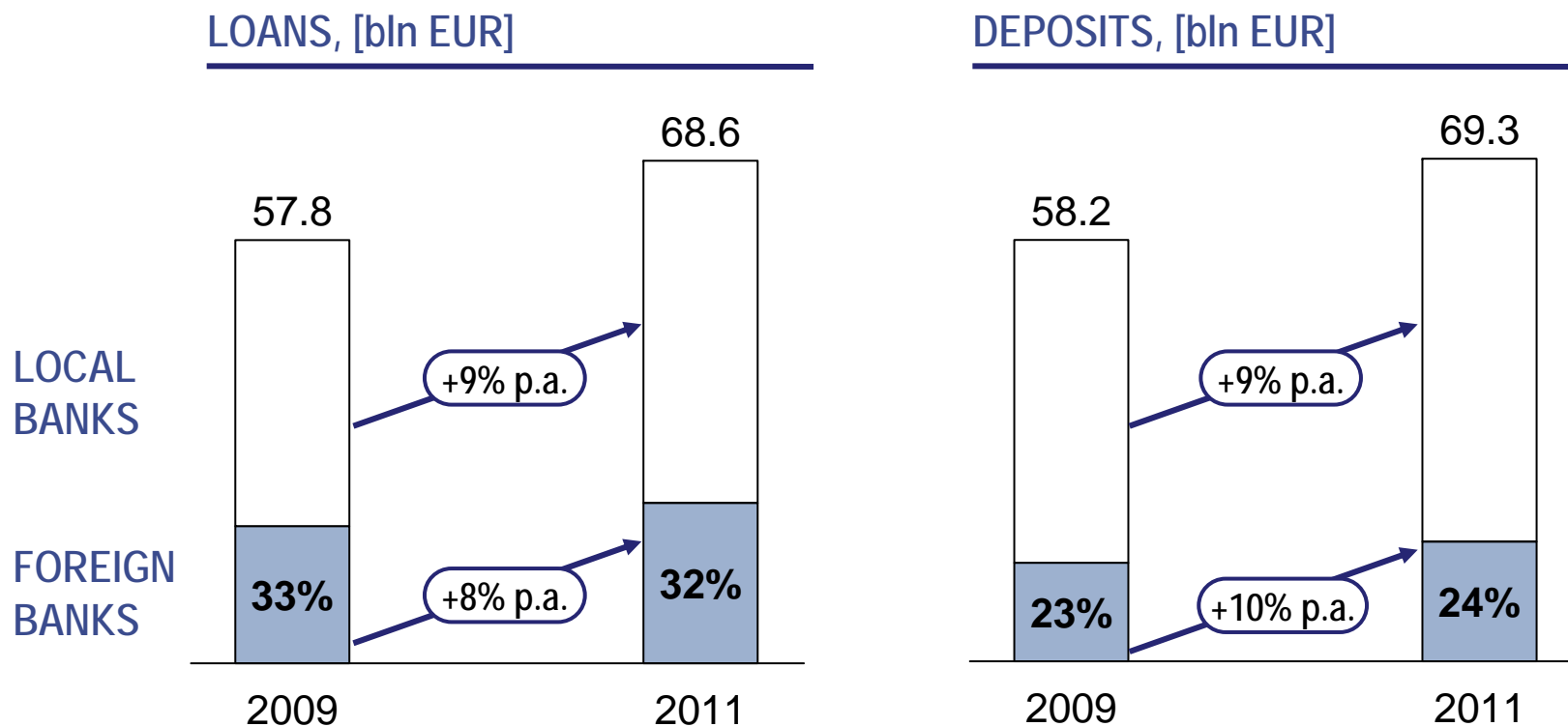
GROWTH OF BANKING ASSETS 2011/2008, [%]



GROWTH DRIVERS CYPRUS

- ➔ Still a favorable business and tax climate for international and holding companies
- ➔ Cyprus as financial bridge for international capital between the East and the West

Foreign banks account for one third of the Cyprus banking sector – faster growth during the last turbulent financial year



New challenges for international banks in Cyprus require new business models and management approaches

MACROECONOMIC CHALLENGES

- ➔ Stagnating economy and external demand
- ➔ Financial turbulence in the eurozone
- ➔ Stagnating or decreasing real wages
- ➔ Fiscal pressure to finance budget deficit

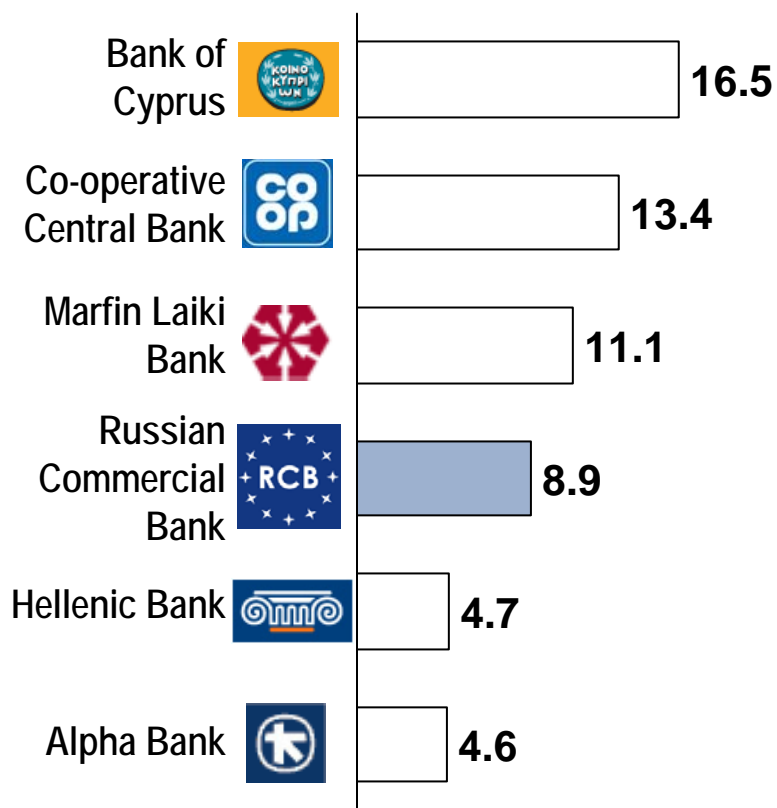
BANKING SECTOR CHALLENGES

- ➔ Large exposure of Cypriot banking sector to Greece
- ➔ Need for recapitalization to meet new capital adequacy requirements
- ➔ Challenges with re-financing on international markets
- ➔ Loan portfolio quality risks

**NEED FOR A
NEW
MANAGEMENT
MODEL**

RCB management has found a model that enabled the bank to develop successfully in a very turbulent environment

TOP BANKS BY LOANS 2011, [bln EUR]



LOAN PORTFOLIO DYNAMICS, [bln EUR, %]

