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DRAFT

RING-FENCING OF CYPRIOT BANKS' BRANCHES IN GREECE¹

Executive summary

To be added....

The branches of the three large Cypriot banks collected 8% of the total private sector deposits in Greece. The two largest institutions (Bank of Cyprus and Cyprus Popular Bank) are currently, after consolidation of Greek banks, the fifth and sixth largest banks in Greece, each holding about €6 bn of deposits in Greece (see Tables 1 and 2 in the Appendix for an overview of the latest balance sheets of these two banks). The third institution (Hellenic Bank) is much smaller and has €550 million of Greek deposits.

Greek deposits in the three branches are insured in Cyprus. The insured amount, being a contingent liability of the Cypriot State, stands at €9.0 bn. Additionally, €3.7 bn of deposits (2.4% of total private sector deposits in Greece) is not insured by any deposit guarantee scheme and would be subject to bail-in if it is implemented for the parent entities of the Cypriot banking groups. The same applies to a UK branch of Cyprus Popular Bank and a Romanian branch of Bank of Cyprus, which are relatively small.

The Cypriot government has been trying to reduce the Greek exposure of its banking sector for about one year, considering options such as establishing branches as subsidiaries and asset swaps between Cypriot banks' branches in Greece and Greek banks' subsidiaries in Cyprus. Moreover Cypriot authorities have recruited Nomura to explore potential buy-out of the Greek branches by Greek domestic banks. The Greek authorities have expressed views that they would not provide any capital or liquidity support to the Cypriot branches.

The aim of this note is to provide the outlines of a road-map for the separation (ring-fencing) of the Greek branches of Cypriot banks from their parent companies. From a process perspective, the emphasis of this

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note is on the separation of the Greek branch of the Cyprus Popular Bank (CPB GR) from its parent company (CPB CY). Most of the considerations in this note would, however, also apply to the Greek branches of other Cypriot banks, and the cost assessment is provided also for Bank of Cyprus (BOC).

I. Rationale for ring-fencing

The objective pursued by the proposed separation is to avert a deposit run in Greece in the event of (i) a default of CPB CY, or (ii) a bail-in of depositors in CPB CY. The risk that the bail-in of deposits in Greece could spill over to the domestic Greek banks and trigger system-wide outflows of deposits is high. In turn, the already weak funding position of the Greek banks would deteriorate and require an increase in ELA², in the worst case scenario beyond the capacity of the banks and the Eurosystem to counterbalance the outflows.

Ring-fencing the banking activities performed in Greece by CPB CY is crucial to maintain financial stability in Greece's fragile banking market. The risks can be mitigated, albeit not fully removed, if CPB GR is converted into a separate legal entity established in Greece, which would insure their deposits in Greece. For the risks to fully disappear, the newly-created subsidiaries would need to be divested to a non-Cypriot owner.

The Greek authorities would have incentives to intervene and nationalise the branches to safeguard the Greek depositors if there is a risk of a bail-in, because the three branches depend heavily on intra-group funding which in such circumstances would be bailed in and the branches have a positive net asset value (i.e. fair value of assets would exceed the value of deposit liabilities). The net asset position of the three banking groups (i.e. net loans less customer deposits) is estimated at approximately €8.5 billion and is funded on a cross-border basis, by customer deposits and ELA raised in Cyprus. The nationalisation would significantly increase the burden on Cyprus and likely make the remaining Cypriot operations non-viable.

The nationalisation may be challenged in the European and international courts on the basis of EU law and bilateral treaties on investor protection. This could render the nationalisation ineffective, although such process would take too long to prevent it. The only authorities which can prevent the nationalisation are the Eurogroup and the EC/ECB/IMF, if they would make it clear that the disbursement of the Greek programme funds would be conditional on not nationalising the Cypriot branches. However, even if the authorities would decide to exert pressure on the Greek government, this would most likely not be timely enough to avoid damage to the Cypriot banks.

The establishment of the branches of the Cypriot banks in Greece as subsidiaries would reduce the tail risks for Cyprus from the exposure to the Greek assets (e.g. from the Greek exit from the euro area),

² Although Greek banks regained access to regular credit operation of the Eurosystem, they would most likely be constrained by available collateral and have to resort to ELA in case of deposit outflows.

improve the prospects for divesting the Greek operations, and mitigate the risks for Greece from a possible resolution of the Cypriot banks. However, this would increase the contingent liability of the Greek authorities for the EUR 12.8 bn of deposits in the operations of Cypriot banks.

II. Regulatory and operational challenges

The conversion of branches into subsidiaries requires regulatory approval from the Bank of Greece and consent from the Greek government. A political agreement between Greece and Cyprus would be necessary, possibly brokered by the Eurogroup. In addition, for one bank, the approval of the Governing Council of the ECB to transfer ELA liabilities to the subsidiary, would be necessary to continue funding of that banking group.

Branches (as a part of a legal entity domiciled in Cyprus) remain the sole responsibility of the parent bank and its home country. The capital of the newly-created subsidiaries should come from the parent bank (i.e. from the Cypriot programme) and should be injected to cover the expected loss under the adverse scenario, which is being assessed by PIMCO on behalf of the Cypriot authorities. The access to the HFSF recapitalisation facility funded by the Greek programme should not be possible, and moreover, the Cypriot branches do not meet the formal criteria for accessing HFSF (there is no viability assessment from the BoG). This means that any future losses beyond the PIMCO's estimate of capital shortfall should also be covered by the Cypriot government, until the Greek operations could be divested to a private shareholder – as was the case with the two French subsidiaries. Finally, the conversion of branches to subsidiaries has to be approved by the Bank of Greece as the relevant local supervisor and the BoG may demand an independent asset quality review if it is not satisfied with the PIMCO's exercise.

The BoG can be assessed as having reservations on such a conversion into subsidiaries. As long as the Cypriot activities are branches in Greece this is “a Cypriot problem”, as the BoG head of supervision said in an EWG meeting. Moreover, one of the branches was a subsidiary until March 2011 when it was transformed into a branch, allegedly to avoid the asset quality review carried out by BlackRock. This increased the suspicions of the BoG about the bank in question, which have not been alleviated by the subsequent changes of management and nationalisation of the parent bank by Cyprus.

The subsidiaries would have to abide by the local capital requirement set by the Bank of Greece, currently at 9% Core Tier 1. Initially, the capital can be provided by the parent which could take advantage of the positive net asset position in Greece.

The Greek authorities have so far excluded the provision of capital to the former branches of Cypriot banks by the Hellenic Financial Stability Fund (i.e. using the programme funds), on the grounds that these institutions are not even legally incorporated in Greece. The picture would not change for subsidiaries, as the first source of capital for a subsidiary should be the parent group and, subsequently, the parent's

national backstop. Moreover, the branches were not subject to the viability and capital assessment done by the Bank of Greece and, therefore would not meet the formal criterion to receive HFSF support.

III. Stakeholders and mechanics of the separation

1. Who will instigate the separation

There are three (3) options, in terms of the initiative-taker: a) the separation is triggered by a decision of the shareholders' meeting of CPB CY (voluntary scenario), b) the separation is triggered by a decision of the Central Bank of Cyprus (CBC), as resolution authority, under the powers vested in it by the Resolution Law (involuntary scenario I), c) the separation is triggered by a decision of the Bank of Greece, under the powers vested in it by L. 3601/07 (the Greek banking Law) (involuntary scenario II).

Under the *voluntary scenario*, the shareholders of CPB CY would convene a meeting and vote in favour of the sale of the CPB's Greek operations to an existing viable and EFSF eligible Greek bank (sell-off/spin-off scenario – see under 2, below) or the conversion of CPB GR into a subsidiary (new bank scenario – see under 2.c, below). A voluntary separation would be facilitated by the fact that the State is the majority shareholder of CPB: if the Government of Cyprus were to be won over to the idea of the proposed separation, they would be able to out-vote private shareholders. To win them over, it is essential that the mix of assets and liabilities transferred to the acquiring Greek bank leads to savings for the Cypriot Government and to a corresponding reduction in the overall bank recapitalisation envelope currently under negotiation with the Troika.

Involuntary scenario I postulates a refusal of the shareholders' meeting (effectively, of the Cypriot Government) to endorse the proposed voluntary separation, which would then need to become mandatory by a decree of the CBC, in its capacity as resolution authority. This scenario rests on the assumption that the CBC would cooperate by activating the Resolution Law. It also rests on the assumption that, by the time of the proposed operation, the Resolution Law will have been voted into law by the House of Representatives (at present, the resolution framework is in draft format). Finally, it rests on the assumption that the Resolution Law could be interpreted to allow its activation where financial stability is threatened outside Cyprus. What the activation of *involuntary scenario I* effectively entails is the resolution of CPB CY, even though the CBC's resolution decree would only mandate the transfer of its Greek business.

Involuntary scenario II postulates (i) a refusal of the shareholders' meeting (effectively, of the Cypriot Government) to endorse the proposed voluntary separation, and (ii) a refusal of the CBC to cooperate by activating the Resolution Law. In this case, it would be for the BoG, as Greece's supervisory and resolution authority, to make use of the residual powers it has under the Greek Banking Law to intervene in the business of CPB GR. More specifically, section 65(1) of the Greek Banking Law allows the BoG to 'take appropriate measures to prevent ... irregularities or impose penalties' in the case of a 'credit institution authorised in another Member State and having a branch or providing services in Greece [which] is not complying with this Law'.³ While the scope of the BoG's powers under section 65(1) is unclear, this provision might provide a legal basis for autonomous supervisory action in Greece affecting the business of CPB GR in the event of an uncontrolled emergency situation arising. *Involuntary scenario II* in a last resort option, only to be considered in the event of an uncontrolled emergency situation.

2. How will the separation be achieved?

In the *voluntary scenario (i.e. outside resolution)* the separation is to be carried out through a sell-off/spin-off.⁴

Sell offs and spin-offs are specifically regulated in L. 2515/1997 (which applies to branches of Greek and foreign credit institutions alike). Legally speaking, these are not genuine corporate transformations (as with mergers and divestitures) since they do not result in the disappearance of the divesting company. Although amounting, legally, to transfers of assets (and liabilities), tax-wise they are assimilated with genuine corporate transformations and attract massive tax burdens unless tax exempted. Only sell-offs/spin-offs where the consideration paid to the acquiring bank in the form of shares are tax-exempt. Under Greek law, sell-offs/spin-offs of branches are only possible to existing banks (not to newly established ones).

The proposed sell-off/spin-off would involve the transfer of the business of CPB GR –

³ 'Where the Bank of Greece ascertains that a credit institution authorised in another Member State and having a branch or providing services in Greece is not complying with this Law, it shall require the credit institution to comply with its provisions. If the credit institution concerned fails to comply with these provisions, the Bank of Greece shall inform accordingly the competent authorities of the credit institution's home Member State, which shall take all appropriate measures to put an end to this situation. If, despite the measures taken by the competent authorities of the home Member State or because such measures prove inadequate or are not available in the Member State in question, the credit institution persists in violating the provisions hereof, the Bank of Greece shall, after informing the competent authorities of the home Member State, take appropriate measures to prevent or punish further irregularities or impose penalties according to the provisions of this Law. Insofar as is necessary, it shall prevent the credit institution from initiating further transactions in Greece.'

⁴ The difference between a sell-off and a spin-off is that in a sell-off, Company A transfers Business A1 to Company B with the consideration for the transfer, either in the form of cash or in the form of shares provided to Company A. In this scenario Company B becomes a wholly-owned subsidiary of Company A. In a spin-off, Company A transfers its Business A1 to Company B with the consideration for the transfer, either in the form of cash or in the form of shares, provided on a *pro rata* basis to Company A's shareholders (not to Company A). In this scenario Company B is separate from Company A, and while the shareholdings of both companies are identical at the moment of the spin-off, the shareholder structures of both companies will diverge over time.

- a) either to an existing viable core Greek bank (in this case, HFSF may provide funds to finance the funding gap created by the branch transfer but it is advised that funding is achieved by means of alternative (Tier 1) capital or else private shareholders of current viable core banks will not be able to maintain the threshold of the 10% required to keep the bank in private hands); or
- b) to an existing bridge bank⁵; or
- c) to a new bank, that is established ad hoc and fully capitalized by the HFSF.⁶ Unless an existing (core or bridge) Greek bank were to be willing or could be convinced into acquiring CPB GR, a new Greek bank would need to be established to assume (some of) the assets and liabilities of CPB GR. This new bank could either be established by the HFSF or by CPB CY. At present, the HFSF law does not allow the HFSF to establish banks (the HFSF can only provide capital support to viable banks or fund resolution measures). However established, the new bank would take on the deposit book of CPB GR plus some of the ELA exposure of CPB GR and a corresponding amount of good, unencumbered assets in Greece could be transferred, with the remaining (bad) assets being put into liquidation. At present, the HFSF law does not allow the HFSF to establish banks. If the new bank were to be established by the parent company, the process would involve two steps. Step one: CPB CY would set up a new bank, to which the aforementioned assets and liabilities would be transferred. Step two: as the new bank would a priori be insolvent, that bank would immediately be transformed into a bridge bank, at the instance of the BoG, in its capacity as resolution authority, with the HFSF covering the funding gap between the transferred assets and liabilities).

[Short description of the process for the establishment of a new Greek bank to be inserted].

The transfer is to be made pursuant to section 16 of L. 2515/97 and section 4 of L. 2166/93. For the sell-off/spin-off to be tax-exempt CPB CY would need to receive one or more shares in the acquiring bank in consideration for the branch transfer. The transfer is always sponsored by the HFSF, either in the form of common stock (cases b and c, above) or in the form of alternative Tier 1 capital (case a, above).

One point that would need to be further explored is whether creditors of the CPB CY could, as a matter of Cypriot law, present a claim vis-à-vis the Greek bank which has acquired the branch (this would be possible under Article 479 of the Greek Civil Code⁷ but may not be possible under Cypriot law). This possibility represents one of the main disadvantages of a voluntary compared to an involuntary (resolution-related) separation process.

Involuntary scenario I would be resolution, for the purposes of Cyprus law. However, the transfer of the branch would take place under Greek law, in the same exact same way as under the *voluntary scenario* described above.

Involuntary scenario II would be tantamount to a resolution, for the purposes of Greek law, with the Greek branch being resolved in line with sections 63 seq. of L. 3601/07, applying by analogy. It is possible that a delegation clause should be included in art. 65 L. 3601/2007 to allow the BoG to issue

⁵ The transfer of assets and liabilities to an existing bridge bank (as opposed to an existing core bank) is not the preferred option due to (i) the temporary nature of bridge banks and (ii) the non-participation of (some of) the bridge banks in Eurosystem monetary policy operations. If selected as the desired policy option, minor legislative amendments would probably be required.

⁶ This may require some amendments to the HFSF law.

decisions for the analogous application of national resolution law in a cross border context. As argued above, *involuntary scenario II* in a last resort option, only to be considered in the event of an uncontrolled emergency situations.

IV. Cost assessment

According to PIMCO, the recapitalisation of CPB and BOC would require about EUR 7.6 billion from the Cypriot sovereign. The establishment of subsidiaries does not change this assessment to a material extent. However, upon establishment of the subsidiaries, they would recognise assets at fair value, leading to frontloading of the severe financial losses to the group. Further to that, while the valuation of assets would reflect the losses projected under the stress scenario, the capital requirement for the going concern bank would be higher than in the stress test (9% vs. 6%). While the subsidiaries would be adequately capitalised, the parent groups in Cyprus would become technically insolvent and would urgently require a recapitalisation.

The new subsidiaries would take over the entire Greek deposit books of CPB and BOC, as well as the loan books, property and equipment necessary to do business, and a small cash reserve to maintain day-to-day liquidity. If possible, the new subsidiaries should acquire the deferred tax assets from the parent banks, which were generated in the wake of PSI and could be amortised over a 30-year period. Moreover, on the liability side, CPB GR should contract ELA from the Bank of Greece and repay the currently outstanding ELA borrowings of CPB CY secured on the Greek collateral, estimated at EUR 3.7 billion.

The valuation of the assets acquired by the new subsidiaries would reflect the unexpected loss on the assets, as estimated in the stress testing exercise of PIMCO. On top of that, the subsidiaries should meet the going capital requirements in Greece, i.e. a minimum Core Tier 1 capital level of 9% of risk-weighted assets. The CPB subsidiary, if required to take over the full amount of ELA backed by Greek collateral, would under such conditions require EUR 1.6 billion of external capital, which could come either from the Cypriot programme, or from HFSF. The BOC subsidiary, to the contrary, would hold excess capital and may even be able to take over the CPB subsidiary with a relatively limited amount of official support (estimated at EUR 0.9 billion). Alternatively, it may be permitted to return the excess capital to the Cypriot parent bank, at the discretion of the Bank of Greece. Tables 3 and 4 in the Appendix provide an overview of the balance sheets of the new subsidiaries, while Tables 5 and 6 present the solo balance sheets of the Cypriot parent banks after the deconsolidation of the Greek operations.

Both Cypriot parent entities would become insolvent as a result of this move. The current state of discussions around the prospective programme for Cyprus suggests that some of the creditors would not be willing to provide funds for recapitalisation of the Cypriot banks and would require a bail-in of

⁷ According to this provision, 'In case of transfer of a business, the transferee is liable against the creditors of the business for an amount equal to the value of the business transferred to the transferee. An agreement to the contrary which is to the detriment of the creditors is null and void'.

uninsured depositors to be implemented instead. The two banks would have to be resolved quickly, leading to an abrupt downsizing of the two banks from the current EUR 67 billion to approximately EUR 24 billion of total assets. In this process, over EUR 17 billion of deposits (mainly coming from residents of non-EU countries, but also including some Greek deposits collected in Cyprus) would be frozen in the two banks under liquidation.

Even though the subsidiaries may be adequately capitalised at inception, possible future losses would continue to rest with the Cypriot government. The conversion would not remove this tail risk, which would require that the subsidiaries are divested by the Cypriot owners to, realistically, a Greek bank which could tap HFSF support in order to execute the acquisition.

V. Operational implementation

The process of transforming a branch into a subsidiary is a complex one and involves a careful coordination among several players: the bank in question, the two competent national supervisors, as well as (in the case at hand) the international organisations involved in both the Greek and the prospective Cypriot programme. In particular, the following steps would have to be taken:

- 1) The new subsidiaries must be authorized to operate by the Bank of Greece, which requires that the applicants submit the business plan, as well as name the management and shareholders. Bank of Greece would assess the application and decide whether to require additional supporting information. It would also carry out a fit-and-proper test on the proposed management. In this process, the formal consultation with the Cypriot authorities is required by the Greek law. The Bank of Greece has up to 12 months to take a decision.
- 2) Assets and liabilities would be transferred to the new subsidiary at fair value. As this would amount to paying up initial capital of the subsidiary in kind, the approval of the Bank of Greece would be required, and accompanied by a valuation by an independent auditor.
- 3) The contractual rights and obligations of Cypriot banks would have to be transferred to the new subsidiaries, which in certain cases may require a prior consent from the other party to the contract.
- 4) The banks are public companies, subject to disclosure and governance standards both in Greece and in Cyprus (because of dual listing in Athens and in Nicosia). The scope of information which has to be disclosed to investors, and timing of necessary disclosures, need to be explored.
- 5) The parent bank would require an urgent recapitalisation, which can only be funded from a EU/IMF programme. The funds should be disbursed to Cyprus in a fast track procedure to ensure that the banks would retain access to central bank funding facilities.

- 6) Counterparty status of the subsidiaries, which would be well-capitalised, should be reconsidered by the Governing Council, and a decision on their eligibility for Eurosystem monetary policy credit operations should be taken.

VI. Contact with the Greek and Cypriot authorities

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The Press Project

Appendix: Impact of ring-fencing on the financial standing of BOC and CPB

Table 1: Balance sheet of CPB as of 30 September 2012

ASSETS		LIABILITIES AND EQUITY	
Cash and equivalents	958	Due to banks	10158
		ow/ to central banks	9700
Due from banks	923		
Investments and derivatives	4079	Senior unsecured debt securities	144
ow/ held for trading	143		
ow/ available for sale	592	Deposits	17865
GGBs	0	ow/ Cyprus - from residents	5264
ow/ held to maturity	3344	ow/ Cyprus - from non-residents	4946
GGBs	278	ow/ Greece	6044
recapitalisation bond	1820	ow/ other countries	1611
Loans and advances (gross of provisions)	25591	Subordinated debt	841
ow/ Cyprus	11100	Tier 2	215
ow/ Greece	12200	Tier 1	626
ow/ other countries	2291	Other liabilities	401
Impairment provisions (deducted from gross loans)	3173	Total liabilities	29409
Other assets	1998	Total equity	967
ow/ property and equipment	276	/ow minority interest	97
ow/ deferred tax	662	Total liabilities and equity	30376
ow/ goodwill	204		
ow/ stake in insurance company	127		
Total assets	30376		

Table 2: Balance sheet of BOC as of 30 September 2012

ASSETS		LIABILITIES AND EQUITY	
Cash and equivalents	1687	Due to banks	430
		ow/ to central banks	
Due from banks	0	Repo liabilities	608
Investments and derivatives	2502	Derivative liabilities	209
ow/ held for trading	34	Senior unsecured debt securities	40
ow/ available for sale	547		
GGBs	0	Deposits	27873
ow/ held to maturity	1921	ow/ Cyprus - from residents	8044
GGBs	709	ow/ Cyprus - from non-residents	10765
recapitalisation bond	0	ow/ Greece	6532
Loans and advances (gross of provisions)	28226	ow/ other countries	2532
ow/ Cyprus	14883	Subordinated debt	783
ow/ Greece	9472	Tier 2	257
ow/ other countries	3871	Tier 1	526
Impairment provisions (deducted from gross loans)	2249	Other liabilities	283
Other assets	2370	Total liabilities	30225
ow/ foreclosed property	503	Total equity	2309
ow/ deferred tax	320	/ow minority interest	81
ow/ goodwill	0	Total liabilities and equity	32535
Total assets	32535		

Note: this balance sheet reflects the estimated impact of repayment of all outstanding central bank funding by Bank of Cyprus between 1 October and 30 November 2012.

Table 3: Projected balance sheet of CPB Greece

ASSETS		LIABILITIES AND EQUITY	
Cash and equivalents	287	Due to banks	3660
		ow/ to central banks	
Due from banks			
Investments and derivatives		Senior unsecured debt securities	
ow/ held for trading			
ow/ available for sale			
<i>GGBs</i>		Deposits	6023
ow/ held to maturity		ow/ Cyprus - from residents	0
<i>GGBs</i>		ow/ Cyprus - from non-residents	0
<i>recapitalisation bond</i>		ow/ Greece	6023
Loans and advances (gross of provisions)	12200	ow/ other countries	0
ow/ Cyprus	0		
ow/ Greece	12200	Subordinated debt	
ow/ other countries	0	Tier 2	
Impairment provisions (deducted from gross loans)	4385	Tier 1	
Other assets	524	Other liabilities	
ow/ property and equipment	83	Total liabilities	9683
ow/ deferred tax	441		
ow/ goodwill	0	Total equity	-1057
ow/ stake in insurance company			
Total assets	8626	Total liabilities and equity	8626

Table 4: Projected balance sheet of BOC Greece

ASSETS		LIABILITIES AND EQUITY	
Cash and equivalents	506	Due to banks	
		ow/ to central banks	
Due from banks			
Investments and derivatives		Senior unsecured debt securities	
ow/ held for trading			
ow/ available for sale			
<i>GGBs</i>		Deposits	6532
ow/ held to maturity		ow/ Cyprus - from residents	0
<i>GGBs</i>		ow/ Cyprus - from non-residents	0
<i>recapitalisation bond</i>		ow/ Greece	6532
Loans and advances (gross of provisions)	9472	ow/ other countries	0
ow/ Cyprus	0		
ow/ Greece	9472	Subordinated debt	
ow/ other countries	0	Tier 2	
Impairment provisions (deducted from gross loans)	2586	Tier 1	
Other assets	364	Other liabilities	
ow/ property and equipment	151	Total liabilities	6532
ow/ deferred tax	213		
ow/ goodwill	0	Total equity	1225
ow/ stake in insurance company			
Total assets	7757	Total liabilities and equity	7757

Table 5: Projected balance sheet of CPB Cyprus

ASSETS		LIABILITIES AND EQUITY	
Cash and equivalents	671	Due to banks	6498
		ow/ to central banks	6040
Due from banks	923		
Investments and derivatives	4079	Senior unsecured debt securities	144
ow/ held for trading	143		
ow/ available for sale	592	Deposits	11821
<i>GGBs</i>	0	ow/ Cyprus - from residents	5264
ow/ held to maturity	3344	ow/ Cyprus - from non-residents	4946
<i>GGBs</i>	278	ow/ Greece	0
<i>recapitalisation bond</i>	1820	ow/ other countries	1611
Loans and advances (gross of provisions)	13391	Subordinated debt	841
ow/ Cyprus	11100	Tier 2	215
ow/ Greece	0	Tier 1	626
ow/ other countries	2291	Other liabilities	401
Impairment provisions (deducted from gross loans)	2673	Total liabilities	19705
Other assets	1270	Total equity	-2044
ow/ property and equipment	193		
ow/ deferred tax	221		
ow/ goodwill	0		
ow/ stake in insurance company	127		
Total assets	17661	Total liabilities and equity	17661

Table 6: Projected balance sheet of BOC Cyprus

ASSETS		LIABILITIES AND EQUITY	
Cash and equivalents	1181	Due to banks	430
		ow/ to central banks	0
Due from banks	703	Repo liabilities	608
Investments and derivatives	2502	Derivative liabilities	209
ow/ held for trading	34	Senior unsecured debt securities	40
ow/ available for sale	547		
<i>GGBs</i>	0	Deposits	21341
ow/ held to maturity	1921	ow/ Cyprus - from residents	8044
<i>GGBs</i>	709	ow/ Cyprus - from non-residents	10765
<i>recapitalisation bond</i>	0	ow/ Greece	0
Loans and advances (gross of provisions)	18754	ow/ other countries	2532
ow/ Cyprus	14883	Subordinated debt	783
ow/ Greece	0	Tier 2	257
ow/ other countries	3871	Tier 1	526
Impairment provisions (deducted from gross loans)	3959	Other liabilities	283
Other assets	2006	Total liabilities	23693
ow/ property and equipment	352		
ow/ deferred tax	107	Total equity	-2508
ow/ goodwill	0		
ow/ stake in insurance company	0		
Total assets	21186	Total liabilities and equity	21186