

# ANCORIA BANK: COMPACT, AGILE & LEAN



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**How would you describe the current state of corporate banking in Cyprus? Are we heading towards a market dominated by a few players or a more open and competitive one?**

**George Paglas:** The corporate banking sector is undergoing a reinvention process. We observe larger lenders, downsizing and shifting parts of the business NPL portfolio to asset management companies while, at the same time, trying to reset and reposition themselves in the market as the traditional dominant forces. Mid-sized lenders offering services to businesses have already absorbed or are trying to absorb smaller financial institutions in order to grow their balance sheet and are dedicating resources to boost or change their brand image. Smaller institutions offering corporate banking are racing to keep up with regulatory and capital requirements. We at Ancoria Bank are, without doubt, a compact, agile, lean bank and we proud ourselves on being the newest and freshest locally authorized credit institution that offers both retail and business banking solutions to the Cyprus market. The impression that international observers and opinion makers domestically have is that Cyprus remains an overbanked country. We have already witnessed during the last decade events leading to one smaller and two important systemic financial institutions disappearing one way or another from the banking map of Cyprus. Consequently, one could

argue that, while the market is and will be dominated by a few traditional lenders, the room for agile, small-scale challenger fresh institutions is there. Ancoria Bank's growth map demonstrates that 'banking redefined' is more than a slogan but a *modus operandi*.

**GOLD: It is alleged that Cyprus' banks have excess liquidity. Is this true and, if so, how does this affect your corporate clients?**

**G.P.:** Ancoria Bank does not operate with any significant excess liquidity so this does not impact any of our customers.

**GOLD: Have you noticed a decline in the number of ideas and clients that are considered 'bankable'? What do you perceive as a 'bankable' idea?**

**G.P.:** I would prefer to separate "ideas and clients" from the word "bankable". We have recently run an internal industry sector survey, together with our Bank's economist, to identify future areas of interest and have observed that most economic activity and private initiative on the island circles around real estate, construction and, of course, the services sector (including tourism and professional services). The conclusions of the survey, coupled with our data analytics taken from our loan applications, show that the Cyprus economy and the private sector are at a crossroads. We do observe that, while there are quite a few ideas around, clients focus on bricks and mortar more than anything else. At the same time, in the past two years, a number of new startup ideas have sprung up, particularly amongst young(er) entrepreneurs blending generations X&Y. I sincerely hope that the trend of new startup ideas forms a long-term trend,

as this will reduce the possibility of a brain drain from the island; it will also help Cyprus look further than the more traditional sectors such as real estate and pursue more cross-border business activities related to innovation, research and technology.

A bankable idea, traditional or new, has to be one that can provide assurance to the lender that the investment in a particular project or idea is worth taking the financial risk. To put it differently; any project that does not have a solid repayment plan laid out and a possible fallback position cannot rely on a lender's mere leap of faith. In fact, at Ancoria Bank we shy away from such projects. Our foremost duty is to the depositors who trust us to safeguard their life savings, and to make sure that they are placed prudently and returned to them in their entirety with some interest. Our responsibility to our shareholders is to make sure that we provide

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a return on their investment. Our responsibility to our customers is to make sure that we, as the experts in banking, examine their business idea in detail and detached from any emotion before deciding to accept or reject a financing request. Therefore, any idea that does not have a repayment ability stemming from the project's idea, any business client that does not demonstrate her/his commitment in the idea, and any idea that does not provide any security and is not in line with the parameters as laid out explicitly by the regulators, cannot be considered as bankable.

**GOLD: How is your Division structured? What approach do you take when dealing with corporate clients?**

**G.P.:** We have three business units in each of our Banking Centres, located in Nicosia, Limassol and Larnaca, and a centrally located Business Banking Office that handles and supervises all large requests from all over Cyprus. The approach we take when facing all customers is driven by our core values, as set by our founder Sievert Larsson: honesty and integrity, transparency, innovation and commitment. Cypriot businesses survived a catastrophic war in 1974 and, much more recently, the collapse of the economy in 2013. Therefore, we do acknowledge that the banking sector is sometimes observed with scepticism by business people. We are direct in our approach, we try to step into the customer's shoes and, above all, we show respect. We earn the trust of the businesses that bank with Ancoria Bank because we mean business, give prompt responses and execute with agility. Finally, we pride ourselves on giving honest feedback and make the effort, even at CEO level, to communicate a negative response if necessary from our end to customers and elaborate on the reasoning. Our approach is that a customer is not a number.

**GOLD: What are the variables that influence your bank's pricing policy and lending rates? How do you see lending rates developing over the next 2-3 years?**

**G.P.:** Transparency is at the very core of our pricing policy. That is why we publish and explain our pricing on our website. As a Bank operating in the

eurozone, our pricing policy is definitely affected by macroeconomic factors that touch upon the EU. At the same time, we do give serious consideration to factors affecting the Cyprus economy. Finally, our boutique size allows us to be competitive and even disruptive when we choose to be. Lending rates in Cyprus are mainly driven by the two mainstream large lenders of the country. We always pay particular attention to the market makers and adjust accordingly. In the next 2-3 years we foresee the main large lenders continuing to reduce interest rates in an attempt to get rid of excess liquidity and return to profitability. Of course, this pattern may be altered according to the trajectory of the massive NPL portfolio and other factors such as operation costs.

**GOLD: In which economic sectors does the bank have a greater appetite to lend? And for what kind of projects?**

**G.P.:** We aim to provide financial solutions to all the mainstream sectors that have dominated GDP growth in the past three years. At the same time, we have an eye for sectors where lending will lead to a positive and productive impact on the lives of the people living on the island and which can further reduce unemployment. These sectors include healthcare, education, services, trade and tourism. We are also looking to boost startup businesses that have the vision and scope to reach beyond the boundaries of Cyprus using technology and AI. Projects to trigger our business appetite would be those connected to software development to improve the finance industry, the environment and society in general.

**GOLD: What do you see as your competitive advantages over other banks? Are you able to offer unique products to your corporate clients?**

**G.P.:** Ancoria Bank differentiates itself from the competition in the following aspects: The fact that we have none of the legacy issues that have plagued the banking sector over the past 10 years means that we can focus on our business partners without distraction. In addition, our small size (85 professionals) means that we are agile. This is reflected in the speed of our customer service and our ability to process and decide on facility requests with relative ease. Our lean structure is also reflected in our charges and commissions, making our pricing very attractive to all customers, both retail and business. Our opening hours are also more competitive than most financial institutions (we are open for customers on weekdays 08:30-16:30 and until 13:30 on Fridays). We are in a position to offer all types of commercial lending via both off-the-shelf and tailor-made products to our business clientele. We are also able to offer financing via a collaboration with the European Investment Fund. Here I would like to share my appreciation of the customers who choose to bank with us and have shown us their support right from the start and along the way. Last but definitely not least, I would like to express my high praise to all the Ancoria Bank team and my close associates for all their hard efforts, to our CEO and his clear vision that is driving us to success and, of course, all our shareholders and, in particular, our founder Sievert Larsson, a true philanthropist and a benefactor of the Cyprus economy, who is an inspiration to all of us at Ancoria Bank.

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