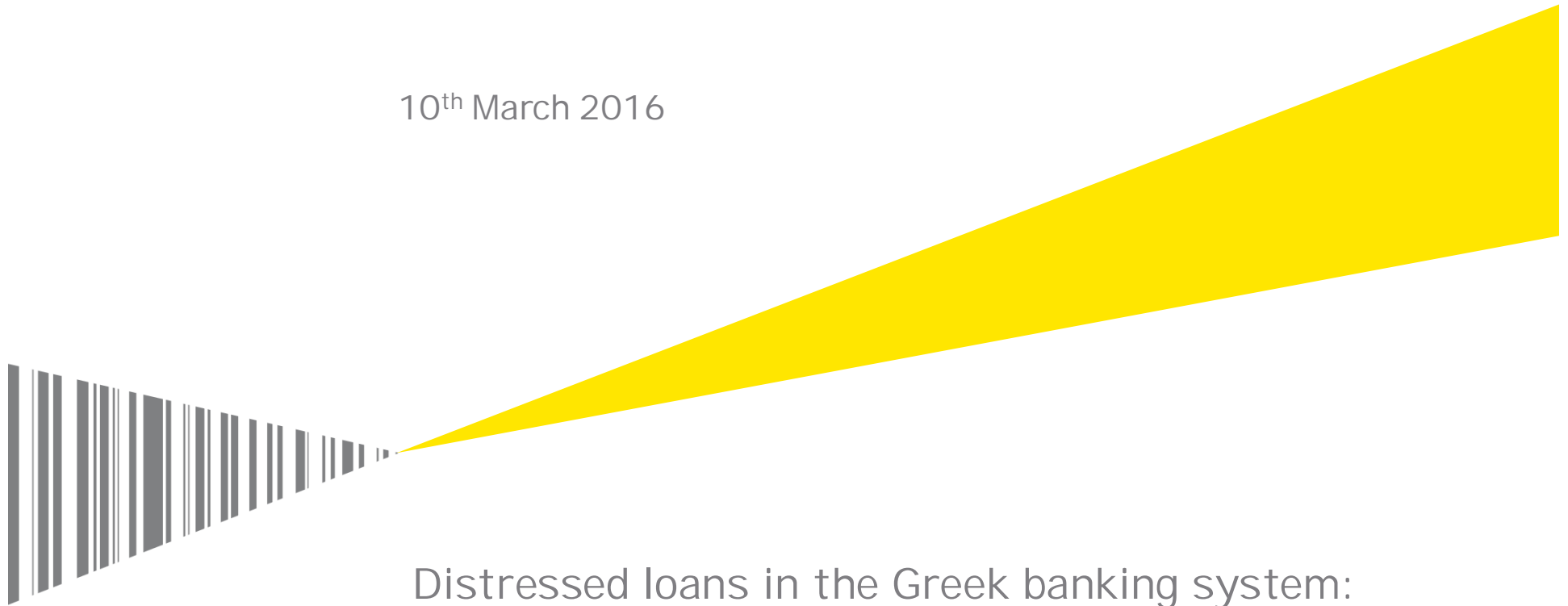


Portfolio Segmentation

10th March 2016



Distressed loans in the Greek banking system:
restructuring portfolios, reviving enterprises

Portfolio segmentation

The application of a set of criteria to categorise loans into segments to help set strategy, operational management and monitor results

- ▶ Segmentation can be used in a number of contexts in the field of collections:
 - 1) To frame the banks NPL strategy and financial decisions
 - 2) To enable the portfolio to be categorised
 - 3) To allocate customer segments to treatments
 - 4) To assist with operational / workflow routing
 - 5) To track customer, financial and operational metrics

Opportunities

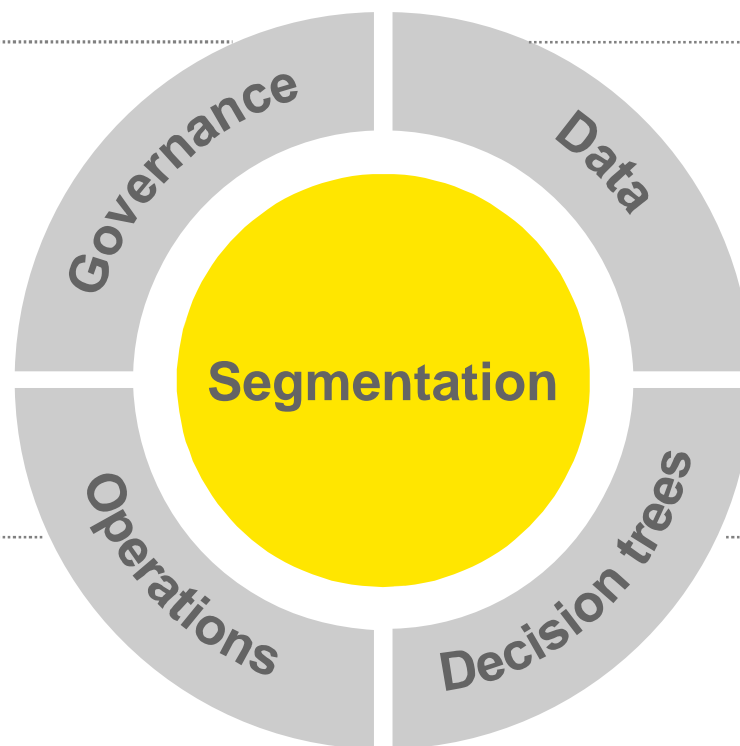
- ▶ Simplifies processes
- ▶ Promotes consistency
- ▶ Improves customer outcomes
- ▶ Enhances compliance
- ▶ Enables KPI setting

Challenges

- ▶ Requires Data
- ▶ Can be misapplied
- ▶ Needs appropriate interpretation
- ▶ Reliant upon operations

Embedding In The Operating Model

- Risk appetite
- Agreed products
- Committees
- Reporting



- Accurate
- Timely
- Consistent
- Current

- Analytics
- Decision tools
- Aligned processes
- Training

- Tailored to portfolio and data
- Top down / bottom up
- NPV calcs
- Embedded into process

Link to Business Planning

Dimensions of segmentation	<ul style="list-style-type: none">▶ Exposure / ticket▶ Sector▶ Control / influence▶ Solo vs multi-banked	<ul style="list-style-type: none">▶ Status - dpd / legal stage▶ Collateral vs cash flow▶ Turnover / key financials▶ LTV / DSCR
Customer treatments	<ul style="list-style-type: none">▶ Modifications - term extension, rate reduction, part payment, deferred balloon payment▶ Reschedule - payment moratorium, debt consolidation	<ul style="list-style-type: none">▶ Resolution - agreed sales plan, debt for equity, voluntary surrender / enforcement
Operating model	<ul style="list-style-type: none">▶ In-house capacity▶ Capability and training▶ Decision tools▶ NPV calculators	<ul style="list-style-type: none">▶ Outsourcing▶ Shared recovery platforms▶ Sale of portfolios▶ Write offs
Monitoring of Results	<ul style="list-style-type: none">▶ Advanced analytics▶ Correlation analysis▶ Validation of business logic▶ Process improvements	<ul style="list-style-type: none">▶ Capital impact▶ Provisioning profile▶ Cost performance▶ Benchmarking of results

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