

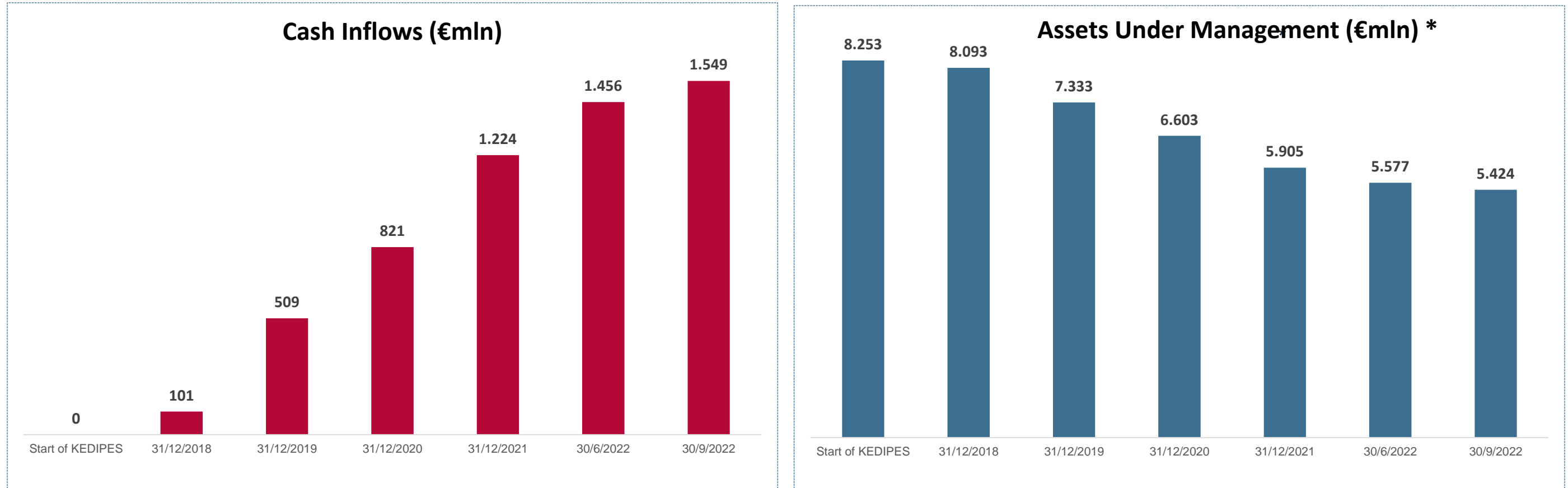
# Progress Report September 2018 – September 2022



November 2022

**Progress Report**  
**KEDIPES**  
*to 30/09/22*



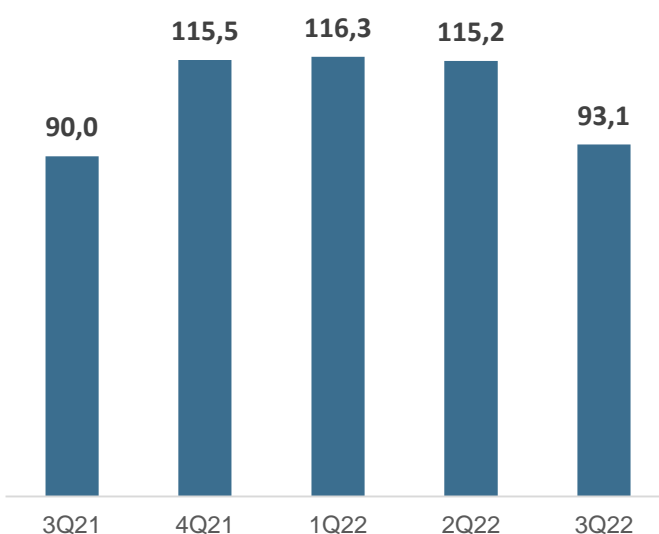


\* Nominal assets under management excluding loan interest (provisional)



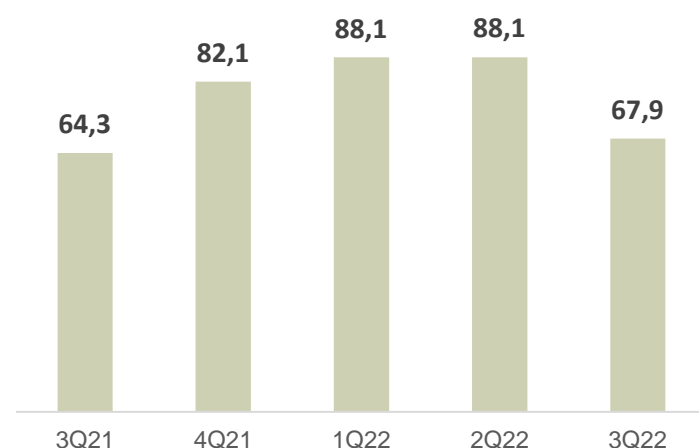
- From the beginning of its operations, KEDIPEs achieved **€1.549mIn** Cash Inflows, with a parallel deleverage of Assets Under Management by **€2.829mIn**
- Total repayment to State Aid amounted to **€800mIn**, of which **€230mIn** in 9M2022.
- In addition to the repayments of State Aid in cash, property with value of **€140mIn**, will be transferred to the Government, while **€87,6mIn** was paid to Government Services mainly in the form of taxes and fees, including VAT. Payments for the settlement of liabilities amounted to **€258,4mIn**.
- As at the reporting date, **€1.219mIn** Restructuring Solutions and **€544,1mIn** Property Sales were implemented through Altamira.

## Cash Inflows (€mln)



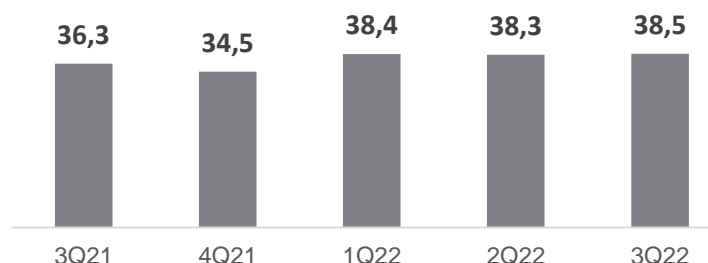
- Cash inflows in 3Q2022, reached €93,1mln, recording a decrease of 19,2% compared to 2Q2022 and an increase of 3,5% compared to 3Q2021.
- Further details can be found on [page 9](#).

## Operating Cash Flows (€mln)



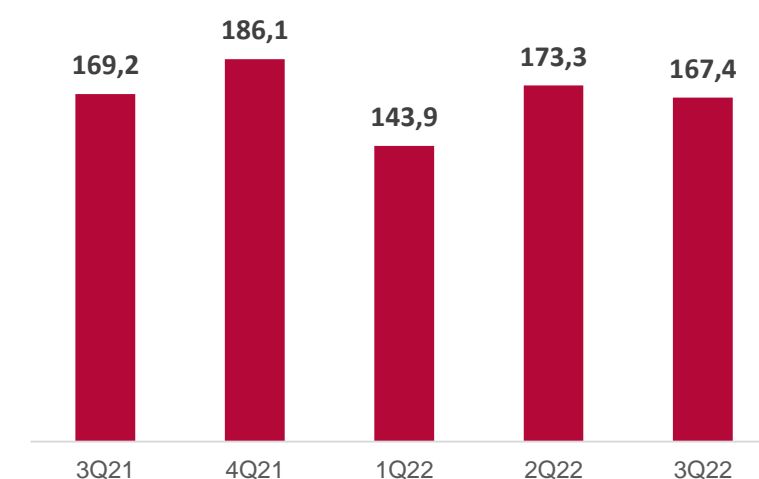
- Operating cash flows during 3Q2022 reached €67,9mln recording a decrease of 23% compared to 2Q2022 and an increase of 5,6% is recorded compared to 3Q2021.
- Further details can be found on [page 11](#).

## REO Sales (€mln)



- REO sales during 3Q2022 reached €38,5mln, remaining at the same high level, compared to 2Q2022 and an increase of 6,1% compared to 3Q2021.
- Despite the pandemic, Altamira promotional campaigns for moderate liquidity and value properties have made a significant contribution to REO sales.
- Further details can be found on [page 20](#).

## Total Recovery Solutions (€mln)



- Total recovery solutions during 3Q2022 reached €167,4mln, recording a decrease of 3,4% compared to 2Q2022, and a decrease of 1,1% compared to 3Q2021.
- From the start of KEDIPES operations, total recovery solutions amounted to €3.089mln or 41,9% of the initial nominal value of advances amounted to €7.371bln.
- Recovery solutions leads to cash inflow directly or indirectly in the case of property recoveries.
- Further details can be found on [page 15](#).

# List of Commitments to DG Competition

KEDIPEs operates on the basis of the “List of Commitments” signed on 15/06/2018 between the Republic of Cyprus and the European Commission’s Directorate-General for Competition (<https://kedipes.com.cy/κεδιπεσ/κατάλογος-δεσμευσεων/>). Compliance with the commitments is monitored by the “Monitoring Trustee”, which is Baker Tilly. The below progress represents the latest progress evaluation of the Monitoring Trustee. Latest progress noted by KEDIPEs.

Commitment	Description of Commitment	Progress
10	All claims of CCB shareholders remain in the Residual Entity (RE) and cannot be transferred to Hellenic Bank (HB) at a later stage.	<b>In compliance</b> and evaluated on an ongoing basis.
11	In return for the state aid that was secured in the process of selling the assets and operations, the RoC must have a claim equal to the value of that aid.	<b>In compliance</b> and evaluated on an ongoing basis.
12	Sale of SEDIPES shareholding in the joint venture with Altamira Cyprus. An independent expert will verify compatibility with market conditions.	<b>Completed.</b> Following relevant approvals the sale of 49% share in Altamira Asset Management (Cyprus) Limited from SEDIPES to Altamira Asset Management S.A was completed on 09/09/2020. The sale price was agreed at €4,5mIn and it was confirmed by an independent expert regarding consistency with market conditions.
13	Surrender of the banking license or reduction in the scope of operations to the minimum necessary for the activities described in Commitment 14.	<b>Completed.</b>
14	The sole activity of the RE will be to manage the assets of the residual entity with the objective of divestment, liquidation or winding down in order to repay the state aid as quick as possible.	<b>Completed.</b>
15	The RE will not acquire a share in any company.	<b>In compliance</b> and evaluated on an ongoing basis.
16	The sole objective of the company is to maximise the recovery of assets as quickly as possible and in an appropriate way. The company will be run by people with specialist knowledge and international experience. It will be independent of the state which can give instructions only relating to the protection of taxpayers’ money and on maximising recovery of the state aid . Management will be granted performance-based remuneration.	<b>Almost Completed</b> – the recruitment process of the new independent members of the Board of Directors is underway.
17	Success will be evaluated on a regular basis and strategic business plans adjusted accordingly	<b>Completed.</b>
18	Management of the assets will be done by a private Portfolio Servicing Company – either by a new company via a transparent, unconditional tendering process or by the existing provider, Altamira Cyprus, where the terms of the agreement will be assessed by an independent expert. The Servicer’s remuneration will be performance-based.	<b>Completed.</b> The revised Service Level Agreement with Altamira has been implemented on the 25 <sup>th</sup> of October 2022 . The terms of the agreement are in effect from 01/01/2020. It has been confirmed by an independent expert that the revised Service Level Agreement is consistent with market conditions.
19	The RE retains the right to transfer the entire asset portfolio to any other state-owned asset management company, provided that the financial terms of the transfer do not call into question the assumption of the liability of the shareholders of the CCB.	<b>In compliance</b> –The agreement for the transfer of assets from SEDIPES to KEDIPEs has been signed on the 7 <sup>th</sup> of October 2022 and credit facilities have been transferred .
20	The terms listed in Commitment 13-19 also apply to the state-owned asset management company which could take over the portfolio of the RE.	<b>In compliance</b> and will be evaluated on an ongoing basis.

# Strategic Actions and Challenges

## Strategic Actions

- Termination of banking operations and transformation into an asset management company since 01/09/2018. Transfer of assets from SEDIPES to KEDIPES within 4Q2022
- Completion of the Transitional Agreement for the Provision of Services to Hellenic Bank (TSA)
- Completion of the financing and management of the initial Staff Voluntary Redundancy Scheme (€128,9mIn) and of the subsequent Schemes of 2021/22 which include the termination of employment relations with ex CCB employees who were transferred to Altamira (€13,5mIn)
- Repayment of State Aid, €120mIn in 2019, €200mIn in 2020, €250mIn in 2021, €230mIn in 9M22
- Development and implementation of corporate governance framework
- Improvement of the organisational structure and implementation of new organization chart
- Completion of the sale of the participation in Altamira Cyprus to Altamira Spain for €4,5mIn in September 2020
- Agreement with the State for the transfer of properties worth approx. €140mIn
- Management of claims under the Asset Protection Scheme with Hellenic Bank.
- Revision of Business Plan targets full repayment of State Aid
- Revision of the Service Level Agreement with Altamira for the servicing of NPEs and Real Estate Assets

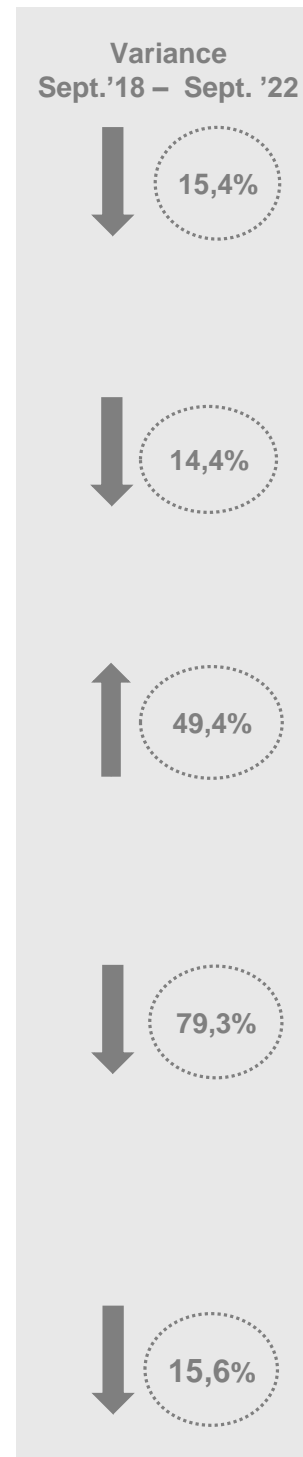
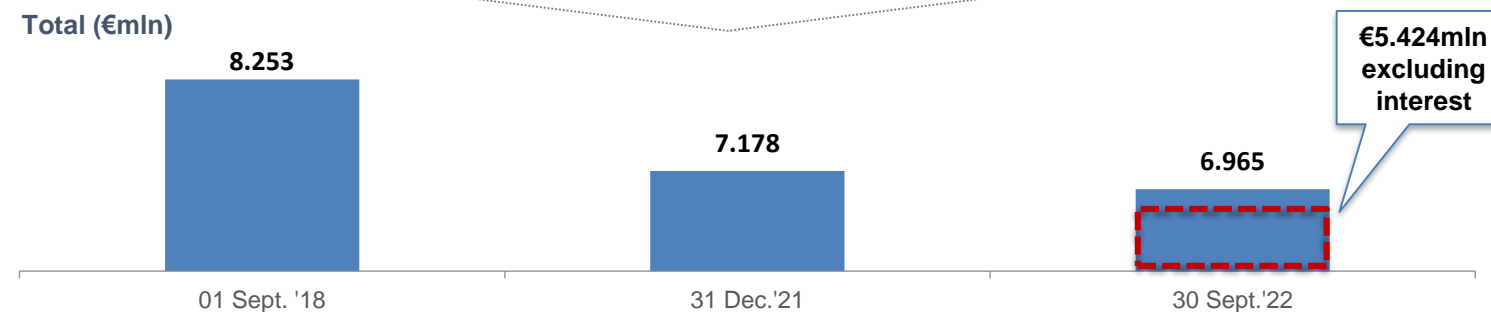
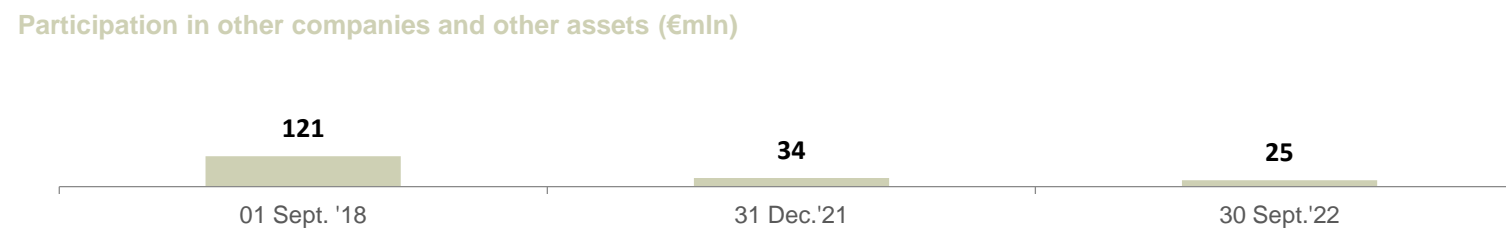
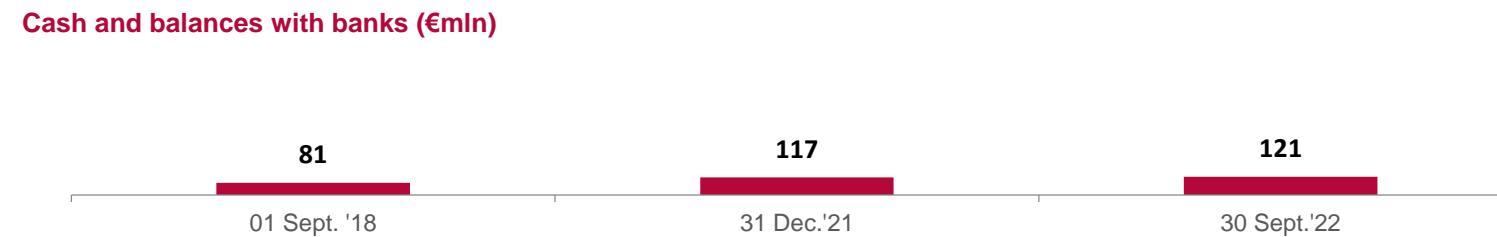
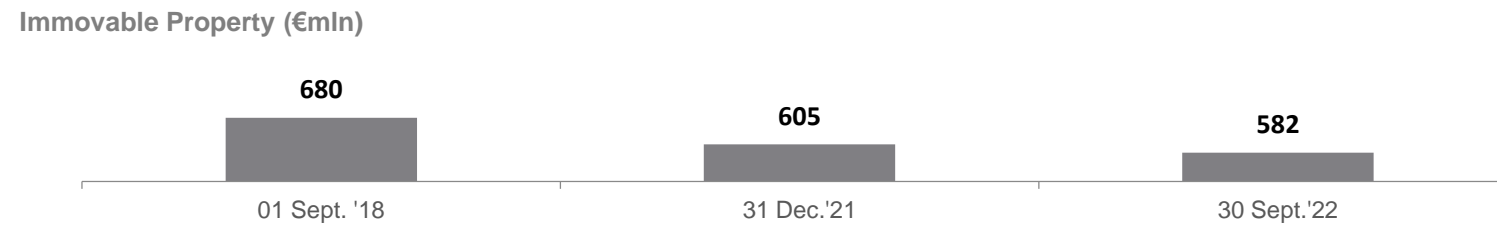
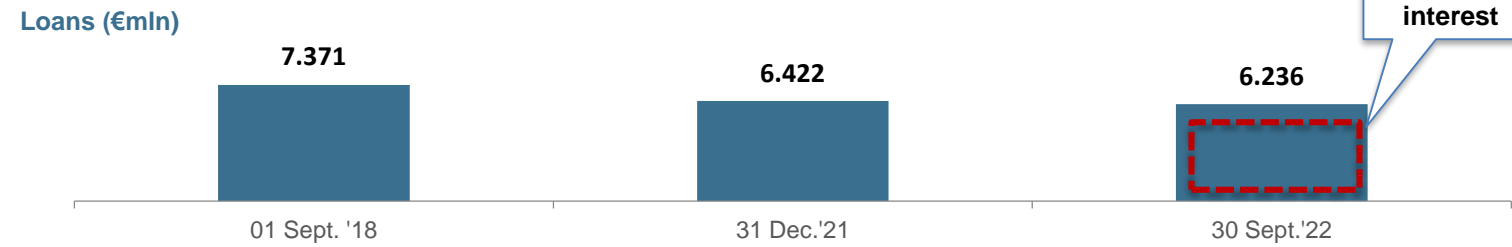
## Challenges

- Frequent interruptions on the Foreclosure Framework established by the Insolvency Framework and the law on Foreclosures
- Management of loan portfolio secured by primary residences following the low participation in the ESTIA Scheme and in the context of the expansion of KEDIPES mandate to acquire properties within the Mortgage to Rent Scheme
- Increased macroeconomic uncertainties from inflationary pressures (including rising construction costs) / rising Euro-rates / indirect economic impact from Russia-Ukraine war (eg: lower tourism flows) / re-emergence of Covid
- Gradual increase in the supply of properties on the market from other Credit Acquiring Companies
- Sale of loan portfolio
- Completion of actions for staff reduction
- Improvement of data quality

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*to 30/09/22*



# Assets under Management

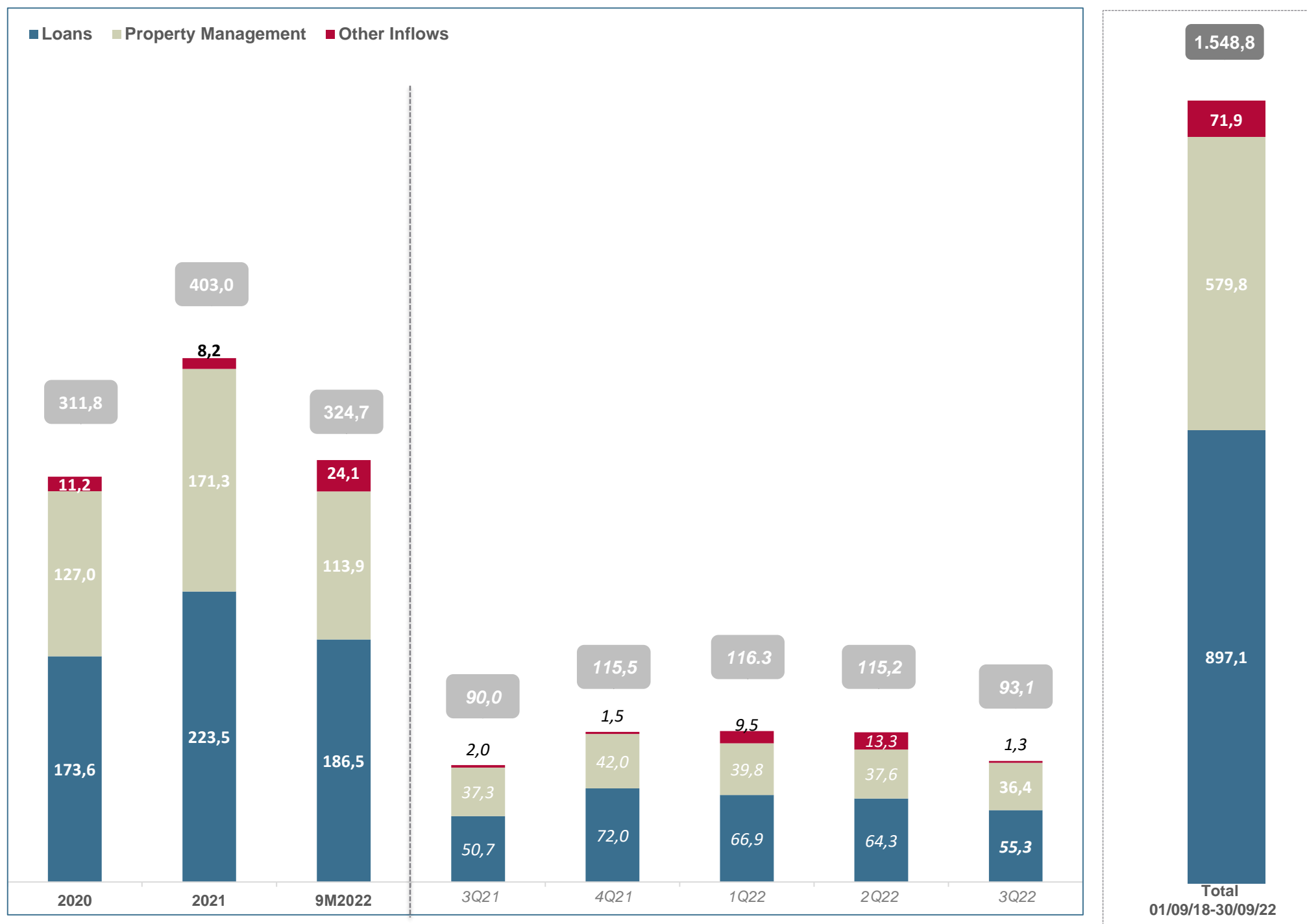


- Initial AuM, including loans at their nominal value, of €8.253mln.
- AuM in 3Q22 were €6.965mln or €5.424mln excluding contractual interest.
- Deleveraging of AUM achieved:
  - **15,6%** in nominal terms
  - **34,3%** excluding interest
- The non-audited accounting value of assets as at 30/09/2022 is estimated at €2.935mln.

\* Does not include parked loans promised to be written-off of €480mln, as at 30/09/2022

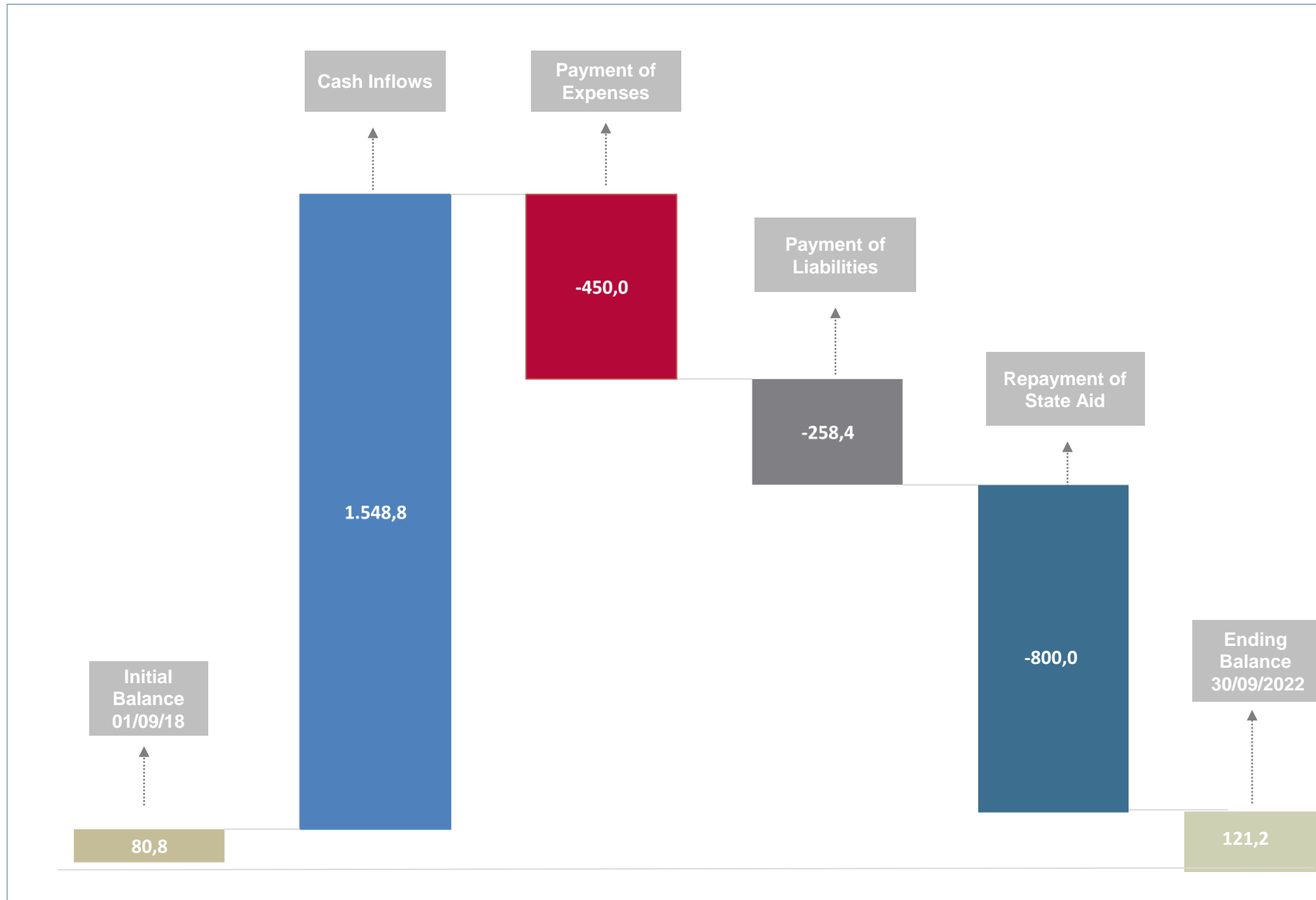


## Cash Inflows (€mIn)



- The cumulative cash flows to 30/09/2022 reached €1.548,8mIn.
- Cash inflows in 3Q22 reached €93,1mIn recording a decrease of 19,2% compared to €115,2mIn of 2Q22 and an increase of 3,5% compared to €90,0mIn of the corresponding quarter of 2021.
- Cumulative loan recoveries and disposal of real estate assets contribute 58% and 37% respectively, to total cash inflows.
- Cumulative other cash inflows totaling to €71,9mIn relate mainly to income from services provided to Altamira Cyprus within the framework of the reverse service agreement and cash inflows from the liquidation of other assets. In 2Q2022, the disposal of the participations in commercial coops was completed with a contribution of €12,3mIn to cash inflows compared to €6,7mIn in 1Q2022.

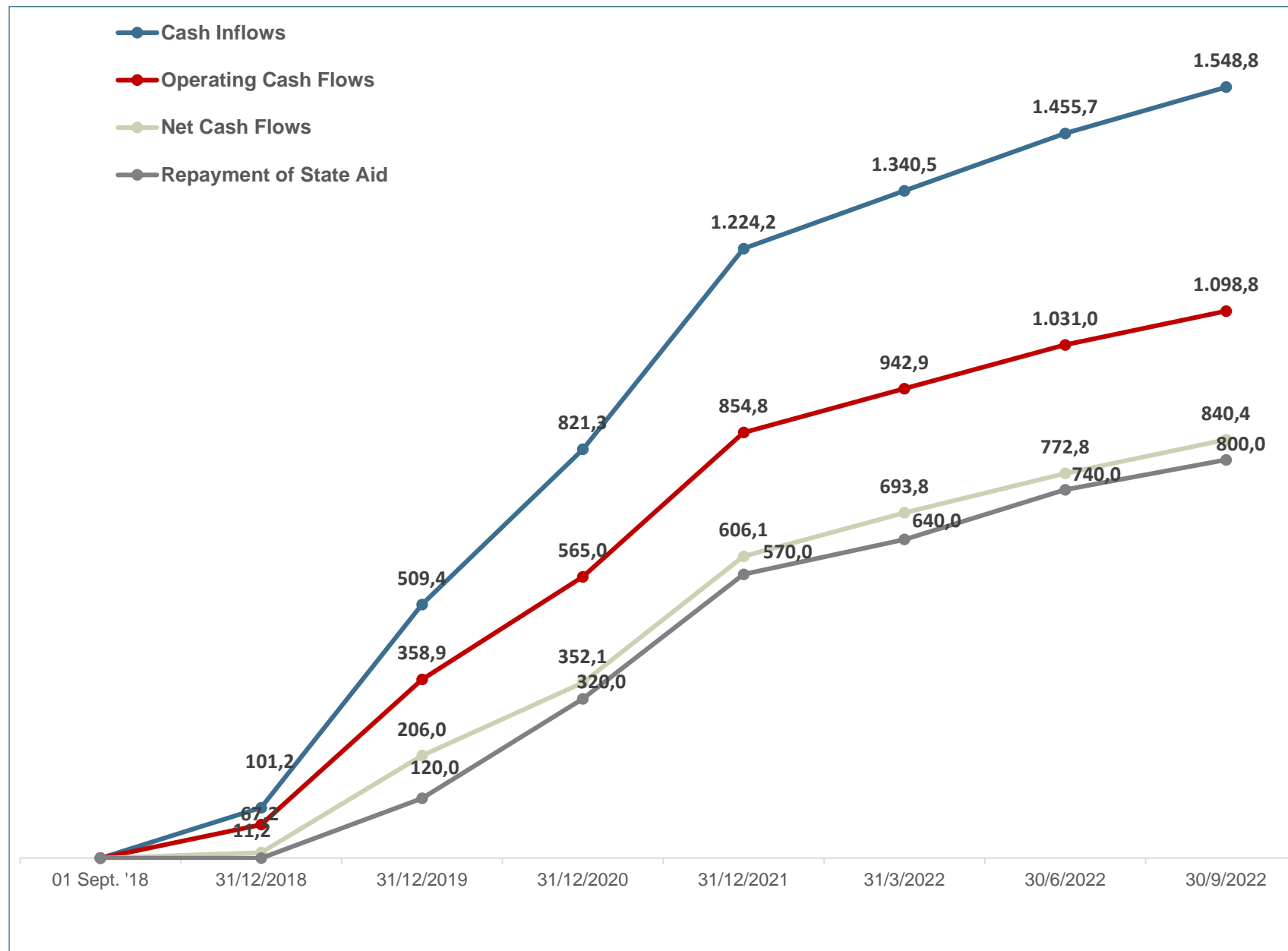
## Cash Inflows and Outflows (€mIn)



- Cash position of KEDIPES as at 30/09/2022 was €121,2mIn.
- From the start of KEDIPES operations, main cash flows are as follows:
  - Cash inflows €1.548,8mIn
  - Payment of operating, servicing and asset management costs €450,0mIn.
  - Payment of liabilities €258,4mIn
  - Repayment of the State Aid €800mIn.

# Cash Flows and Repayment of State Aid

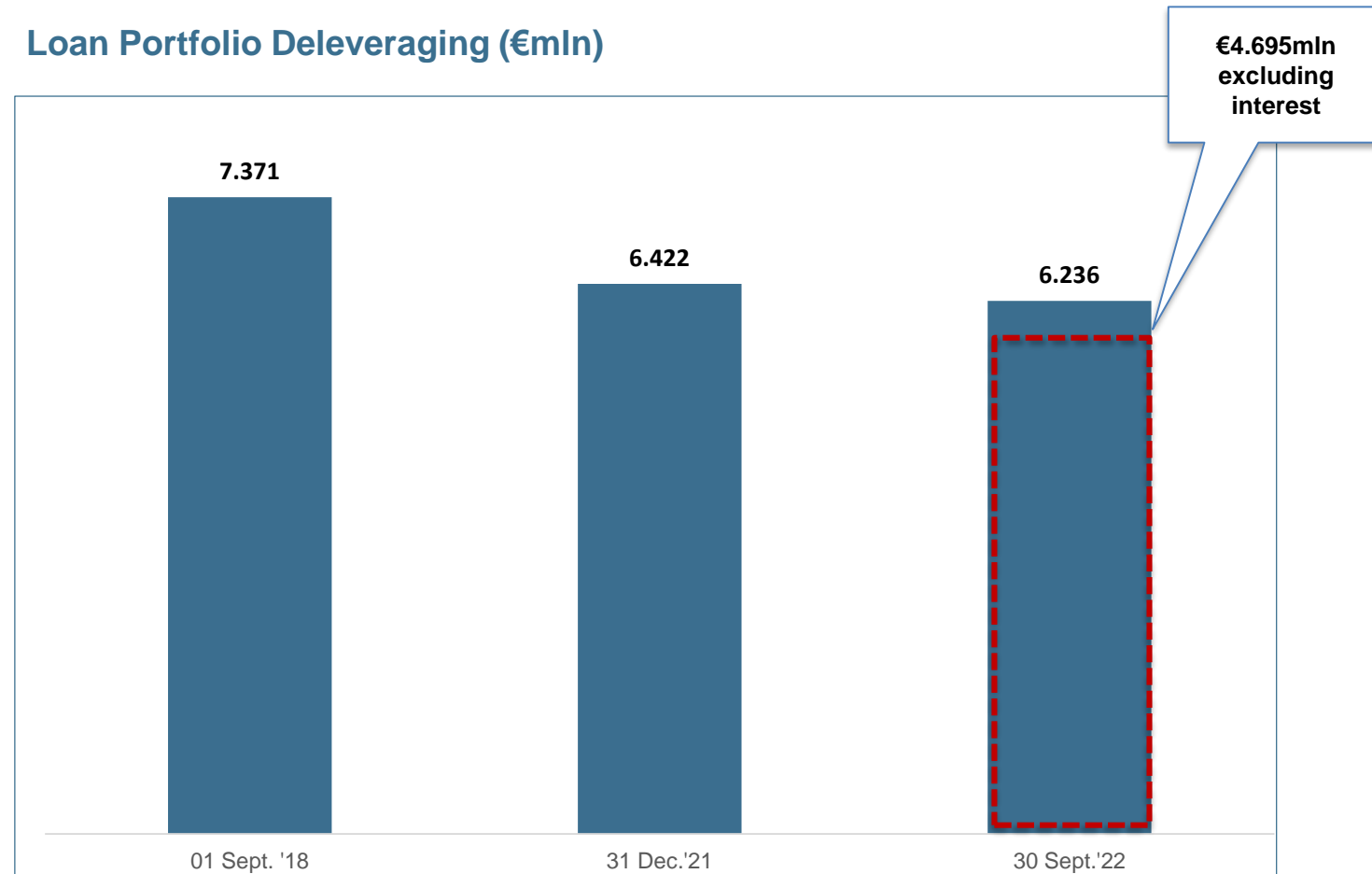
## Cash Flows 01/09/18 – 30/09/22 (€mln)



## Repayment of State Aid

- The State Aid repayment is made on a quarterly basis, taking into account cash balances and medium term obligations.
- Repayments to September 2022 totaled €800mln as follows:
  - €120mln in 2019
  - €200mln in 2020
  - €250mln in 2021
  - €230mln in 9M2022
- In addition to the cash repayments approximately:
  - €2,6mln has been repaid in the form of transfer of art collections and write offs relating to the Central Body of Equal Burden-sharing (Κεντρικός Φορέας Ισότητας Κατανομής Βαρών).
  - €140mln will be repaid in the form of the transfer of property at market prices
- Further future State Aid payments depend on the possible broadening of the mandate of KEDIPES to acquire REO assets in the context of the Mortgage to Rent scheme.

## Loan Portfolio Deleveraging (€mIn)



Loan Portfolio Progress	€mIn	+ / -
<b>Balance 01/09/2018</b>	<b>7.371</b>	
Recoveries	-1.435	-19,5%
<i>Cash Collections</i>	-897	-12,2%
<i>Value of properties on-boarded</i>	-538	-7,3%
Write-Offs (contractual)	-1.241	-16,8%
<b>Total Deleveraging</b>	<b>-2.676</b>	<b>-36,3%</b>
<b>Balance</b>	<b>4.695</b>	<b>-36,3%</b>
<i>Contractual Interest *</i>	+1.541	20,9%
<b>Balance 30/09/2022</b>	<b>6.236</b>	<b>-15,4%</b>

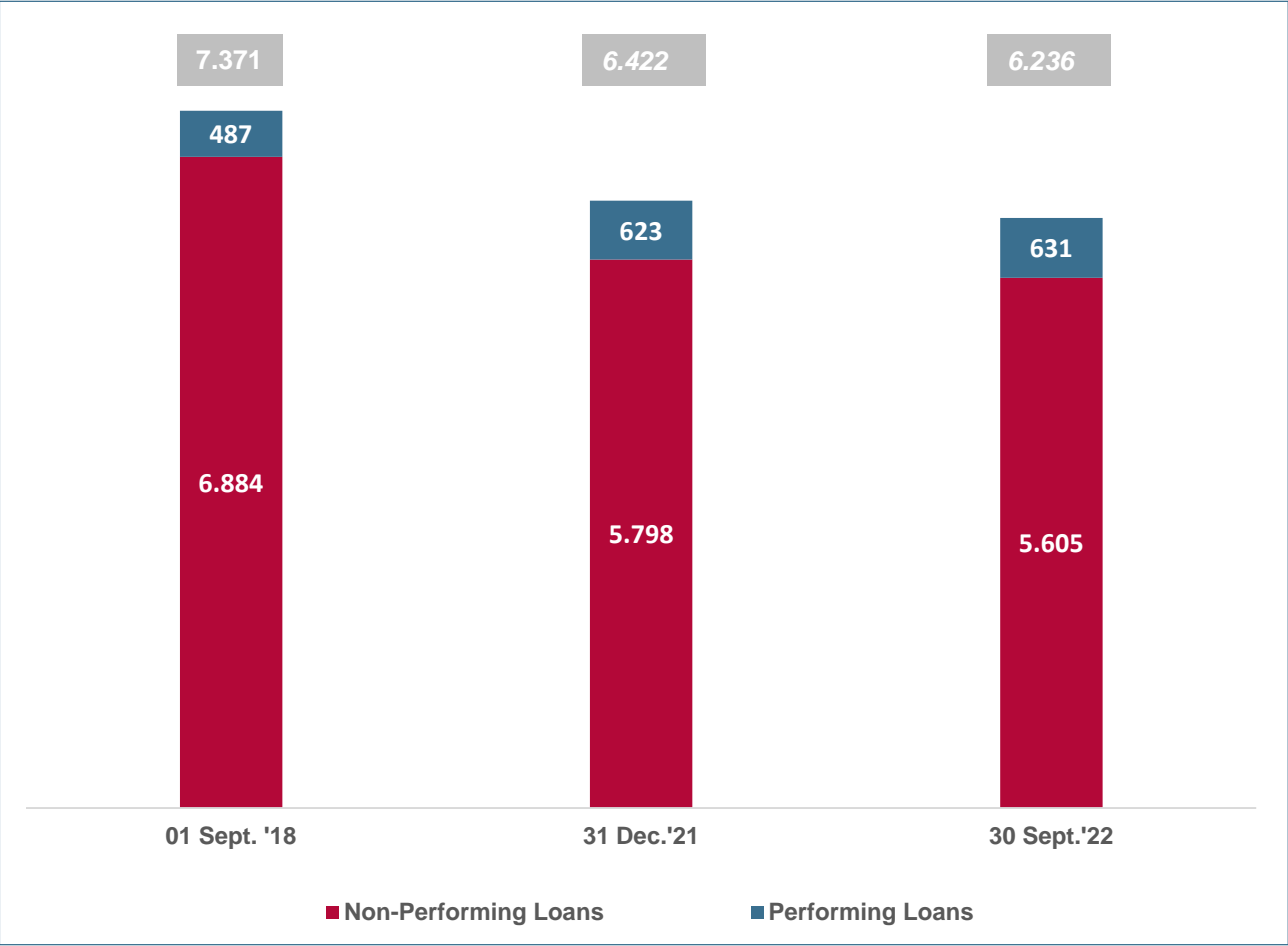
\* Includes all contractual interest, irrespective of collection or write off

- Loan portfolio recoveries reached €1.435mIn or 19,5% of the initial gross book value in the form of:
  - ✓ Cash: €897mIn or 12,2% of the initial gross book value
  - ✓ Property: €538mIn or 7,3% of the initial gross book value
- In addition, there were write-offs totaling €1.241mIn or 16,8% giving a total deleveraging of 36,3% before contractual interest.

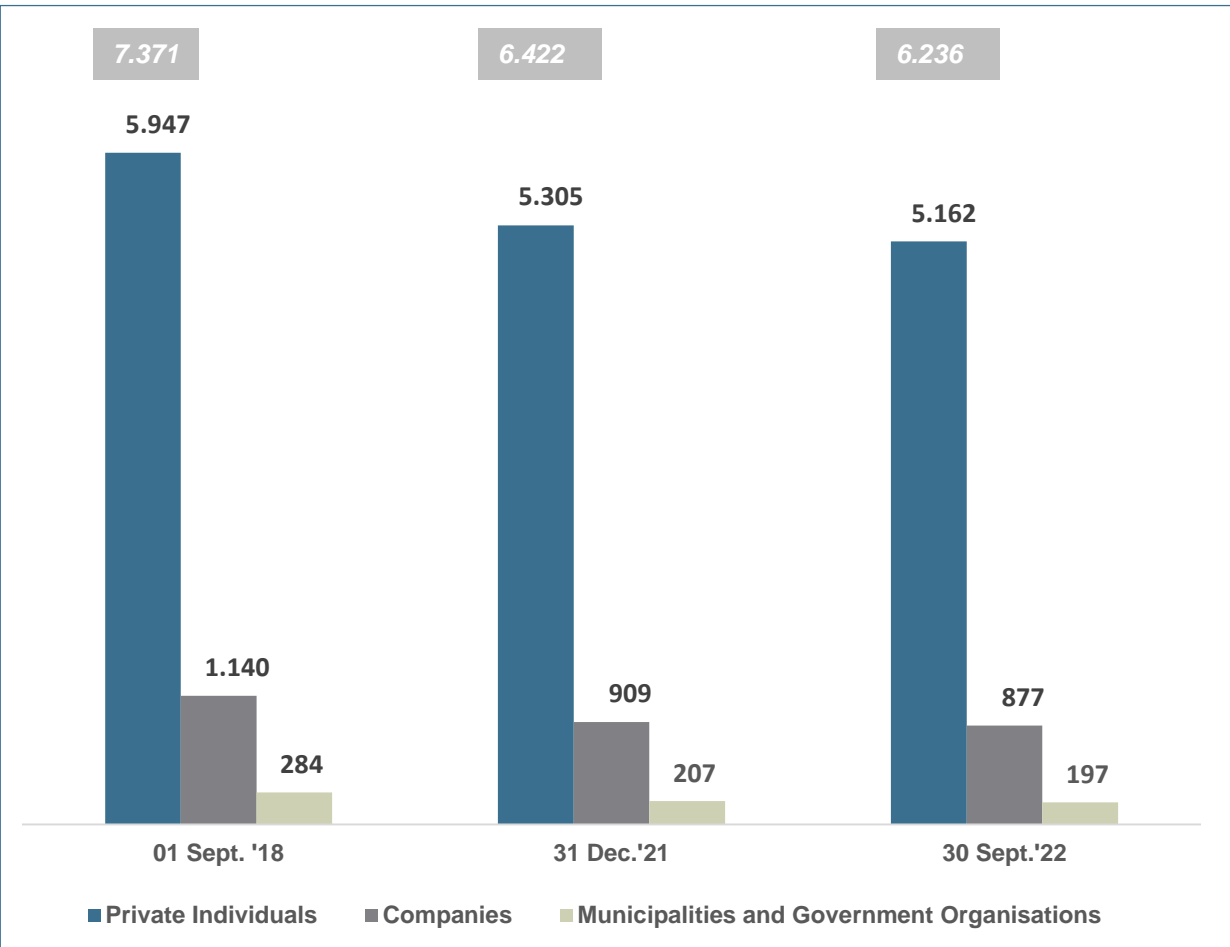
**Progress Report**  
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Loan by Performance Status (€mIn)



Loans by Institutional Sector (€mIn)

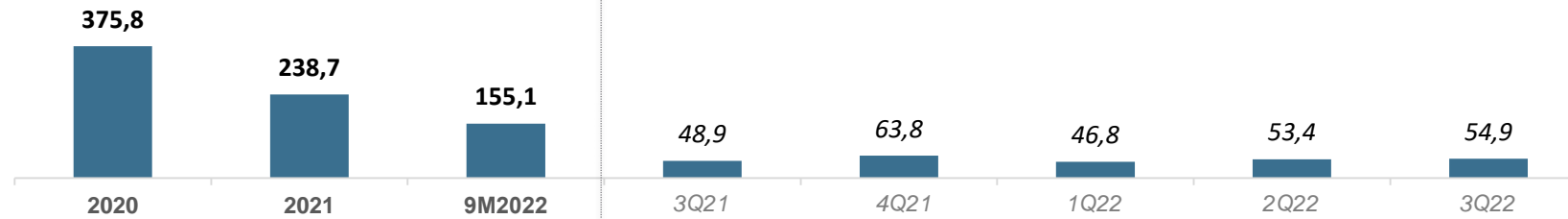


- Loans balances were €6.236mIn at 30 September 2022, recording a small decrease of 1,0% and a total decrease of 15,4% from 2Q22 and initial balance respectively. Total deleveraging since the start of operations excluding interest capitalization, is 36,3%.
- Loans to Municipalities and Government Organizations are decreasing gradually through regular (usually annual) instalments, with an overall cumulative reduction of 30,6%. At the same time, the reduction in loans to companies totals 23,1% whilst the decrease of Private Individuals is 13,2%.
- The main focus of the KEDIPES business plan is the reduction of the non-performing portfolio through restructuring solutions or recovery solutions.

# Recovery Solutions via Altamira



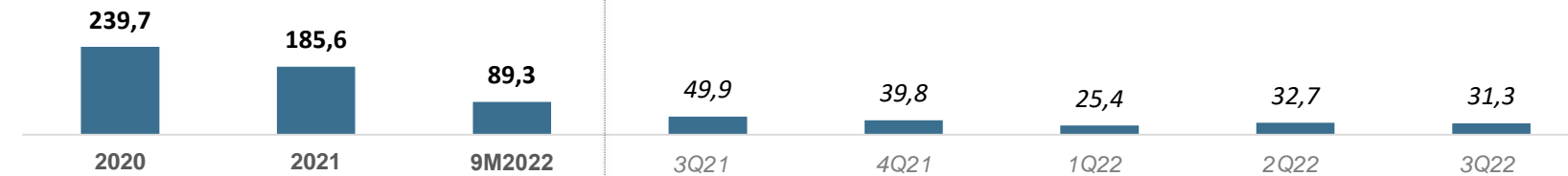
Restructurings



€1.218,7mIn  
(39,4%)



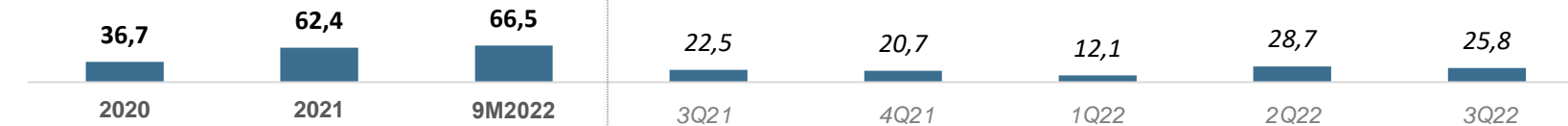
Debt-to-Asset Swaps



€886,0mIn  
(28,6%)



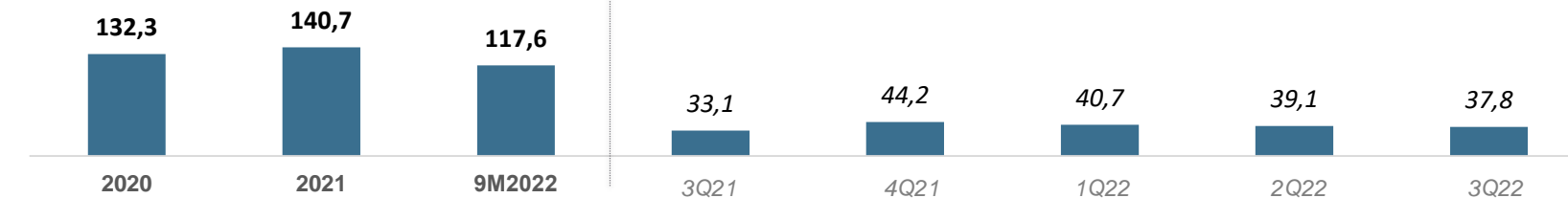
REO  
Repossessions  
following  
unsuccessful  
auctions



€199,0mIn  
(6,4%)



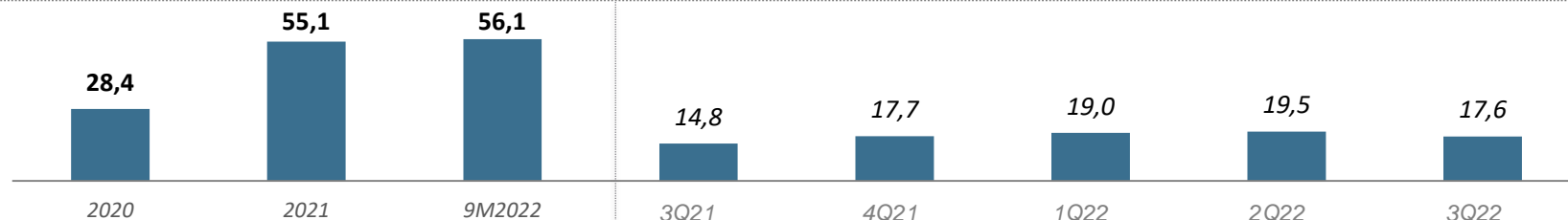
Full  
Settlements



€594,3mIn  
(19,2%)



Cash  
Collections on  
Overdue Loans



€191,3mIn  
(6,2%)

**Total**

813mIn

683mIn

485mIn

169mIn

186mIn

144mIn

173mIn

167mIn

**Total Solutions \*:**  
**€3.089mIn**  
(Nominal loan value basis)

\* Re-performing loans amounted to €174mIn have been excluded since revised SLA does not provide this type of solution.



## ESTIA Scheme

### Main Eligibility Criteria for the Scheme

- ❖ Credit facilities secured by mortgage on primary residence with a market value not exceeding €350,000
- ❖ At least 20% of the borrower's total lending exceeds 90 days in arrears. Loans restructured after 30 September 2017 are not eligible
- ❖ Total gross annual income does not exceed €20,000 for single people and €60,000 for a family with at least 4 dependent children
- ❖ The household's net assets, excluding primary residence, should not exceed 80% of the Open Market Value of the primary residence. This total value may not in any case exceed €250,000

### State Support

- ❖ Subsidy of 1/3 of the instalment by the Government where the above criteria are met in full
- ❖ The budget was approved by Parliament in January 2019
- ❖ In effect from 2 September 2019
- ❖ The Scheme will be valid for the entire duration of each loan

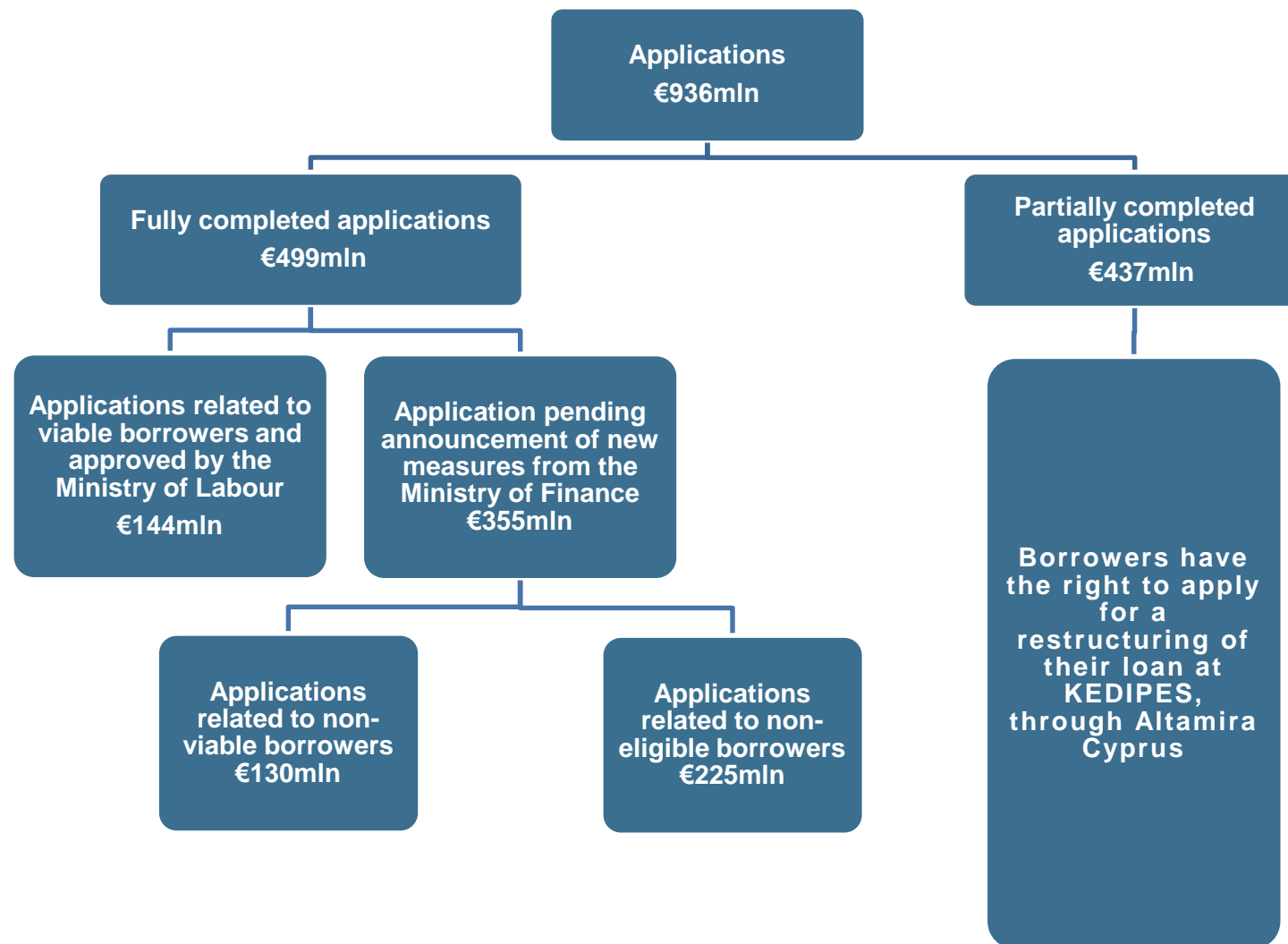
### KEDIPES Portfolio as at 30/09/2022

➤ Applications submitted to the electronic platform of the Ministry of Labour, Welfare and Social Insurance (Competent Agency) are limited to 3.575 accounts amounting to €936mIn

➤ Fully completed applications corresponding to a total of 2.029 accounts amounting to €499mIn

➤ 1.086 applications amounting to € 355mIn are pending for an announcement of new measures from the Ministry of Finance, out of which 432 applications amounting €130mIn are related to non-viable borrowers and 654 applications amounting €225mIn are related to non-eligible borrowers.

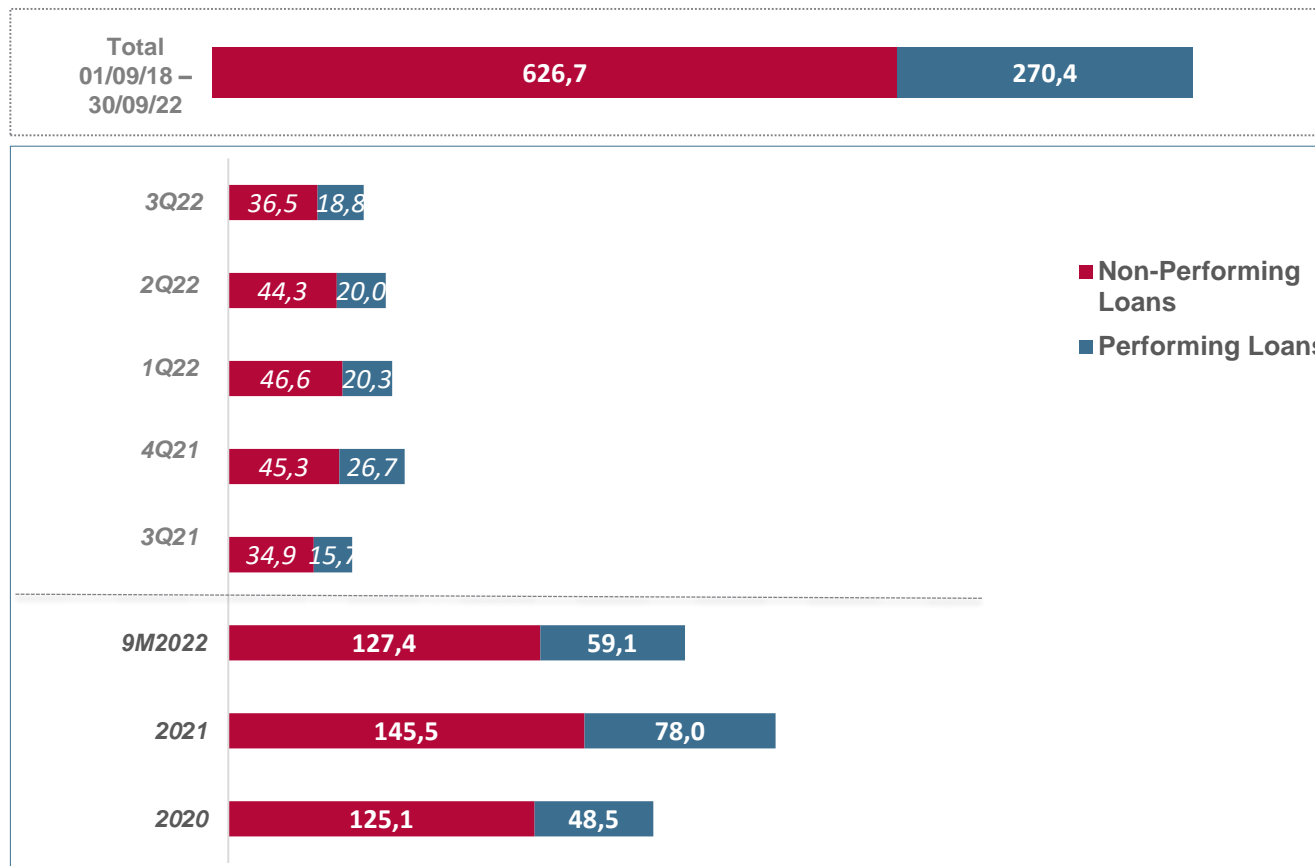
➤ Applications approved by the Ministry until 30/09/2022 correspond to 656 accounts amounting €144mIn (includes amounts that will be written off within the framework of Estia)



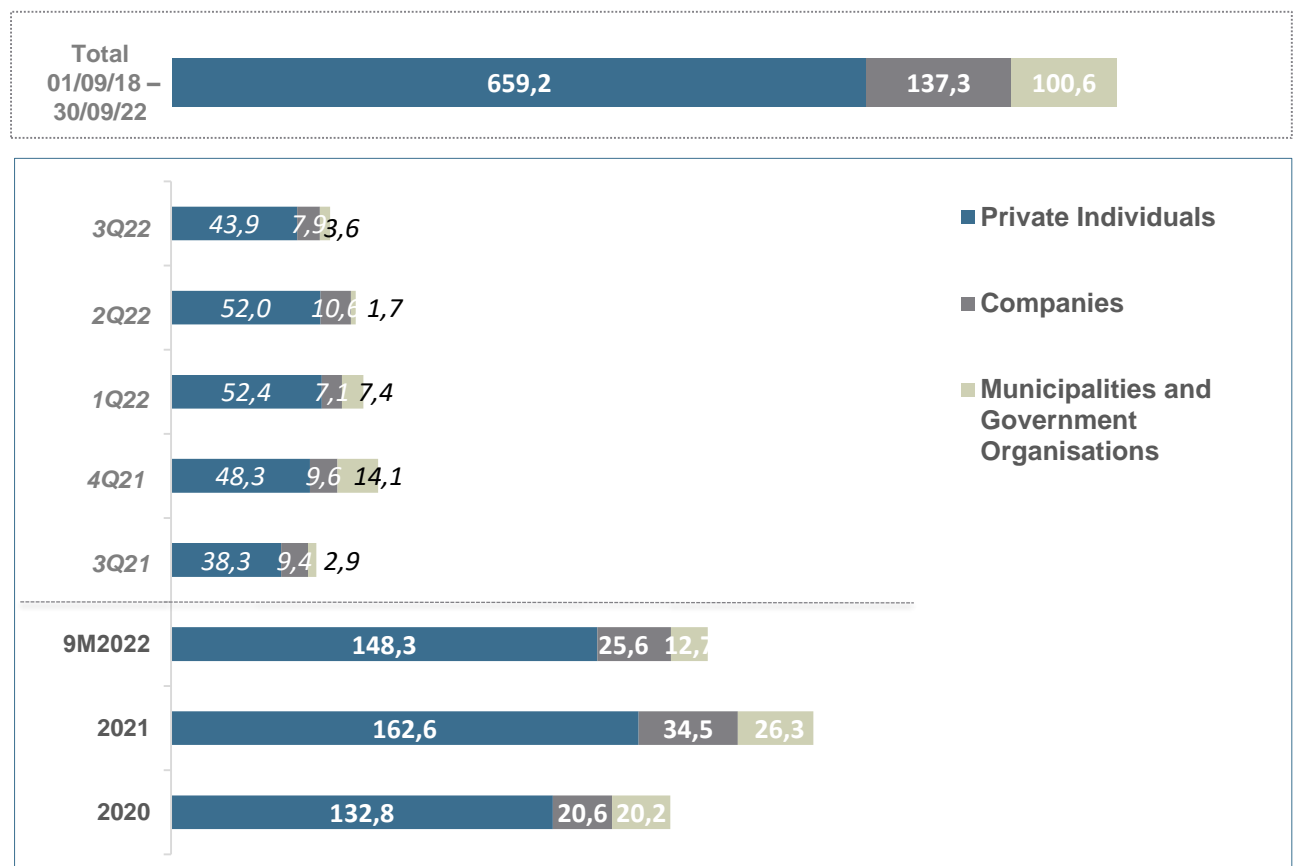


# Cash Inflows from Loans Management

## Inflows by Performance Status (€mIn)



## Inflows by Institutional Sector (€mIn)

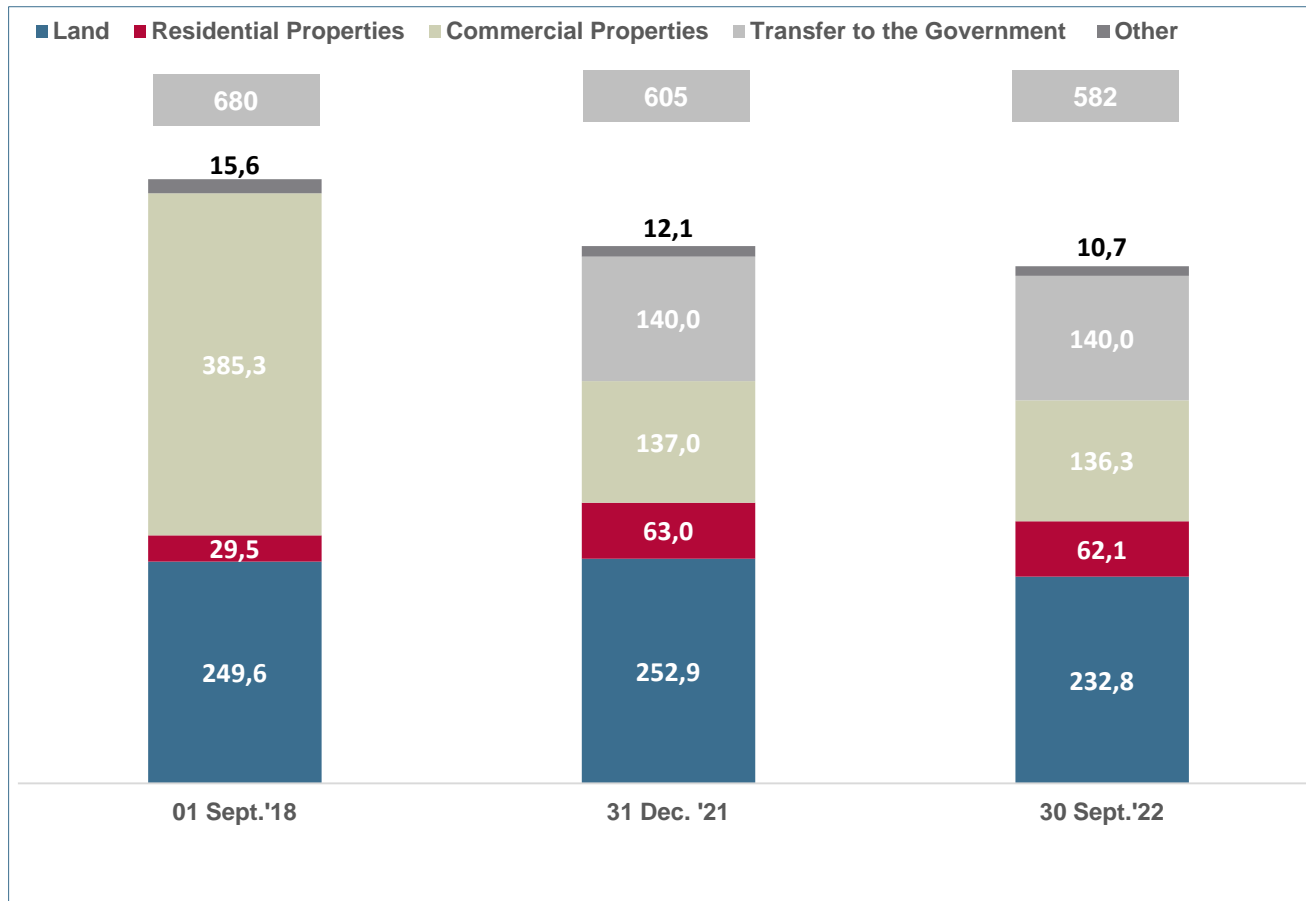


- Inflows from loans in 3Q22 reached €55,3mIn compared to €64,3mIn of 2Q22 recording a decrease of 13,9% and an increase of 9,1% compared to €50,7mIn of 3Q21.
- Restructuring or recovery solutions through the management company Altamira Cyprus reached to €168,7mIn during 3Q22 compared to €176,5mIn from the previous quarter, recording a decrease of 4,4%.
- Total solutions since the start of operations amounted to €3.089mIn or 41,9% of the initial lending balance of €7.371bIn. These solutions lead to direct, or in the case of real estate recoveries indirect, cash flows.

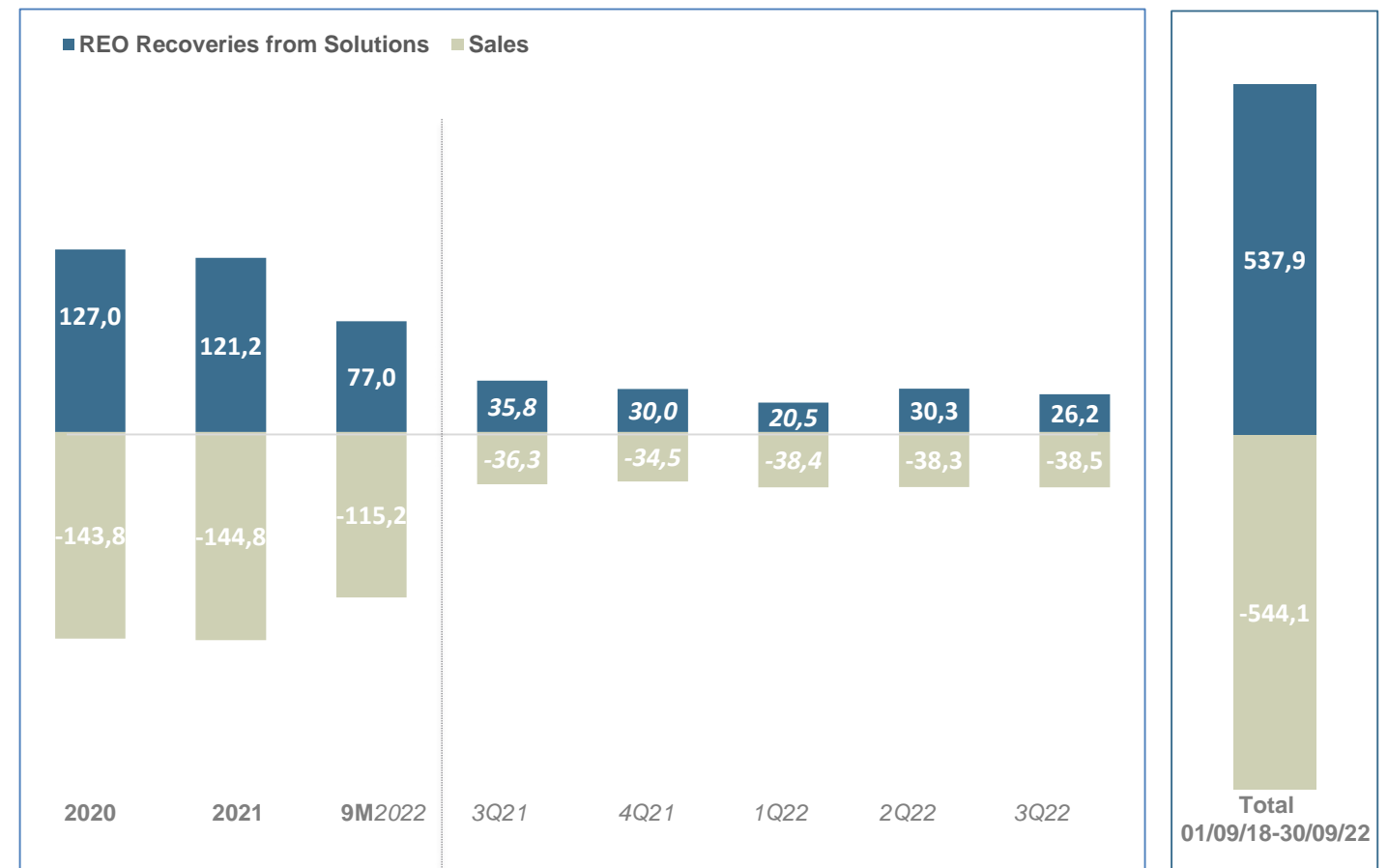
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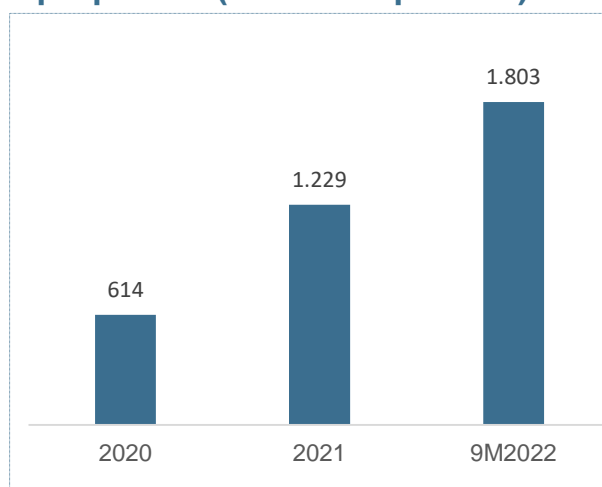
## Property Portfolio by Sector (€mln)



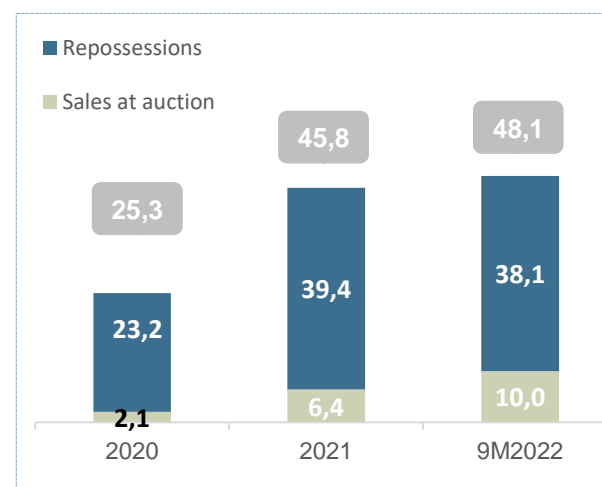
## Property Recoveries and Sales (€mln)



## Auctions of mortgaged properties (No. of Properties)



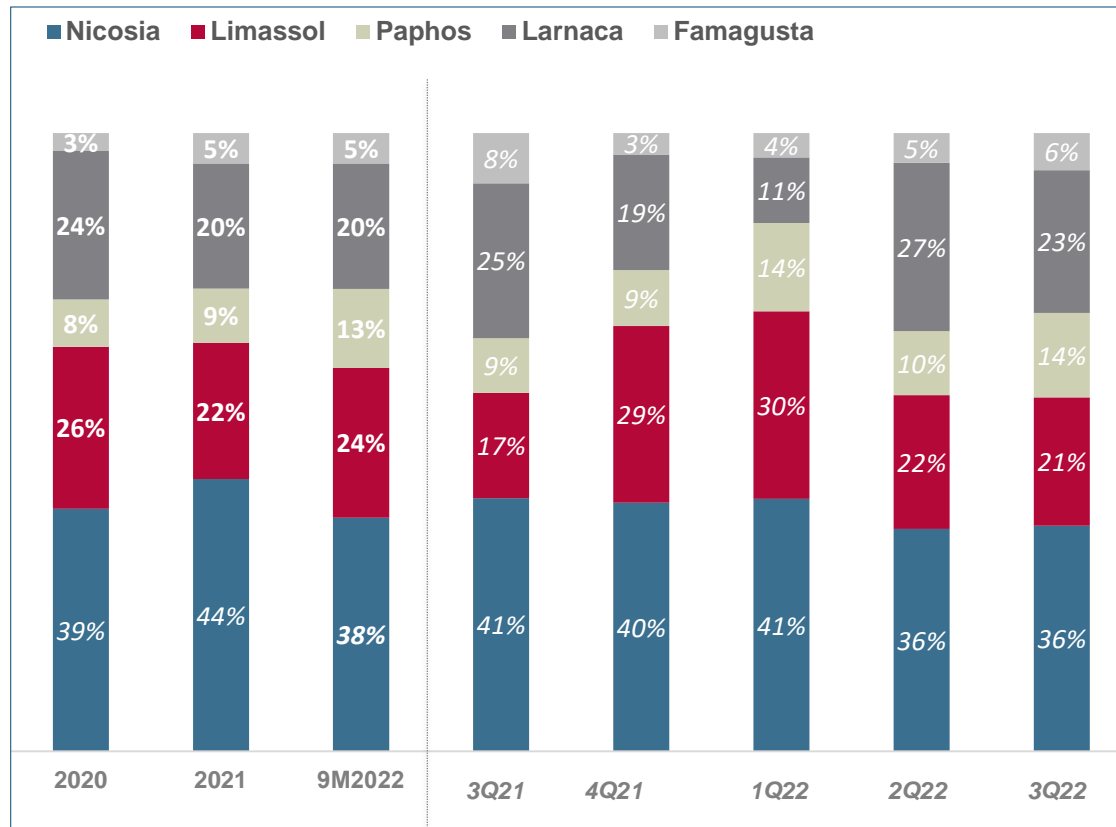
## Auctions Results (€mln)



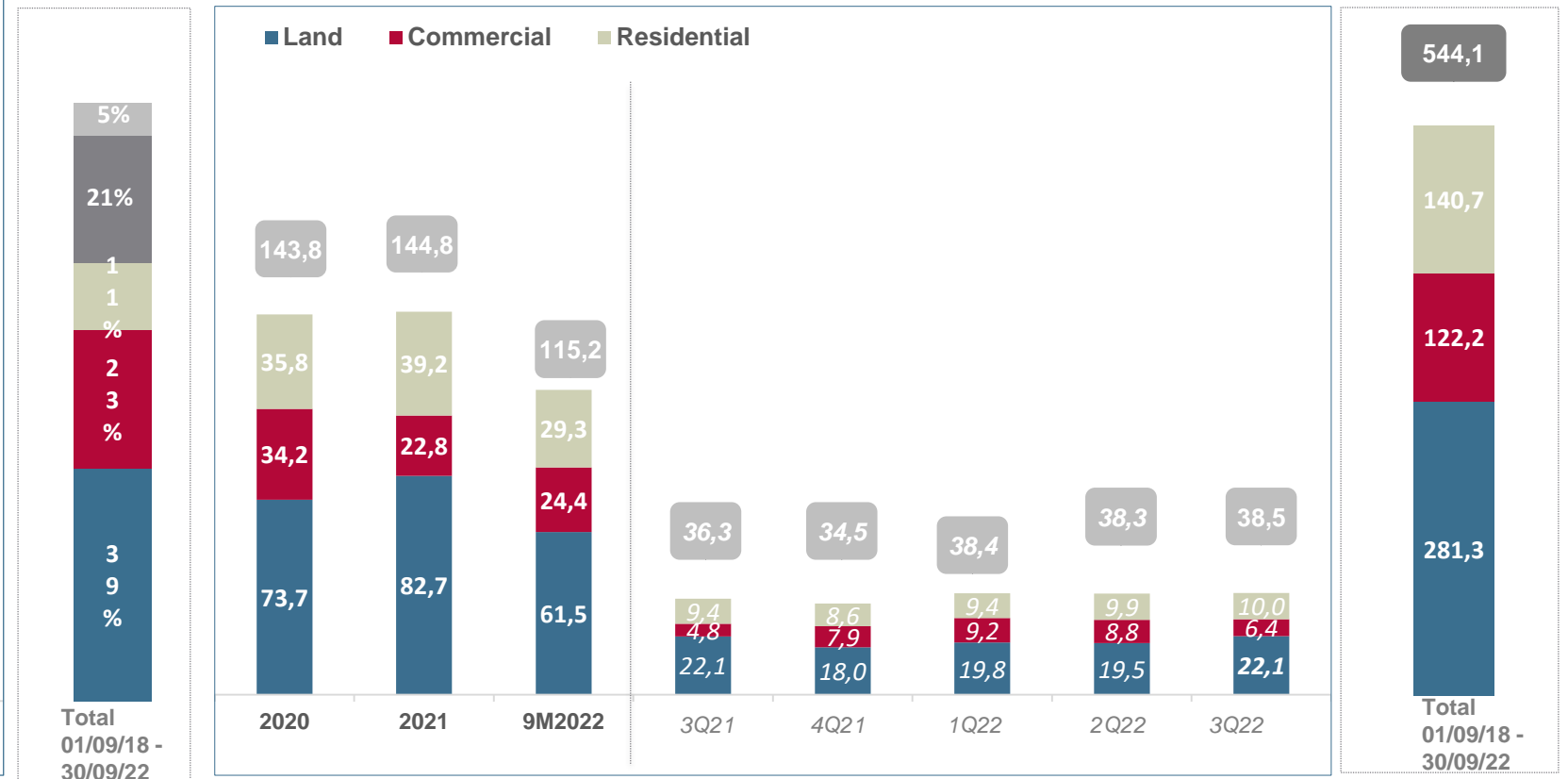
- Real estate sales amounted to €544,1mln of which €38,5mln were completed in 3Q22.
- Debt to Asset Swaps (DTAs) totaled €537,9mln, of which €26,2mln were completed in 3Q22. Properties with value of €123,3mln relate to repossessed properties after failed auctions, of which €14,0mln were completed in 3Q22.
- Total Auctions of 4.938 properties valued €576,4mln were carried out since inception. Property sales through auctions reached 462 properties yielding €28,1mln, of which 36 properties with value of €2,8mln were completed in 3Q2022.
- Real estate worth €140mln has been excluded from stock for sale and will be transferred to the State as repayment of the State Aid.

# REO Sales by Altamira

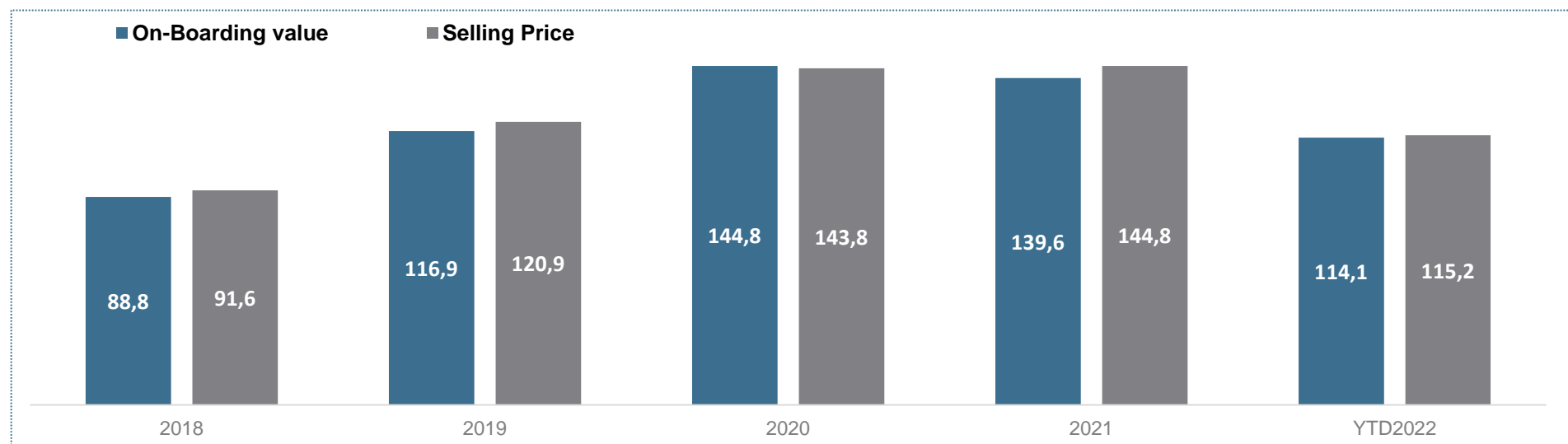
## Property Sales by Region (%)



## Property Sales by Sector (€mln)



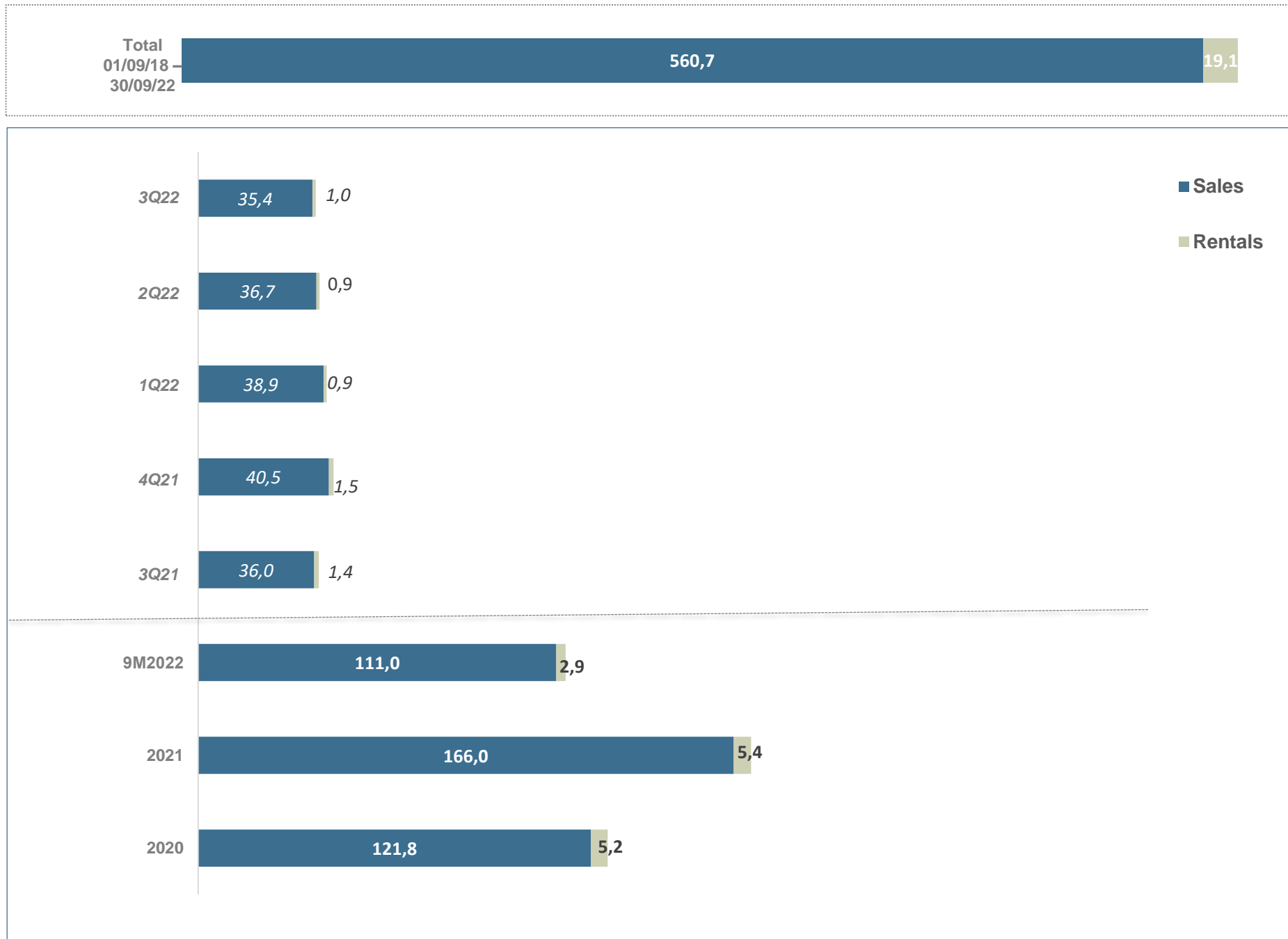
## Sales Price versus On-Boarding (€mln)



- Average selling price from 01/09/18 to 30/09/22 is +2,0% from the on-boarding value adjusted with revaluations.
- A total of 1.718 properties amounting to €198,9mln were sold within 1 year of their recovery, indicating strong investment interest in the market with the exception of the period March – May 2020 due to the pandemic.

# Cash Inflows from Property Management

## Inflows from Property Management

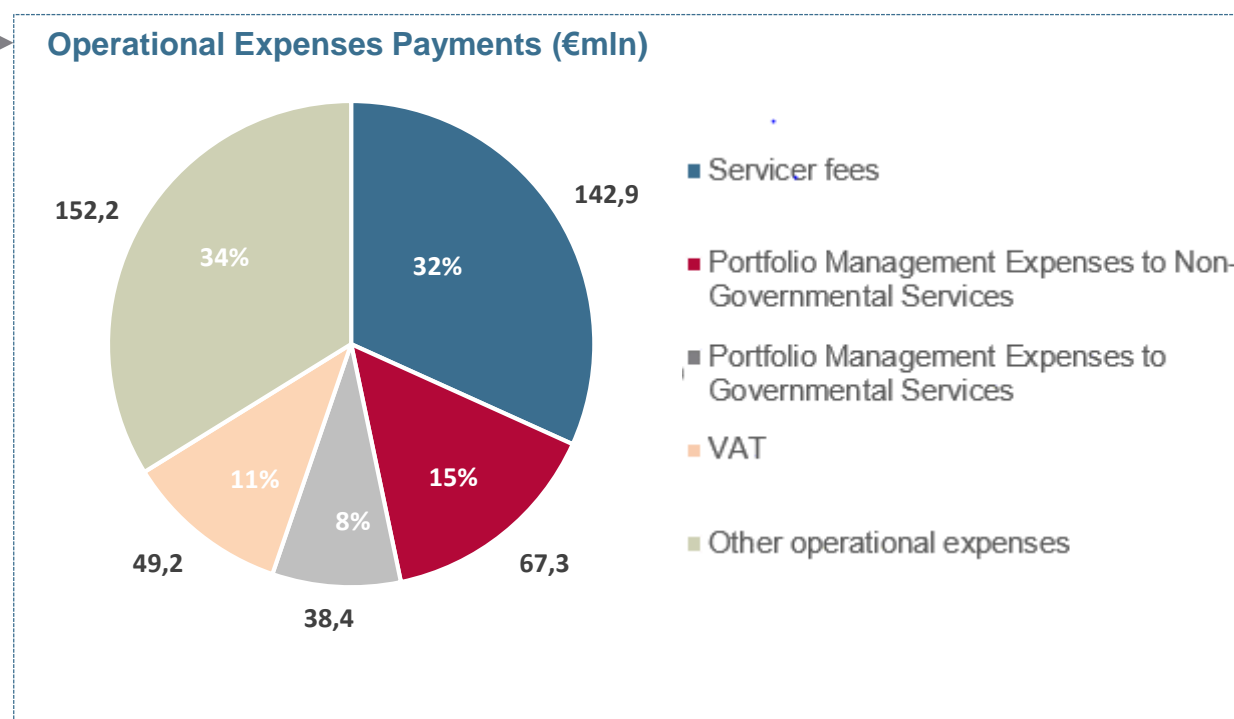
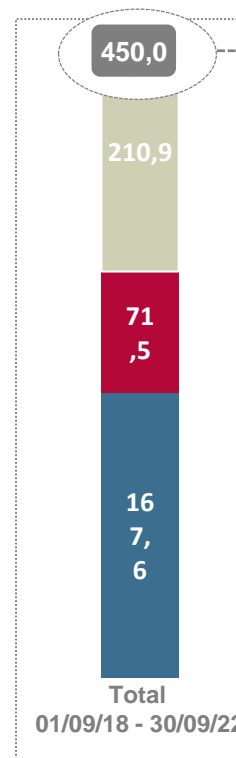
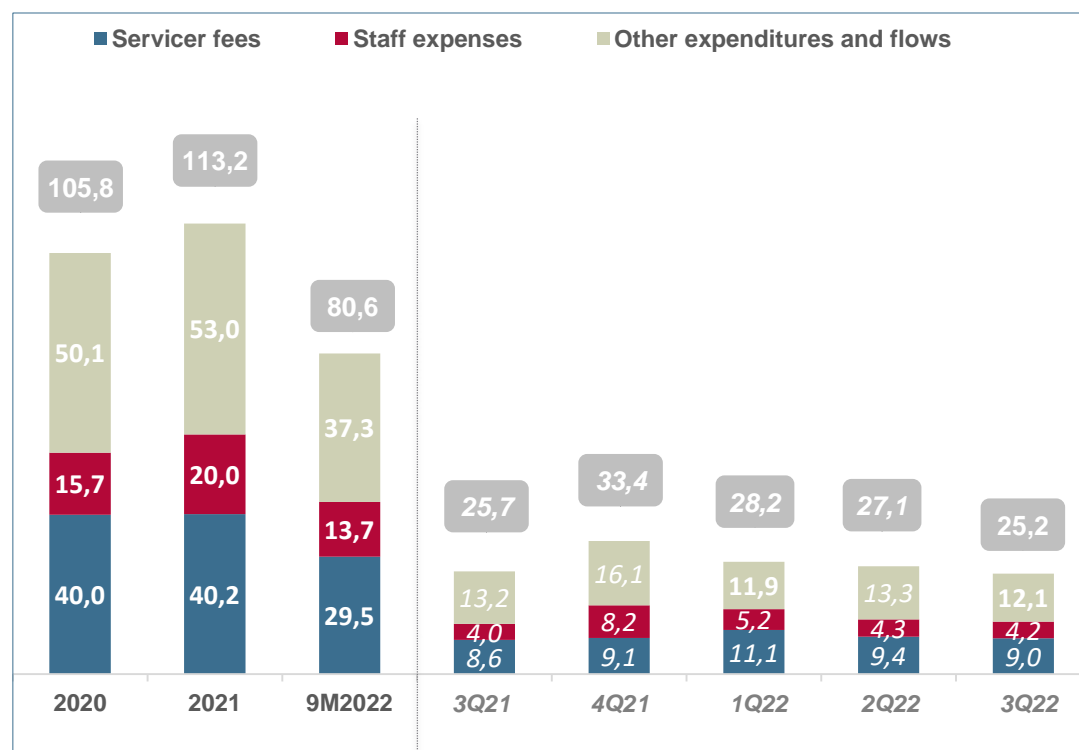


- Total collections from real estate sales through Altamira Cyprus until 30/09/2022 reached €560,7m and total collections from rentals €19,1m.
- Collections from sales in 3Q22 reached €35,4m, a decrease of 3,5% compared to previous quarter and a decrease of 1,6% compared to the corresponding quarter of 2021.
- Rental income in 3Q22 reached €1,0m, recording an increase compared to the previous quarter and a decrease of 28,6% compared to the corresponding quarter of 2021.
- It is noted that the sale of a property is not pursued where there is a decision by the Council of Ministers for its acquisition by the State for use by Government services or local authorities.
- Inflows from the management of assets, despite pandemic, have been maintained at satisfactory level. Campaigns for moderate liquidity and value level of real estate assets promoted by Altamira have contributed to maintaining sales level.

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## Operational Expenses (€mIn)



### Servicer Expenses

Under the SLA with Altamira Cyprus for the management of loans of more than 90 days past due, as well as the sales/rentals of properties, a total of €167,6mIn (including non-recoverable VAT) has been paid up to 30/09/2022. The fee comprises a fixed element and a variable element which is based on the restructuring or recovery solutions implemented and on the collections from property sales and rents.

### Staff Expenses

KEDIPES staff costs were €71,5mIn to 30/09/2022, with the number of KEDIPES staff totaling 335 people.

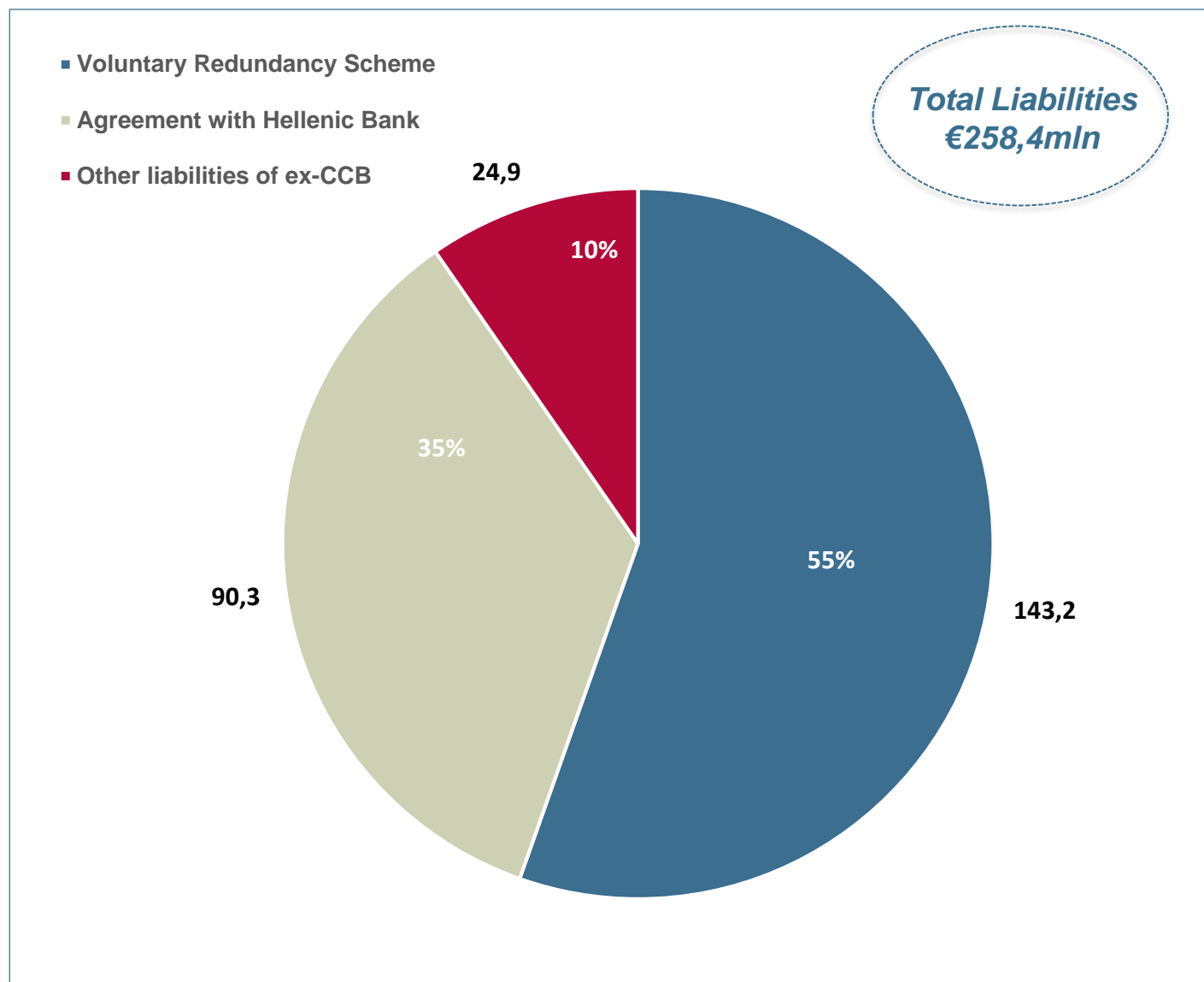
### Other Expenses and Outflows

Other expenses and outflows of €210,9mIn which mainly concern:

- regular operating expenses (such as buildings costs, computer systems, networks and communications, document management, professional and supervisory expenses etc.). The accounting operational expenses of KEDIPES are €67,7mIn of which €2,5mIn relate to 3Q22.
- Asset Level Expenses related to the management and recovery of assets (such as legal fees, appraisal costs, payment of taxes on the acquisition of property). These costs are €118,5mIn, of which €8,7mIn related to 3Q22. An amount of €38,4mIn of the Asset Level Expenses was paid to Government Services.
- capital expenditure and other flows.

**A total of €87,6mIn was paid to the Government in the form of Value Added Tax and Asset Level Expenses.**

## Settlement of Liabilities of the former CCB (€mln)



KEDIPES undertook the management and repayment of ex-CCB liabilities. Until 30 September 2022, a settlement of liabilities totaling €258,4mln was made as follows:

### *Voluntary Redundancy Scheme*

A total of 1.040 employees from the Cyprus Cooperative Bank left under a scheme on 31/08/2018. The total compensation of €128,9mln was paid in three instalments until December 2019.

During November 2021, following the launch of a new VRS scheme and a compensation scheme available to ex CCB employee who were transferred to Altamira, KEDIPES paid €11,7mln in remuneration for the 59 people that left with the VRS scheme (of which 20 were Altamira staff) and the 119 Altamira staff for the abolishment of the right to return to KEDIPES.

A further 19 employees departed through VRS in Q2 2022 with a cost of €1,8mln.

### *Agreement with Hellenic Bank*

Amounts totaling €12,1mln have been paid to Hellenic Bank in relation to the agreement concerning the transfer of business.

Under the Asset Protection Scheme with Hellenic Bank total payments of €78,2mln have been made to Hellenic Bank until 30 September 2022.

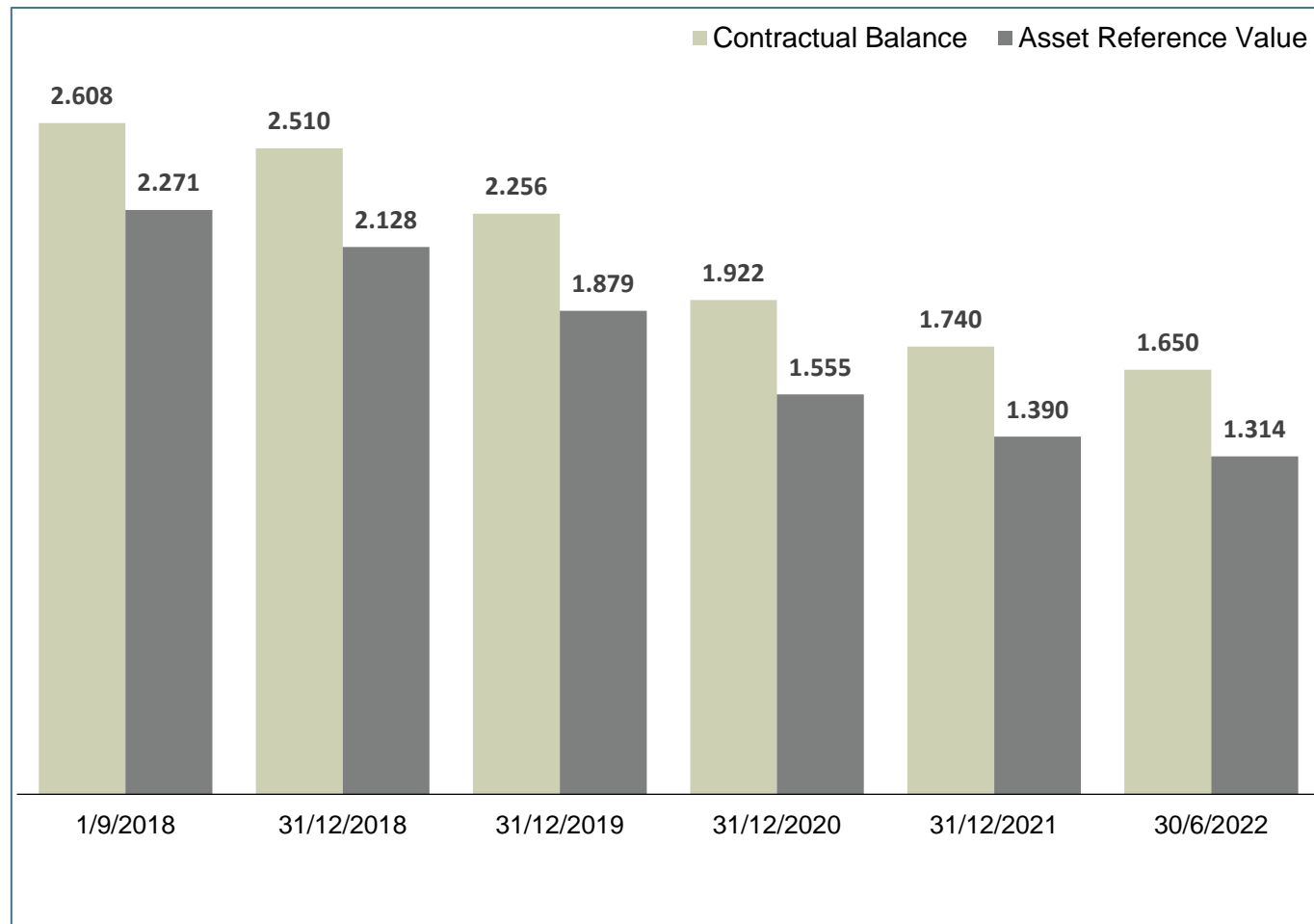
### *Other Liabilities of ex-CCB*

These mainly concern payments for taxes, social security and supervisory fees of €24,9mln.



# Asset Protection Scheme

## APS Exposure (€mIn)



- The Contractual Balance of assets covered as at 30 June 2022 is €1,650mIn, compared to €2,608mIn at the start of the Scheme.
- According to the latest data provided by Hellenic Bank, the Reference Value of the assets covered on 30 June 2022 is €1.314mIn. The reduction includes the impact of €184mIn asset withdrawals on the second anniversary of the scheme and a small decrease of €2,3mIn asset withdrawals on the third anniversary of the scheme. The Asset Reference Value as at 30 June 2022 is reduced by 42% from the start of the scheme.

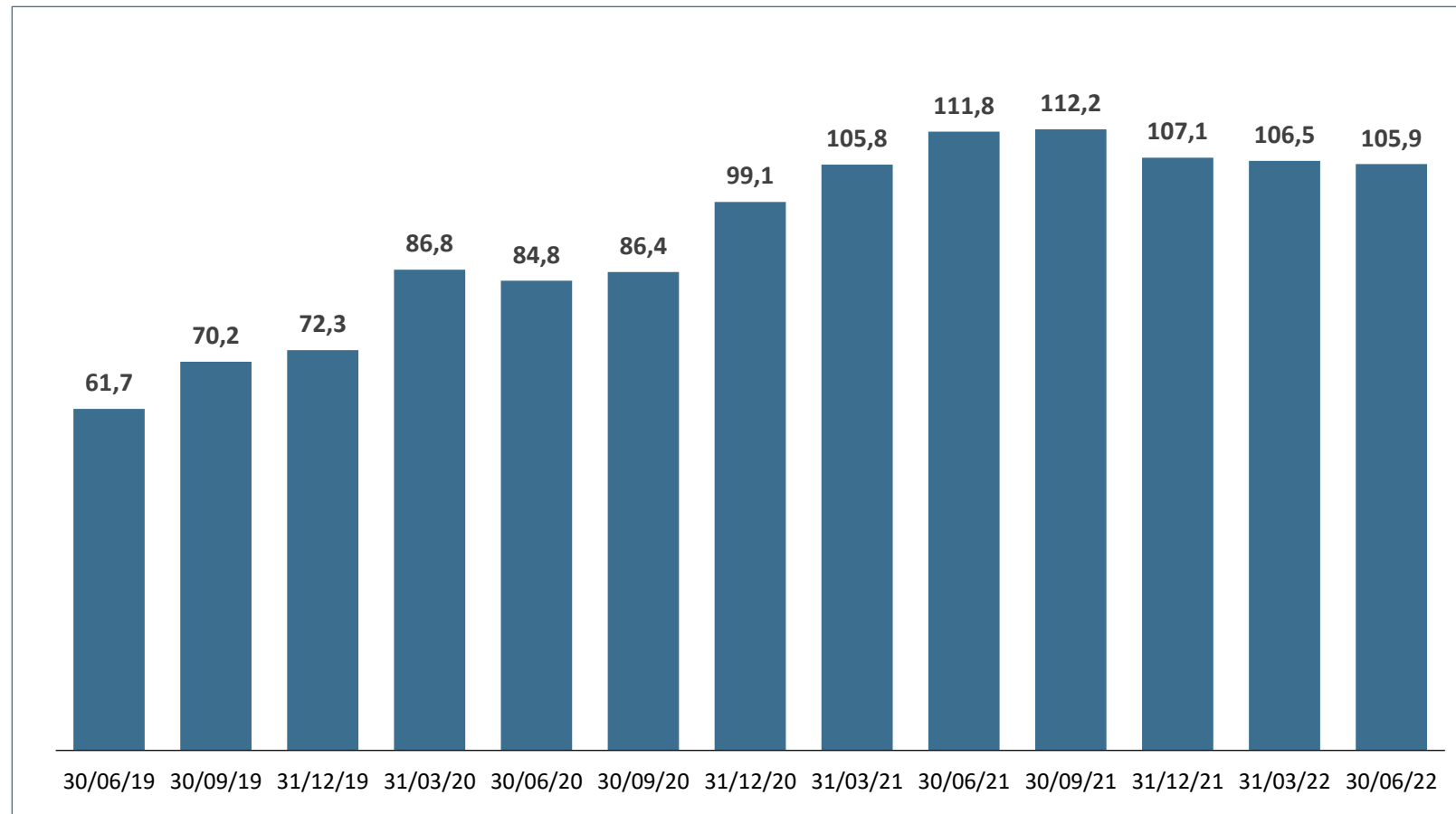
The terms of the Business Transfer Agreement with Hellenic Bank included the set up of an Asset Protection Scheme (“APS”, “Scheme”) providing protection against future credit losses on the covered assets.

### Key provisions of the Asset Protection Scheme

- The covered assets included loans with initial Contractual Balance of €2.608mIn and Reference Value of €2.271mIn. The Reference Value represents the initial sales consideration, and also the level of protection under the Scheme. The Reference Valued decreases with repayments and losses and increases with unpaid interest.
- The protection offered under the APS is 90% of the losses incurred.
- The APS population consists of all non-performing loans acquired as well as performing loans split into two pools.
- APS Pool 1 includes higher risk loans with initial Reference Value of €1.351mIn, including all non-performing loans. The duration of the cover is 12 years.
- APS Pool 2 includes loans with initial Reference Value of €920mIn. The duration of the cover is 10 years. Any performing loans becoming non-performing loans are transferred to APS Pool 1.
- Based on the terms of the Scheme, HB has elected on the second anniversary of the scheme, to withdraw loans with Reference Value of €184mIn and pay a fee of €4,3mIn to the Republic of Cyprus.
- On the third anniversary of the scheme, HB has elected, to withdraw loans with Reference Value of €2,3mIn and pay a fee of €22,8mIn to the Republic of Cyprus.
- Starting on the fourth anniversary of the scheme, in October, HB is paying a fee of €1mIn on each anniversary.
- Total payments by Hellenic Bank to the Republic of Cyprus as guarantor of the scheme reached so far €43,1mIn.

# APS Cumulative Claims

Cumulative APS Claim (€mln.)\*



- As part of the Scheme Hellenic Bank has submitted so far twelve claims for a cumulative amount of €105,9mln for the period 1<sup>st</sup> September 2018 to 30 June 2022.
- Payments of €78,2mln or 74% of all APS claims have been made to date. During 3Q2022 no payment was made.
- SEDIPES/KEDIPES and HB are currently discussing to confirm the remaining amount.

## Key provisions of the Asset Protection Scheme (cont'd)

Based on the terms of the Scheme, losses arise when the book value of the assets declines below the Reference Value. As a result, at the initial stages of the Scheme losses reflect accounting provisions while eventual losses will reflect the actual recovery of loans. Reversals of losses are accounted for as recovery.

An important provision of the Scheme is the obligation of Hellenic Bank to manage the assets without discriminating between APS Assets on one hand and non-APS Assets on the other hand ('Non-discrimination principle').

A Monitoring Committee, comprising one member of each party, an independent member and an observer from the Republic of Cyprus has been established to oversee the operation of the Scheme and the application of the Non-Discrimination Principle.

Each claim under the Scheme is supported by a sufficiently detailed calculation data file to allow verification of the losses.

The first claim, following an initial implementation period, covered the period between 1/9/2018 and 30/6/2019. Subsequently, claims are submitted on a regular quarterly basis 30 days after the publication of the financial results by Hellenic Bank.

\* The historic allocation of the cumulative claim is based on the latest Calculation Data File by HB and reflects progress to date regarding dispute resolution

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November 2022