

22/11/2022

**Progress Report
SEDIPE/KEDIPE up to 30/09/2022**

- ***Cash inflows €93,1mln in Q3 2022 – in line with the business plan.***
- ***Next repayment of State Aid is expected within Q4 2022 - around €60-80mln***
- ***Important financial benefits from the signing of the revised Service Level Agreement with Altamira.***
- ***Signing of the Agreement for the Transfer of Assets from SEDIPE to KEDIPE.***
- ***KEDIPE is actively involved in the planning of the Mortgage to Rent Scheme.***
- ***Serious adverse effects from the continued suspensions of foreclosures that are expected to lead to decreased cash inflows and will negatively affect the ability of full repayment of State Aid.***

**Statement by the Chairman of the Board of Directors of KEDIPE
Lambros Papadopoulos**

Cash inflows in Q3 2022 amounted to €93,1mln indicating a decrease of 19,2% compared to €115,2mln in Q2 2022, and an increase of 3,5% compared to €90,0mln in Q3 2021. The results are consistent with the business plan and the next repayment of State Aid is expected to take place within Q4 – of around €60-80mln.

In October, two important open matters for KEDIPE were completed.

Specifically, the Agreement, according to the provisions of which, the revised Service Level Agreement («SLA») between SEDIPE, KEDIPE and Altamira Asset Management (Cyprus) Ltd is implemented, has been signed. The terms of the revised SLA are in effect from 01/ 01/ 2020, it has been confirmed by an independent expert that they are consistent with market terms, and the Competition Authority (DG Comp) of the European Commission confirmed completion of the relevant Commitment.

As we already mentioned, the calculation of the fee of Altamira in the revised SLA has changed, and will be approximately 73% variable on the basis of its performance in managing KEDIPE portfolio, as opposed to 50% which was in previous agreement. Based on the forecasts of the existing KEDIPE

business plan, the total fee of the servicing company is expected to decrease by 24%. In parallel, significant reductions have been achieved in potential compensations for termination fees of up to 70%, while the fee for assets withdrawal from the perimeter of the Servicer is decreased approximately by half.

The second major chapter that has been completed, relates to the signing of Asset Transfer Agreement between SEDIPES and KEDIPES. The transfer of loans has been completed while the transfer of other assets is expected to be completed within Q4 2022. The transfer is especially important for KEDIPES, as it will help its proper operation in terms of decision-making regarding the management of its assets.

As a particularly negative development we note the decision of the House of Representatives to proceed with a new extension of the suspension of foreclosures, despite the relevant commitments of both KEDIPES and the Association of Credit Acquiring Companies & Asset Management Companies that they will not proceed with foreclosures of primary residences with values of up to €350,000.

As we have already warned, the continuous suspensions of foreclosures perpetuate the problem, protecting the strategic defaulters and impact loans of approximately €2.9bln, that is half of the non performing loan portfolio of KEDIPES. Due to the frequent interventions, cash inflows will decrease and the ability for full repayment of state aid will be adversely affected.

Regarding the Mortgage to Rent Scheme, KEDIPES is actively involved in its planning. The internal processes and the relevant preparation by the departments involved with the implementation of the Scheme have already begun. We will expect relevant update from the Ministry of Finance regarding the commencement of the Scheme.

Financial Developments Q3 2022

- Cash inflows in Q3 2022 amounted to €93,1mln indicating a decrease of 19,2% against €115,2mln in Q2 2022, and an increase of 3,5% against €90,0mln in Q3 2021. The decrease compared to Q2 2022 is due to seasonal factors and to the contribution of €12,3mln from the divestment of the participation in the Commercial Cooperative companies in Q2 2022. Inflows in Q3 from the management of loans and properties amounted in total to €91,7mln or 1,3% of the nominal value of the loan and properties portfolio amounting to €6.890mln at the end of Q2 2022.

Cumulative cash inflows from the beginning of operations of KEDIPEs on 1/9/2018 up to 30/09/2022 amounted to €1.548,8mln. Inflows from the management of loans and properties amounted to €1.476,9mln or 18,3% of the nominal value of the loan and properties portfolio of €8.051mln as at 1/9/2018.

- Operating expenses and asset management expenses in Q3 2022 amounted to €25,2mln, decreased by 6,9% against €27,1mln in Q2 2022 and decreased by 2,0% against €25,7mln in Q3 2021.
- Loans at nominal value amounted to €6.236mln at the end of Q3 2022 compared to €6.296mln at the end of Q2 2022 and €6.506mln at the end of Q3 2021. Total deleveraging from the beginning of operations of KEDIPEs from 1st September 2018 until 30th September 2022 reached 15,4% and excluding capitalized contractual loan interest reached 36,3%.
- Total restructuring and/or recovery solutions performed through servicing company Altamira reached €167mln in Q3 2022 compared to €173mln in Q2 2022. Total solutions from the beginning of operations of KEDIPEs to Q3 2022 amounted to €3.089mln or 41,9% of the initial loan balance of €7.371mln.
- Assets at the end of Q3 2022 amounted to €6.965mln in nominal value and included cash €121mln, immovable property of €582mln and €631mln of performing loans. Deleveraging from the beginning of operations on 1st September 2018 until 30th of September 2022 reached 15,6% and excluding capitalized contractual loan interest reached 34,3%.
- Regarding project ESTIA, until 30th of September 2022, applications relating to 656 accounts and contractual balance of €144mln were evaluated and approved by the Ministry of Labor. The evaluation of the appeals is under process by the Ministry of Labor.
- Under the Asset Protection Scheme claims amounting to €105,9mln have been filed to date by Hellenic Bank (HB) for the period 1st September 2018 to 30th June 2022, with the three most recent claims for Q4 2021 and Q1 and Q2 2022 to relate to reduction of claims amounting to €5,1mln, €0,6mln and €0,6mln respectively, mainly due to the review of the impairment

parameters from HB but also to adjustments to previous periods. KEDIPES has made total payments amounting to €78,2mIn or 74% of the claims filled to date. SEDIPES/KEDIPES and Hellenic Bank are in the process of negotiations to confirm the remaining amount of the claims. Total payments of Hellenic Bank to the State as a guarantor of the Scheme amounted to €43,1mIn.

The contractual value of the assets under the Scheme as at 30/06/2022 amounted to €1.650mIn compared to €2.608mIn at the beginning of the Scheme indicating a total decrease of 37%. The reference value of the assets at 30/06/2022 amounted to €1.314mIn compared to €2.271mIn at the beginning of the Scheme (reference value is the amount covered by the Scheme) indicating a total reduction of 42%.

- Net cash inflows, after the payment of expenses and liabilities in Q3 2022 amounted to €67,6mIn, indicating a decrease of 14,4% compared to €79,0mIn in Q2 2022, and an increase of 22,7% compared to €55,1mIn in Q3 2021. Net cash inflows after the payment of expenses and liabilities amounted to €840,4mIn cumulatively from the beginning of KEDIPES's operations.
- A cash payment of €60mIn against State Aid was made in Q3, increasing the total amount of repayment of State Aid in cash to €230mIn in 2022 and €800mIn from the beginning of KEDIPES operations in September 2018. Future repayment of State Aid is directly related to the potential expansion of activities of KEDIPES to include acquisition of immovable properties under the Mortgage to Rent Scheme in accordance to the relevant announcements by the Ministry of Finance. KEDIPES is ready to contribute towards that direction but until decisions and final approvals are granted, we remain focused to our mission, under the Commitments undertaken towards the Competition Authority of the European Commission.

A detailed presentation on the management results up to 30/09/2022 has been posted on the website of KEDIPES at the following link:

<https://kedipes.com.cy/αποτελεσματα-διαχειρισης/>