

24/10/2023

Progress Report KEDIPEs up to 30/9/2023

Statement by the Chairman of the Board of Directors of KEDIPEs Lambros Papadopoulos

Total cash inflows of the seasonally weaker Q3 2023 are at a satisfactory level at €94mIn similar to Q3 2022 while showing a decrease of 15% compared to €111mIn in Q2 2023. Cumulative cash inflows to date amounted to €2bn corresponding to approximately 40% of the long-term goal of KEDIPEs. The repayment of State Aid in 2023, after the recent cash payment of €80mIn for Q3 2023, amounts to €1,080bn, while total repayment until the end of 2023 is expected to reach up to €1,3bn with the completion of the transfer of immovable properties of ex CCIs to the State, where the aim is to complete the transfer within 2023.

The preparations for the Mortgage to Rent (MTR) Scheme are almost complete, with the implementation of 96 actions relating, among others, to technical, legal and procedural actions. At the same time, KEDIPEs has a special cash reserve amounting to €60mIn for funding the Scheme. The official commencement of the Scheme is expected within the next two weeks and the Scheme will remain open for 9 months.

Regarding the recent amendments of legislation, we are greatly concerned about the practical and other difficulties that seem to arise in relation to the required audit work to confirm the amounts due from borrowers. We also consider that the existing legal framework already allows the borrowers the ability to dispute the outstanding balance due, as well as to raise additional issues regarding the loan agreements, but also to secure a temporary court ruling prohibiting foreclosure where justified, until the Court decides on all issues raised. We acknowledge that this is a major concern for the borrowers, and we are examining in parallel through established procedures and committees any relevant complaints. We consider important, however, that the existing and any new mechanisms added to resolve the matter should not create significant delays in the resolution efforts.

We make every possible effort to agree with the borrowers on mutually acceptable solutions, especially for loans secured by primary residence under €350 thousands while KEDIPEs has so far avoided foreclosures. Proof of this, is the fact that from the beginning of KEDIPEs operations, until today, we have proceeded with over €1,4bn restructurings and we are doing everything possible to support the cooperative borrowers.

With the commencement of MTR we will also examine, through a targeted campaign addressed to cooperative borrowers with non-performing loans

secured by a primary residence under €350 thousand, the possibility of full pay off of the loan based on the value of the property. Through these coordinated actions, as well as the existing options we offer, viable restructurings and/or restructurings with the exchange of immovable property, the government protection schemes for vulnerable and cooperative borrowers (ESTIA, OIKIA and MTR) and the effectively formulated (in terms of functionality) legislative amendments as mentioned above, KEDIPEs now believes that it will have exhausted all possibilities of constructive support and cooperation with the borrowers. Uncooperative borrowers who do not use the above solutions will inevitably be accountable to the ultimate foreclosure scenario.

In conclusion, we hope that there will not be any other significant variations to the 2018 foreclosure framework, so it can be used across our portfolio, where appropriate, without further delays. Otherwise, and especially in the case of further suspensions of the foreclosure framework, the repayment of State Aid may deviate significantly from the current plans of KEDIPEs since in such a case we will not be able to effectively manage the loans portfolio of €2,0bln secured by primary residence.

In continuation of the efforts to reduce the significant staff costs, KEDIPEs announces a new Voluntary Redundancy Scheme with the aim of annual saving of €2-3mln in salaries (approximately 10-15% of the total labor costs of KEDIPEs). Recognizing today's labor market challenges, the Scheme will remain in force for five months.

Financial Developments of Q3 2023

- Cash inflows of Q3 2023 amounted to €93,7mln indicating a decrease of 15,2% against €110,7mln in Q2 2023, and without substantial variation against €93,1mln in Q3 2022.

Cumulative cash inflows from the beginning of operations of KEDIPEs on 1/9/2018 up to 30/09/2023 amounted to €1.974mln. Inflows from the management of loans and properties amounted to €1.898mln or 23,6% of the nominal value of the loan and properties portfolio amounting to €8.051mln as at 1/9/2018.

- Operating expenses and asset management expenses in Q3 2023 amounted to €26,5mln increased by 9,0% from €24,3mln in Q2 2023 and increased by 5,1% from €25,2mln in Q3 2022.
- Loans at nominal value amounted to €6.023mln at the end of Q3 2023 from €6.065mln at the end of Q2 2023 and €6.236mln at the end of Q3 2022. Total deleveraging from the beginning of operations of KEDIPEs from 1st September 2018 until 30th September 2023 amounted to 18,3% and excluding capitalized contractual loan interest reached 38,3%.

- Total restructuring and/or recovery solutions performed through doValue amounted to €140mln in Q3 2023 against €189mln in Q2 2023 and €167mln in the corresponding quarter of the previous year.

Total solutions from the beginning of KEDIPES operations until Q3 2023 amounted to €3.690mln or 50,1% of the initial balance of the loans amounting to €7.371mln.

- Assets at the end of Q3 2023 amounted to €6.700mln in nominal value and included cash €161mln, immovable property €486mln and €708mln performing loans. Total deleveraging from the beginning of operations on 1st September 2018 to 30th September 2023 reached 18,8% and excluding capitalized loan interest reached 36,7%.
- Regarding the Asset Protection Scheme which concerns Hellenic Bank, the contractual value of the assets under the Scheme as at 30/06/2023 amounted to €1.452mln compared to €2.608mln at the beginning of the Scheme, indicating a total reduction of 44% since the beginning of the Scheme. The reference value of the assets at 30/06/2023 amounted to €1.128mln compared to €2.271mln at the beginning of the Scheme (reference value is the amount covered by the Scheme) indicating a total reduction of 50% from the starting date.

Under the Scheme, claims amounting to €107,9mln have been filed to date by Hellenic Bank (HB) for the period 1st September 2018 to 30th June 2023. The most recent claim for Q2 2023 amounted to €1,8mln. Total claims are reduced by €4,3mln from the highest cumulative claim of €112,2mln at the end of Q3 2021 mainly due to the stabilization of credit risk and the deleveraging of assets covered under the Scheme. KEDIPES has made total payments amounting to €78,2mln or 72% of the claims filed to date. KEDIPES and Hellenic Bank are discussing to confirm the remaining amount of claims.

Total payments of Hellenic Bank to the State as a guarantor of the Scheme amounted cumulatively to €44,1mln.

- Net cash inflows, after the payment of expenses and liabilities in Q3 2023 amounted to €67,3mln indicating a decrease of 22,1% compared to €86,4mln in Q2 2023, and without substantial variation against €67,6mln in Q3 2022. Cumulatively, from the beginning of operations of KEDIPES, net cash inflows after the payment of expenses amounted to €1.160,5mln.
- A cash payment of €80mln against State Aid was made in Q3 2023, increasing the total amount of repayment of State Aid in cash to €1,08bln from the beginning of KEDIPES operations in September 2018 until the end of Q3 2023.

In parallel, KEDIPES maintains €60mln as a cash reserve related to future acquisitions of immovable properties under the “Mortgage to Rent” Scheme

A detailed presentation on the progress up to 30/09/2023 has been uploaded on the website of KEDIPES at the following link:
<https://kedipes.com.cy/αποτελεσματα-διαχειρισης/>