

# Progress Report

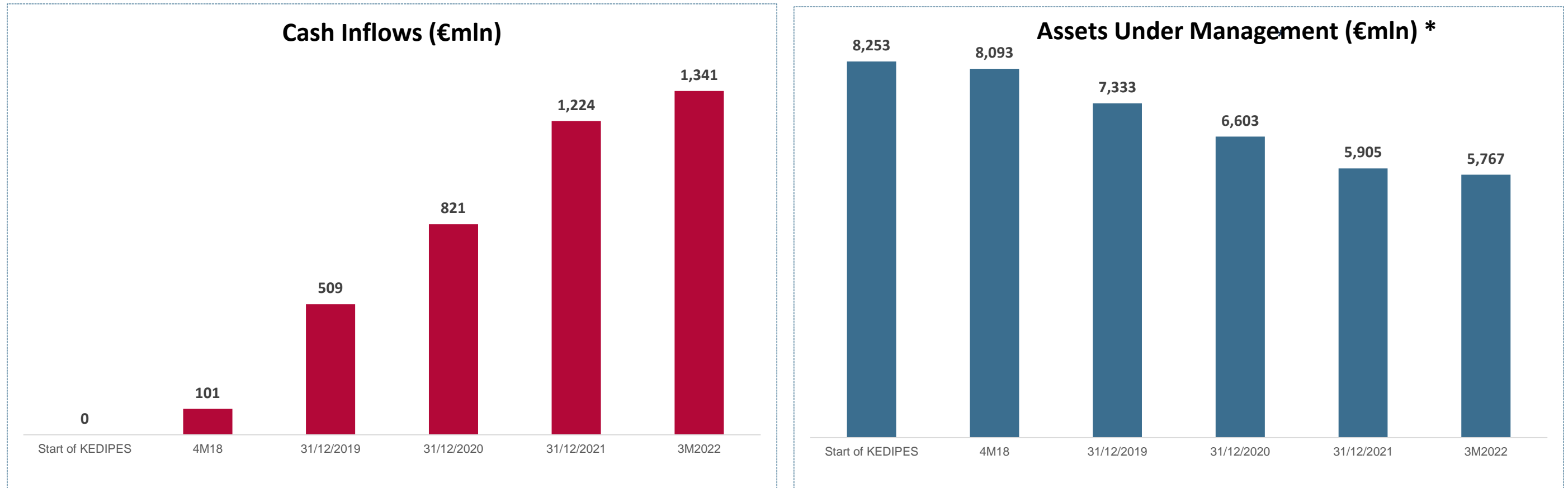
## September 2018 – March 2022



June 2022

**Progress Report**  
**KEDIPES**  
*to 31/03/22*



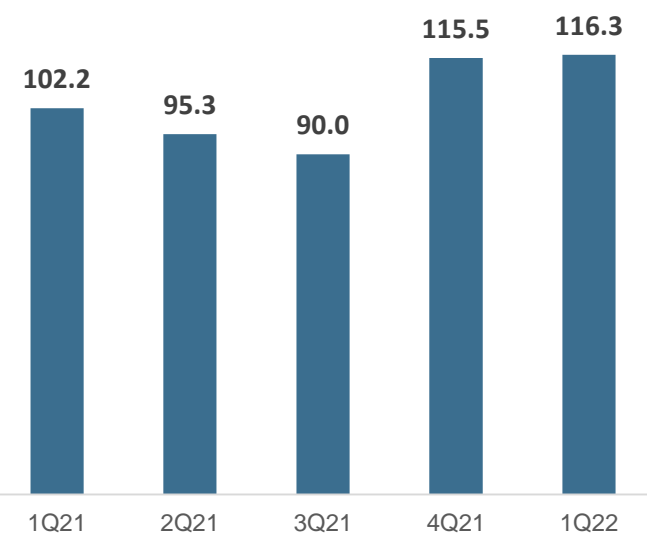


\* Nominal assets under management excluding loan interest (provisional)



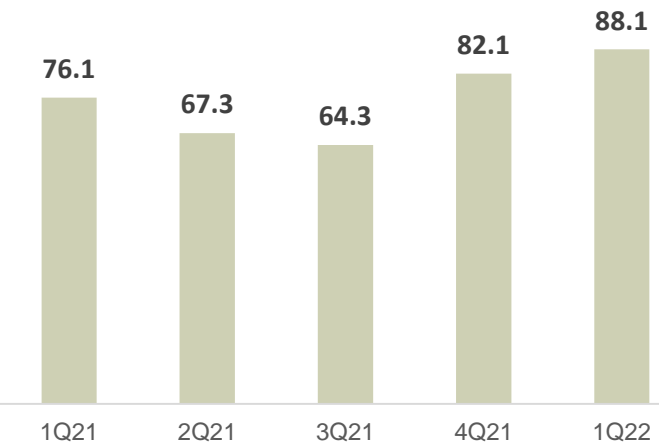
- From the beginning of its operations, KEDIPEs achieved **€1.341mIn** Cash Inflows, with a parallel deleverage of Assets Under Management by **€2.486mIn**
- Total repayment to State Aid amounted to **€640mIn** of which **€70mIn** in Q1 2022. After the reference date, in June of 2022 a further repayment of €100mIn was made, bringing the total repayments to **€740mIn**.
- In addition to the repayments of State Aid in cash, property with value of **€140mIn**, will be transferred to the Government, while **€74,5mIn** was paid to Government Services mainly in the form of taxes and fees, including VAT. Payments for the settlement of liabilities amounted to **€249,1mIn**.
- As at the reporting date, **€1.110mIn** Restructuring Solutions and **€467,3mIn** Property Sales were implemented through Altamira.

## Cash Inflows (€mln)



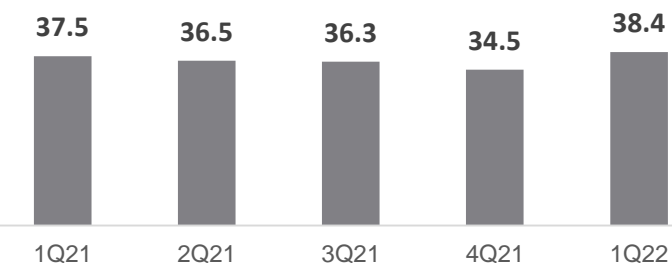
- Cash inflows in 1Q2022, reached €116,3mln, recording an increase of 0,7% compared to 4Q2021 and an increase of 13,8% compared to 1Q2021.
- Further details can be found on [page 9](#).

## Operating Cash Flows (€mln)



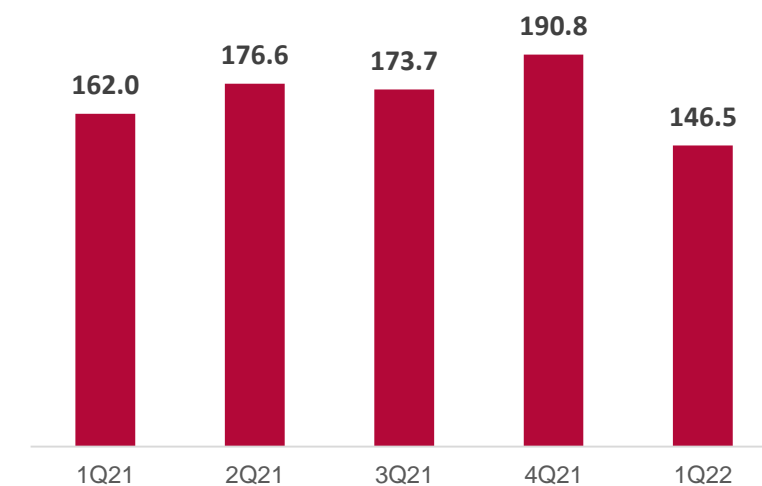
- Operating cash flows during 1Q2022 reached €88,1mln recording an increase of 7,3% compared to 4Q2021 and an increase of 15,8% compared to 1Q2021.
- Further details can be found on [page 11](#).

## REO Sales (€mln)



- REO sales during 1Q2022 reached €38,4mln, remaining at a high level, recording an increase of 11,3% compared to 4Q2021 and an increase of 2,4% compared to 1Q2021.
- 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 1Q2022 reached €146,5mln, recording a decrease of 23,2% compared to 4Q2021, and a decrease of 9,6% compared to 1Q2021.
- From the start of KEDIPES operations, total recovery solutions amounted to €2.943mln or 39,9% 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 repossession.
- 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 in September 2021. 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 €4,5mln 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 . In addition, RE will not conduct any other economic activity, nor will it acquire clients or sell products.	<b>Almost Completed</b> – completion is subject to the completion of commitment 18. The range of economic activities has been limited as provided by the commitment.
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>Almost Completed</b> - completion is subject to the completion of commitment 18.
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>Not completed</b> - In progress. The revised Service Level Agreement with Altamira has been approved by KEDIPEs Board of Directors and the approval process by the European Commission regarding commitment 18 (market conformity) is in progress.
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> - Implementation of the asset transfer agreements SEDIPES and KEDIPEs is expected within 3Q2022.
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>Completed</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
- 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 (€128,9mln) and of the subsequent Schemes of 2021/22 which include the termination of employment relations with ex CCB employees who were transferred to Altamira (€11,7mln.)
- Repayment of State Aid, €120mln in 2019, €200mln in 2020, €250mln in 2021, €170mln in the 6M22
- 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 €4,5mln in September 2020
- Agreement with the State for the transfer of properties worth approx. €140mln
- 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

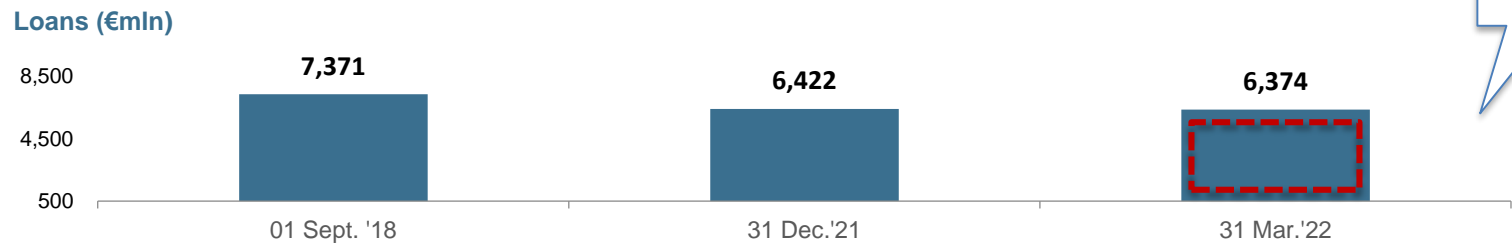
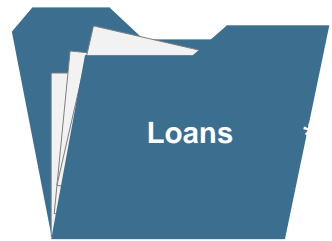
## Challenges

- Implementation of the revised Service Level Agreement with Altamira upon approval by the Monitoring Trustee/ European Commission's Directorate-General for Competition regarding completion of Commitment 18 in relation to consistency with market conditions
- Implementation of the transfer of assets from SEDIPES to KEDIPES in Q3 2022 which is already approved by the BoD of KEDIPES and the General meeting of SEDIPES
- Completion of actions for staff reduction
- Sale of Loan portfolio (Project Ledra) – consultation with the Ministry of Finance in progress
- Uncertainty surrounding practical application of the Insolvency Framework and the law on Foreclosures
- Lack of direct access to the land registry system “Ariadne”
- Management of loan portfolio secured by primary residences following the low participation in the ESTIA Scheme and on the basis of plan for the evolution into a National Asset Management Company
- Improvement of data quality
- Gradual increase in the supply of properties on the market from other Credit Acquiring Companies
- Uncertainty regarding the impact of the COVID-19 pandemic and of the Russian - Ukrainian crisis
- Substantial increases in the construction costs

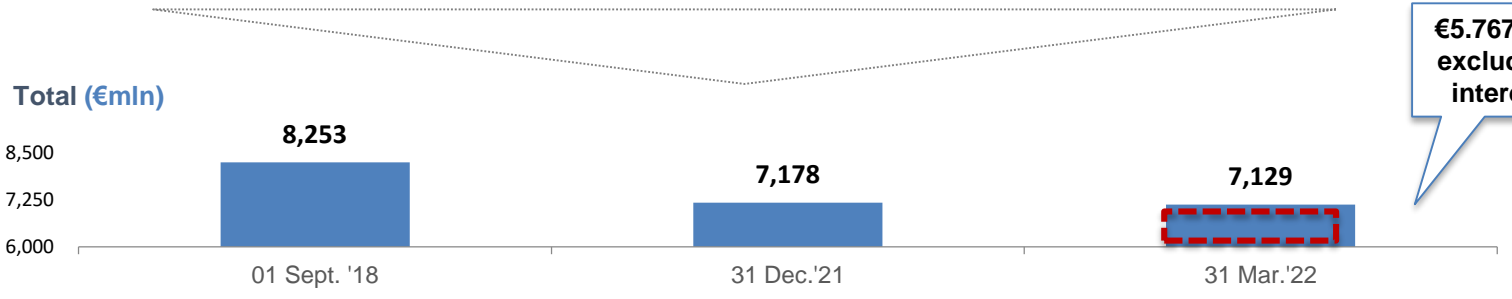
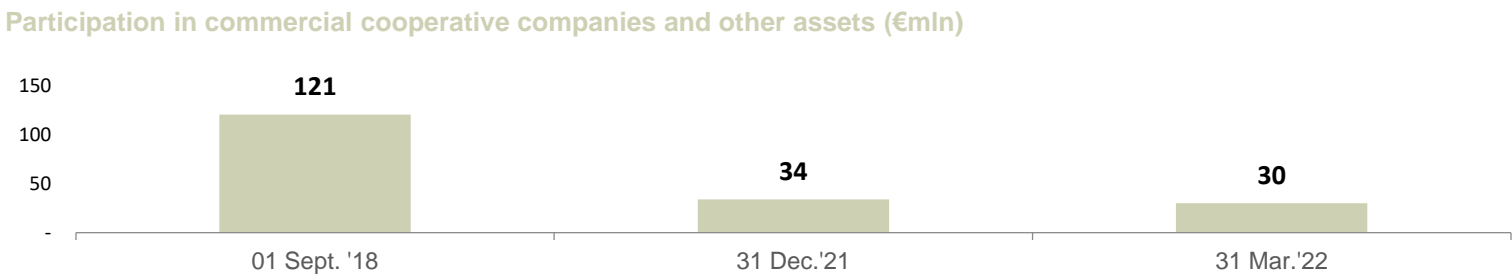
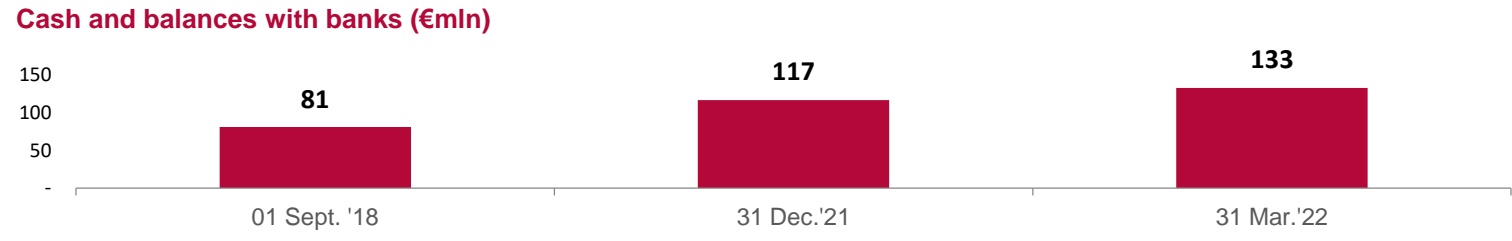
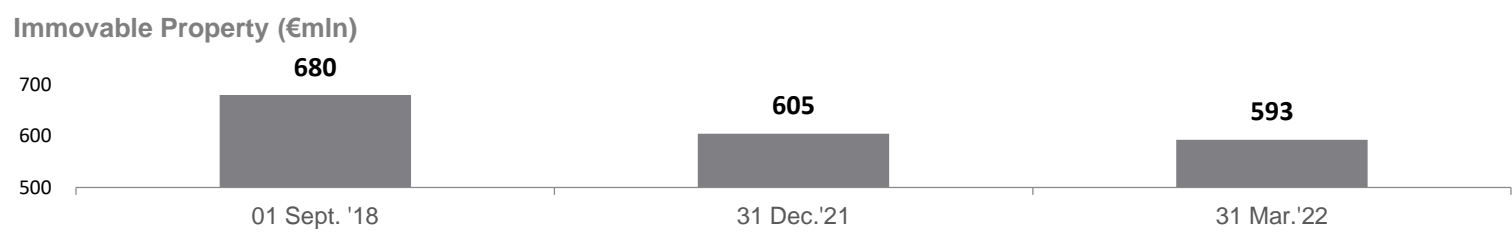
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# Assets under Management



€5.012mln excluding interest



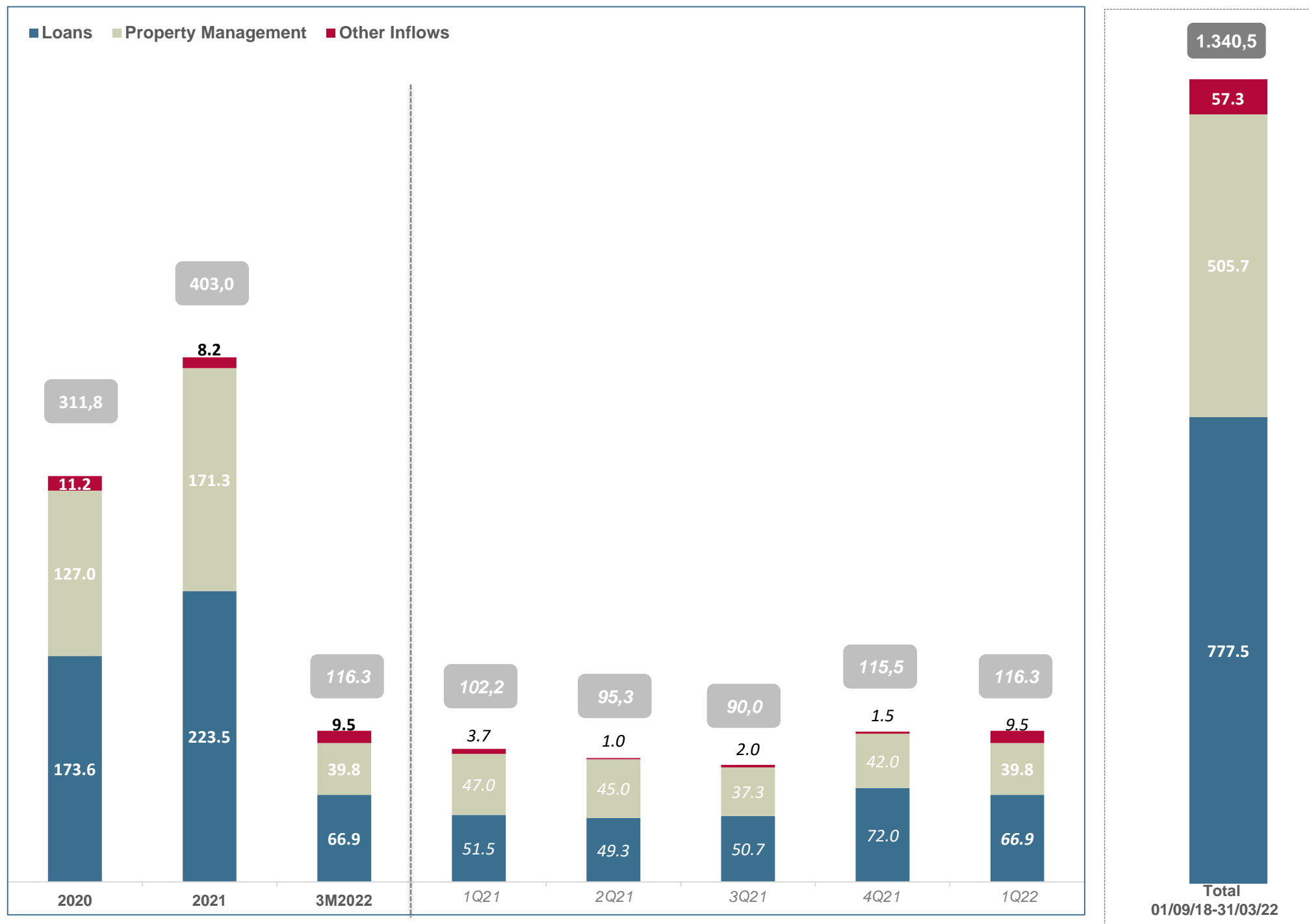
€5.767mln excluding interest

- Initial AuM, including loans at their nominal value, of €8.253mln.
- AuM in 1Q22 were €7.129mln or €5.767mln excluding contractual interest.
- Deleveraging of AUM achieved:
  - **13,6%** in nominal terms
  - **30,1%** excluding interest
- The non-audited accounting value of assets as at 31/03/2022 is estimated at €3.097mln.

\* Does not include parked loans promised to be written-off of €469mln, as at 31/03/2022



## Cash Inflows (€mIn)



- The cumulative cash flows to 31/03/2022 reached €1.340,5mln.
- Cash inflows in 1Q22 reached to €116,3mln recording a small increase of 1% compared to €115,5mln of 4Q21 and an increase of 13,8% compared to €102,2mln of the corresponding quarter of 2021.
- Cumulative loan recoveries and disposal of real estate assets contribute 58% and 38% respectively, to total cash inflows.
- Cumulative other cash inflows totaling to €57,3mln 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.

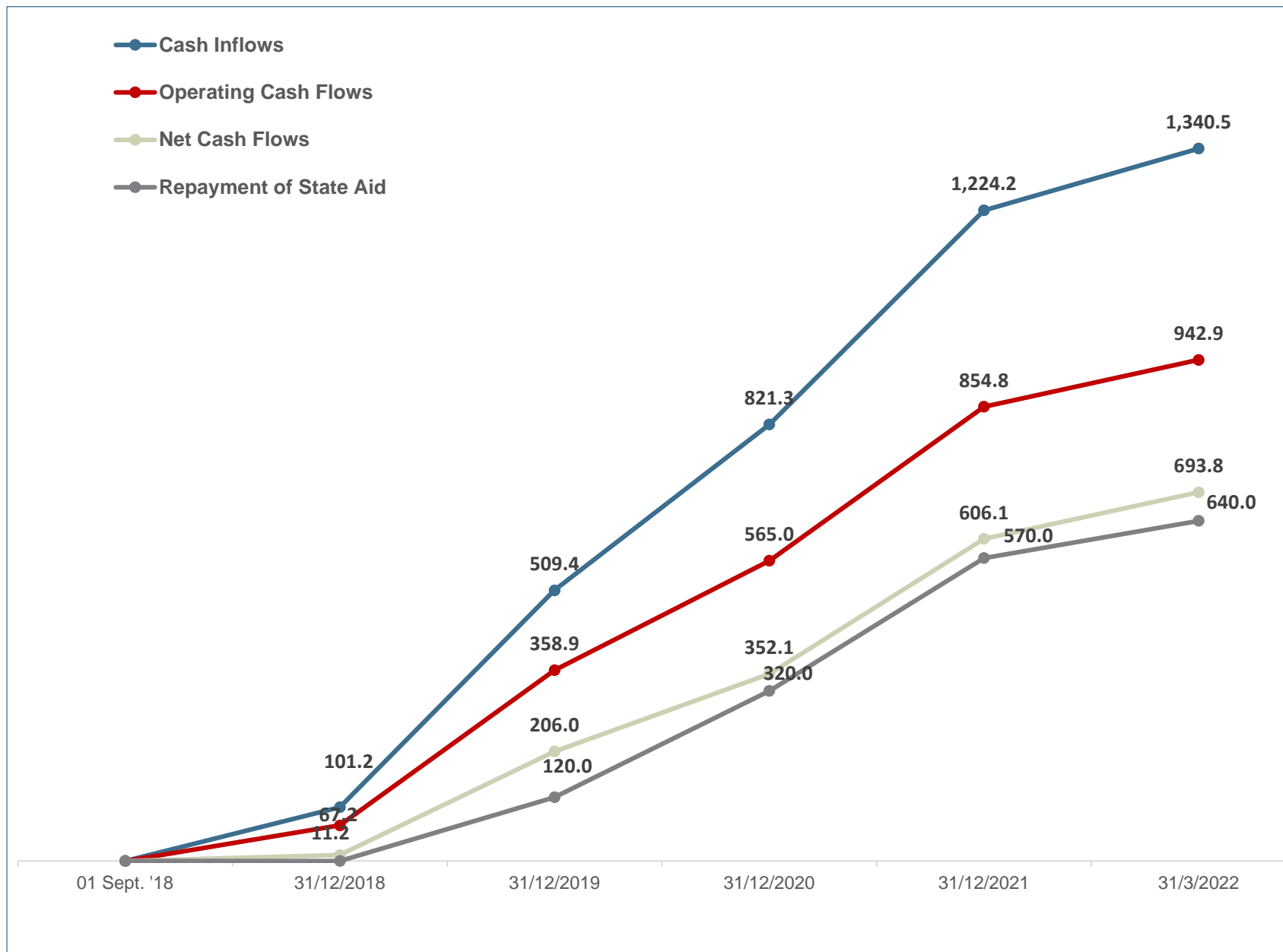
## Cash Inflows and Outflows (€mIn)



- Cash position of KEDIPES as at 31/03/2022 was €134,6mIn.
- From the start of KEDIPES operations cash inflows and outflows were as follows:
  - Cash inflows €1.340,5mIn
  - Payment of operating servicing and asset management costs €397,6mIn
  - Payment of liabilities-€249,1mIn
  - Repayment of the State Aid €640mIn

# Cash Flows and Repayment of State Aid

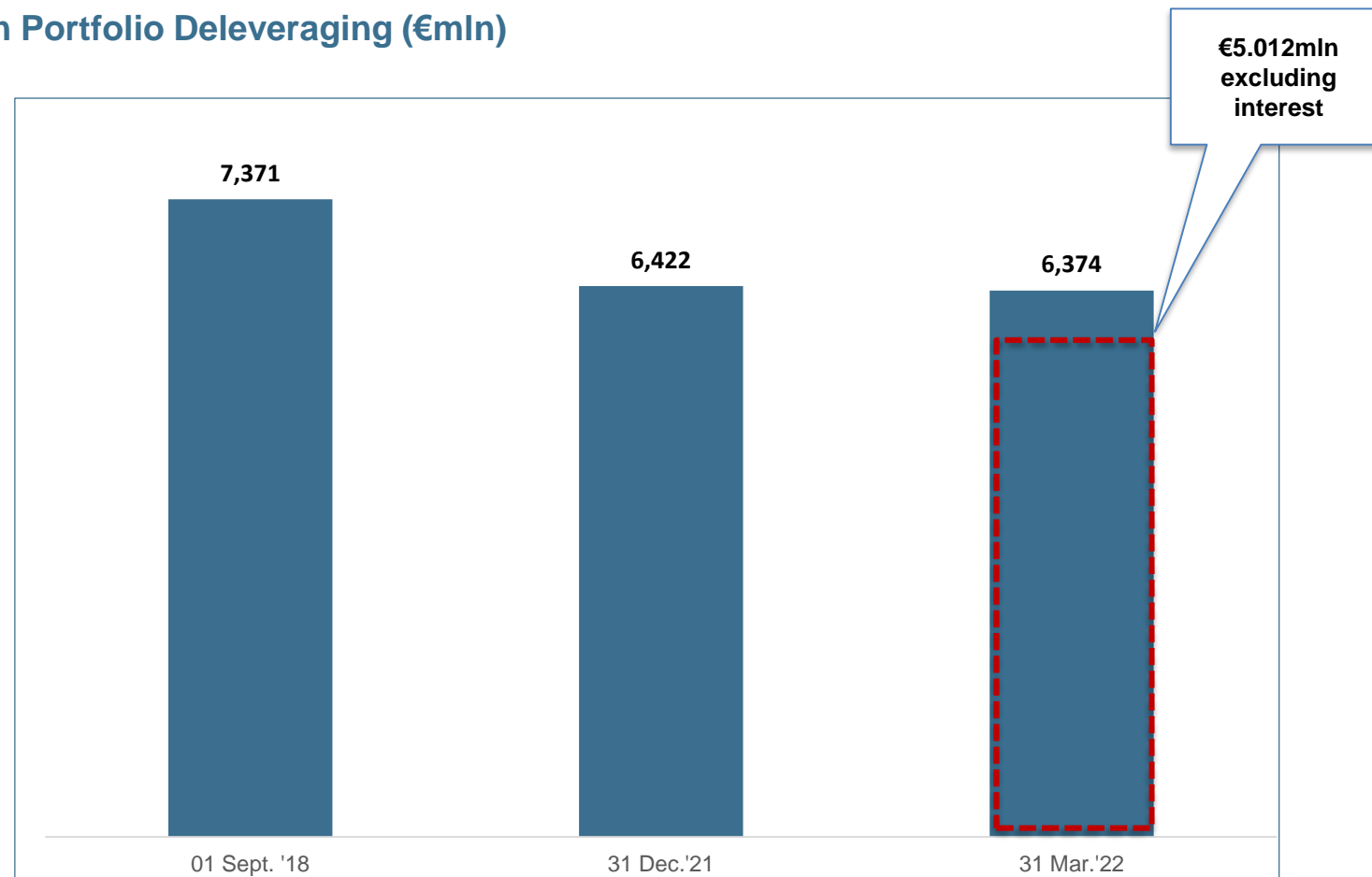
## Cash Flows 01/09/18 – 31/03/22 (€mln)



## 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 March 2022 totaled €640mln as follows:
  - €120mln in 2019
  - €200mln in 2020
  - €250mln in 2021
  - €70mln. in Q1 2022
- After the reference date, in June of 2022 a new repayment of €100mln was made, bringing the total repayments to **€740mln**.
- In addition to the cash repayments approximately:
  - €2,6mln has been repaid in the form of the transfer of art collections and write offs relating to KΦIKB loans
  - €140mln will be repaid in the form of the transfer of property at market prices
- Further future State Aid payments depend on the possible evolution of KEDIPES into a National Asset Management Company, as per the relevant announcements of the Ministry of Finance.

## Loan Portfolio Deleveraging (€mln)



Loan Portfolio Progress	€mln	+ / -
<b>Balance 01/09/2018</b>	<b>7.371</b>	
Recoveries	-1.259	-17,1%
<i>Cash Collections</i>	-778	-10,5%
<i>Value of properties on-boarded</i>	-481	-6,5%
Write-Offs (contractual)	-1.101	-14,9%
<b>Total Deleveraging</b>	<b>-2.359</b>	<b>-32,0%</b>
<b>Balance</b>	<b>5.012</b>	<b>-32,0%</b>
<i>Contractual Interest*</i>	+1.362	<b>18,5%</b>
<b>Balance 31/03/2022</b>	<b>6.374</b>	<b>-13,5%</b>

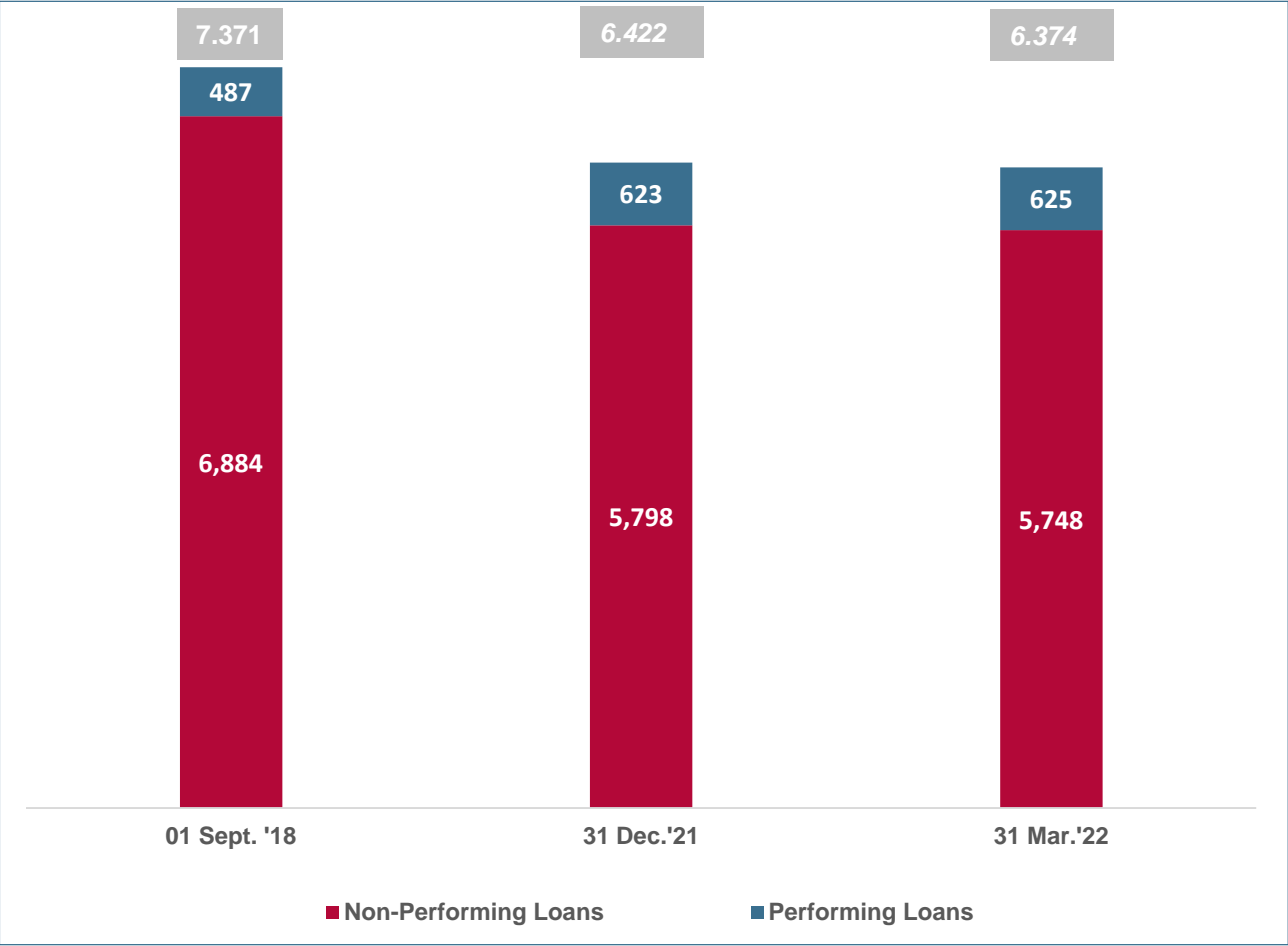
\* Includes all contractual interest, irrespective of collection or write off

- Loan portfolio recoveries reached €1.259mln or 17,1% of the initial gross book value in the form of:
  - ✓ Cash: €778mln or 10,5% of the initial gross book value
  - ✓ Property: €481mln or 6,5% of the initial gross book value
- In addition, there were write-offs totaling €1.101mln or 14,9% giving a total deleveraging of 32% before contractual interest.

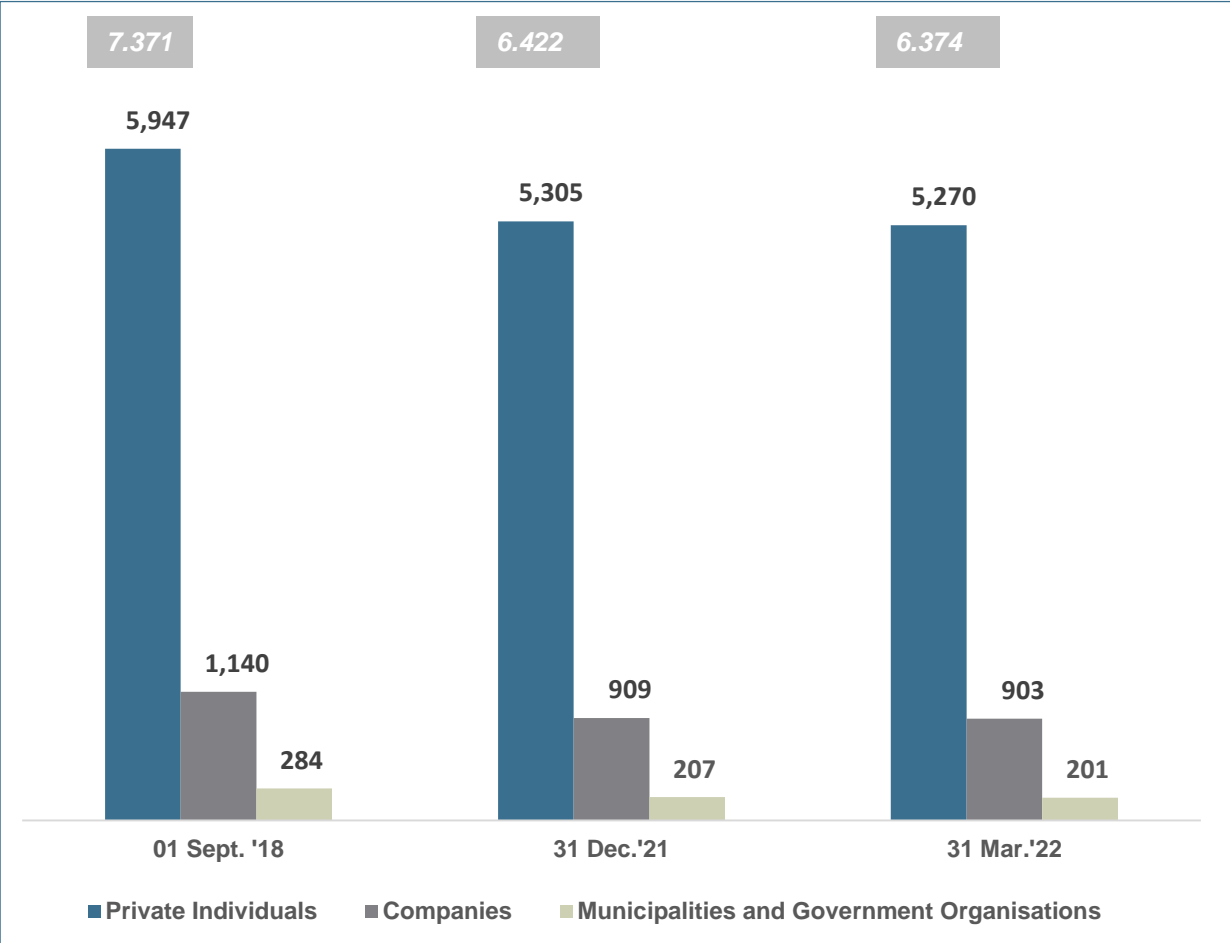
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Loan by Performance Status (€mIn)



Loans by Institutional Sector (€mIn)

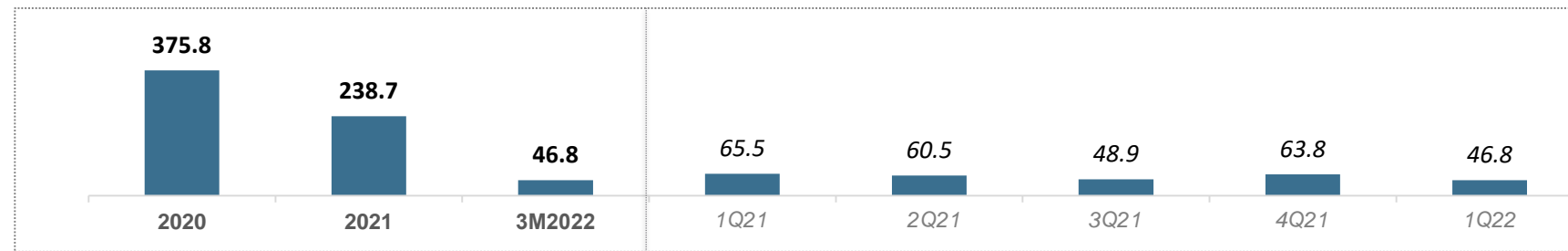


- Loans balances were €6.374mIn at 31 March 2022, recording a small decrease of 0,8% and a total decrease of 13,5% from 4Q21 and initial balance respectively. Total deleveraging since the start of operations excluding interest capitalization, is 32%.
- Loans to Municipalities and Government Organizations are decreasing gradually through regular (usually annual) instalments, with an overall cumulative reduction of 29,3%. At the same time, the reduction in loans to companies totals 20,8% whilst the decrease of Private Individuals is 11,4%.
- 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



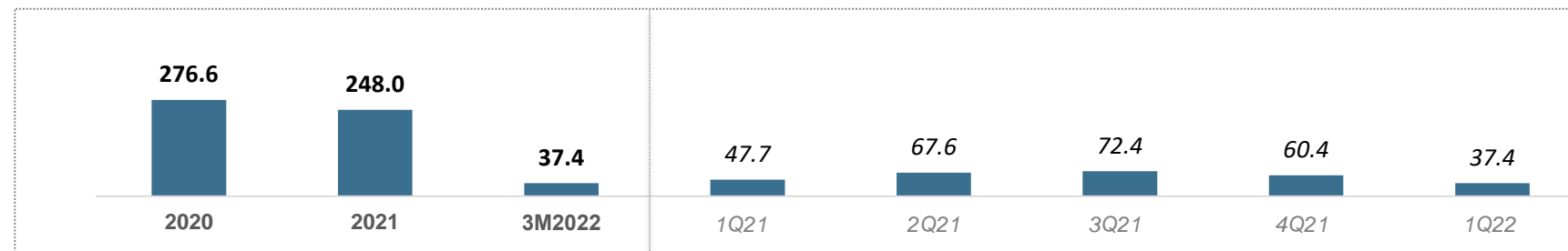
Restructurings



€1.110,3m  
(37,7%)



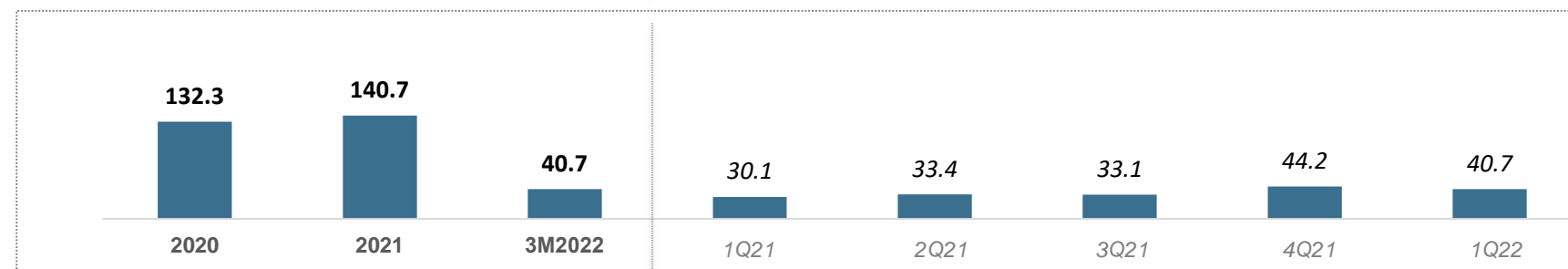
Debt-to-Asset Swaps



€967,2m  
(32,9%)



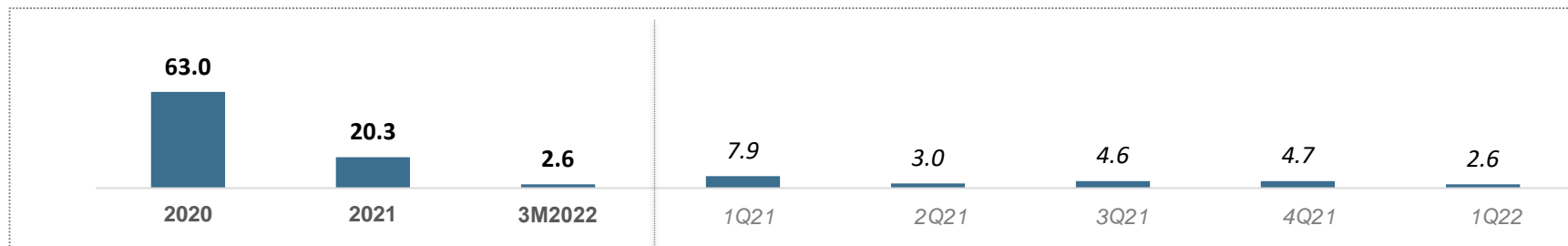
Full Settlements



€517,5m  
(17,6%)



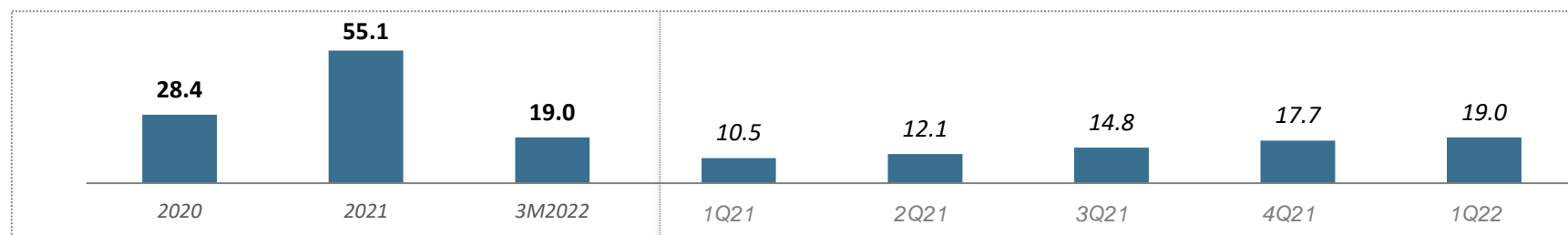
Re-performing Loans



€193,9m  
(6,6%)



Cash Collections on Overdue Loans



€154,2m  
(5,2%)

**Total**

876m

703m

147m

162m

177m

174m

191m

147m

**Total Solutions:**  
**€2.943m**  
(Nominal loan value basis)



## 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

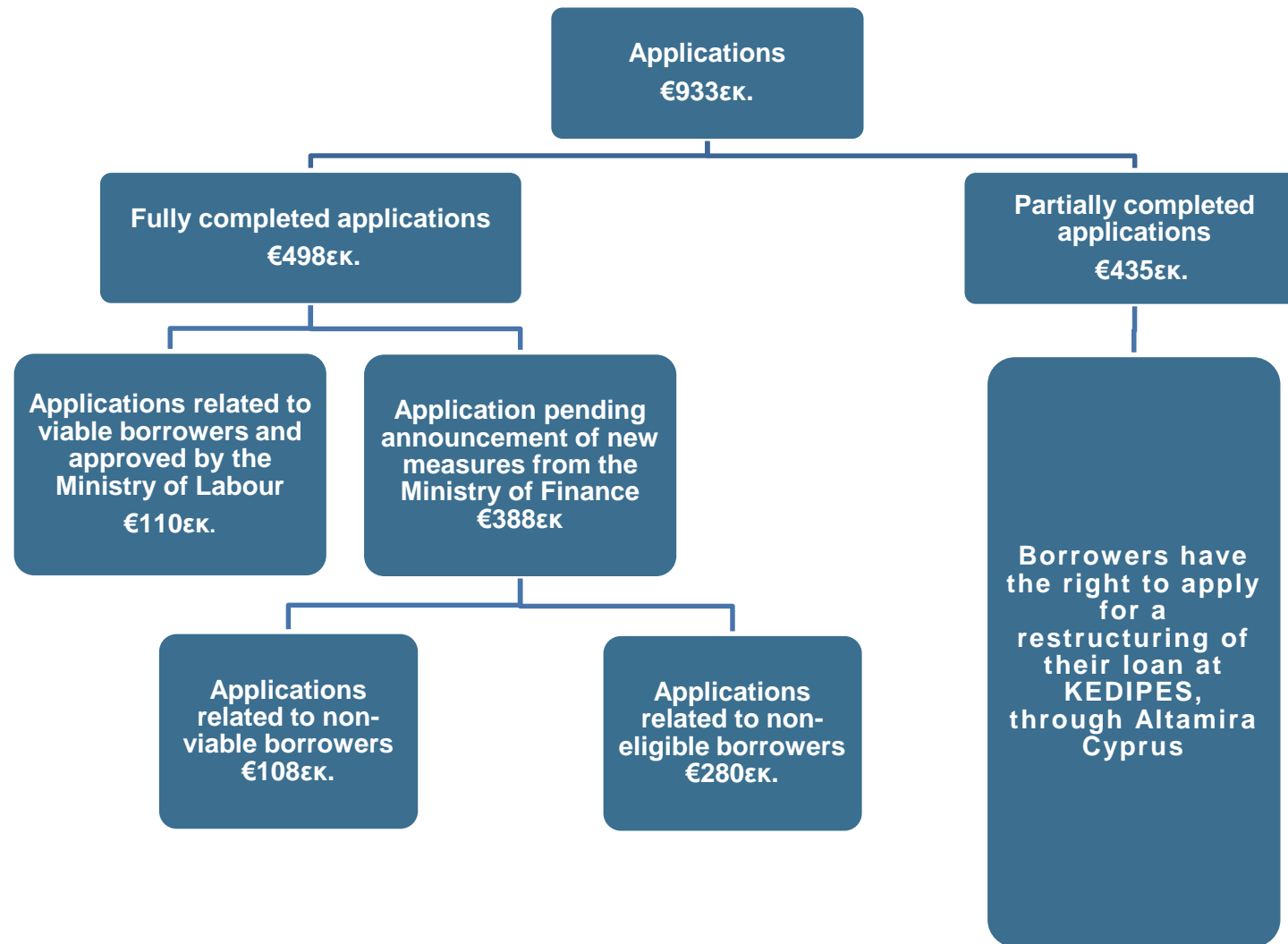
### KEDIPES Portfolio as at 31/03/2022

➤ Applications submitted to the electronic platform of the Ministry of Labour, Welfare and Social Insurance (Competent Agency) are limited to 3.661 accounts amounting to €933mIn

➤ Fully completed applications corresponding to a total of 2.063 accounts amounting to €498mIn

➤ 1.259 applications amounting to € 388mIn are pending for an announcement of new measures from the Ministry of Finance, out of which 369 applications amounting €108mIn are related to non-viable borrowers and 890 applications amounting €280mIn are related to non-eligible borrowers.

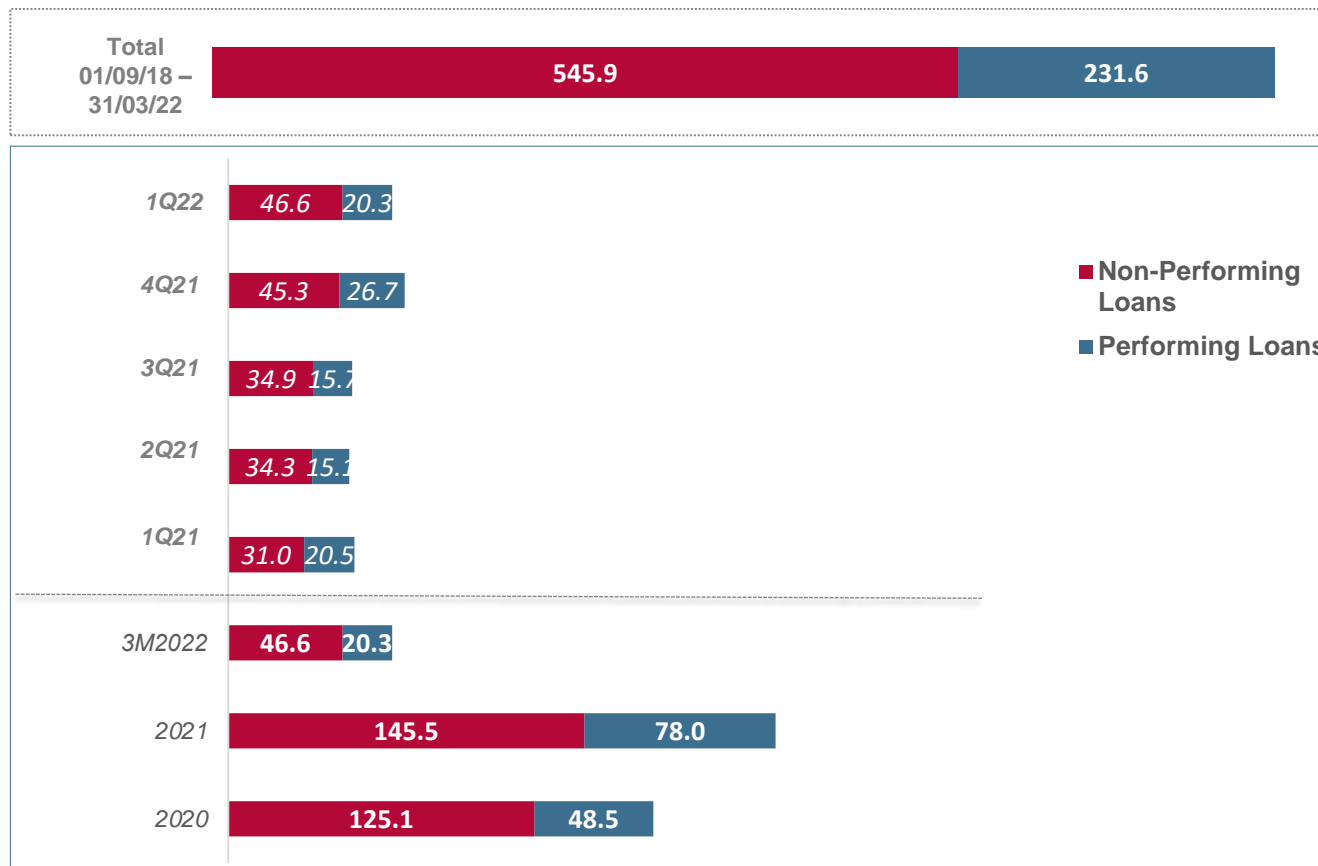
➤ Applications approved by the Ministry until 31/03/2022 correspond to 517 accounts amounting €110mIn (includes amounts that will be written off within the framework of Estia)



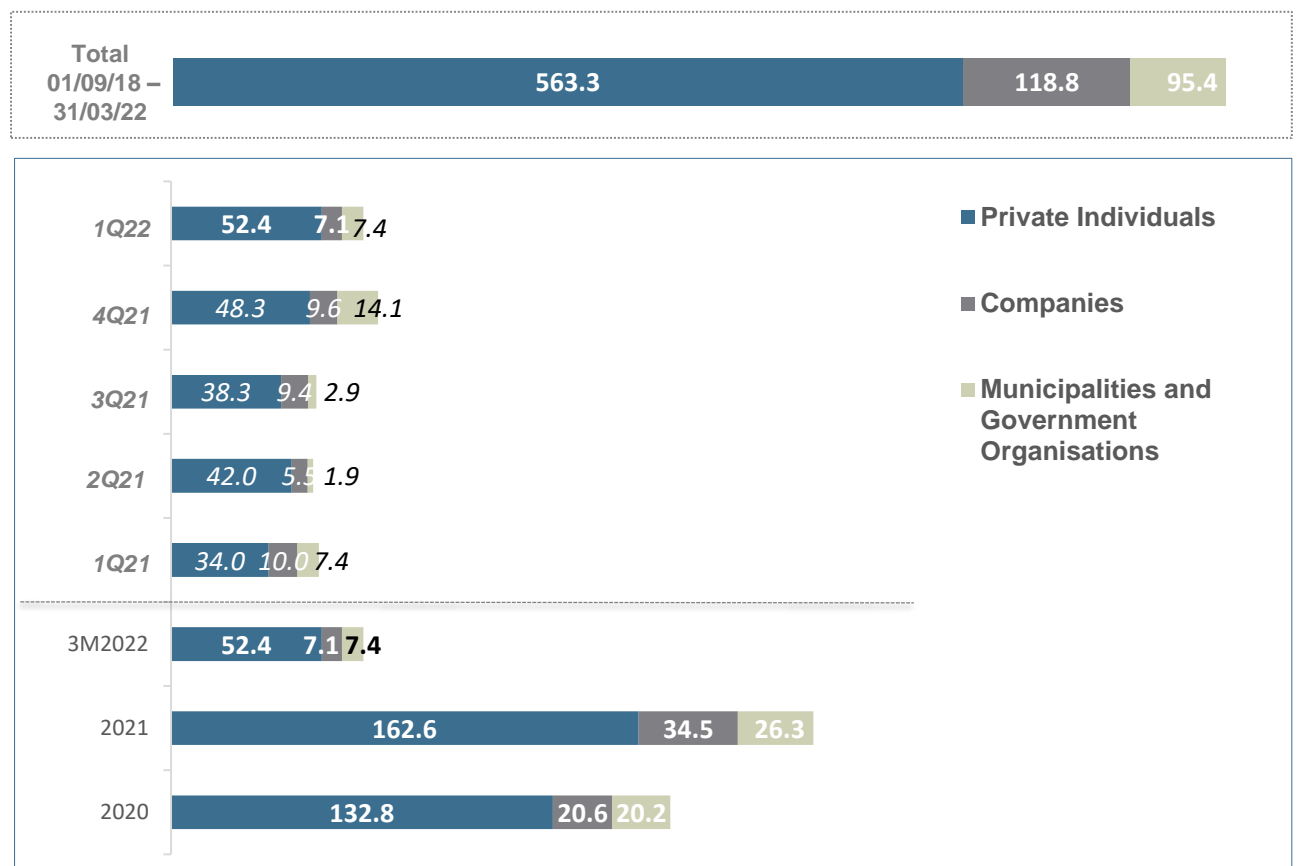


# Cash Inflows from Loans Management

## Inflows by Performance Status (€mIn)



## Inflows by Institutional Sector (€mIn)

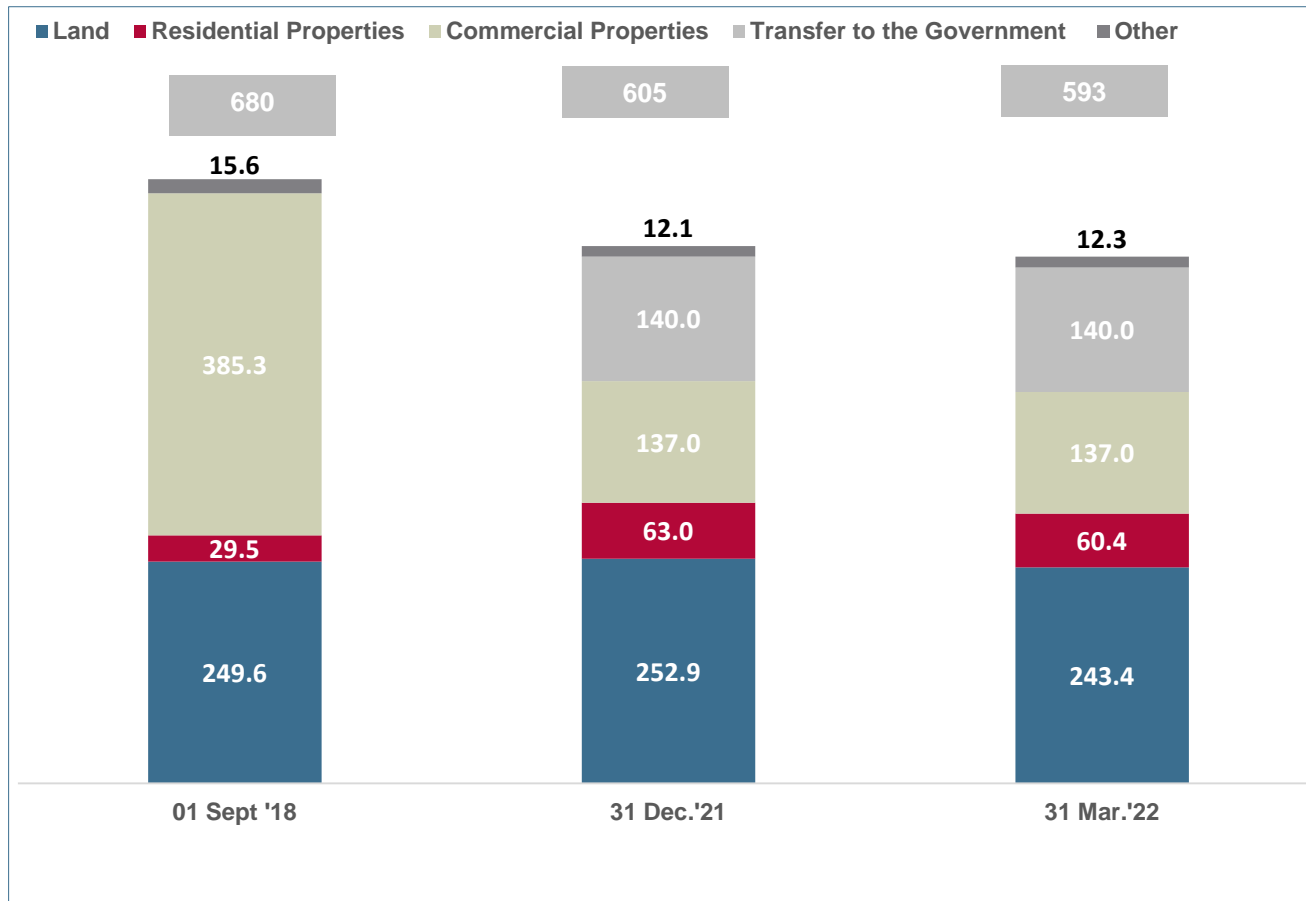


- Inflows from loans in Q1 20222 reached €66,9mIn compared to €72,0mIn of 4Q21 recording a decrease of 7,1% and an increase of 29,9% compared to €51,5mIn of 1Q21.
- Restructuring or recovery solutions through the management company Altamira Cyprus reached to €146,5mIn during 1Q22 compared to €190,8mIn from the previous quarter, an increase of 23,2%.
- Total solutions since the start of operations amounted to €2.943mIn or 39,9% of the initial lending balance of €7.371bIn. These solutions lead to direct, or in the case of real estate recovery indirect, cash flows.

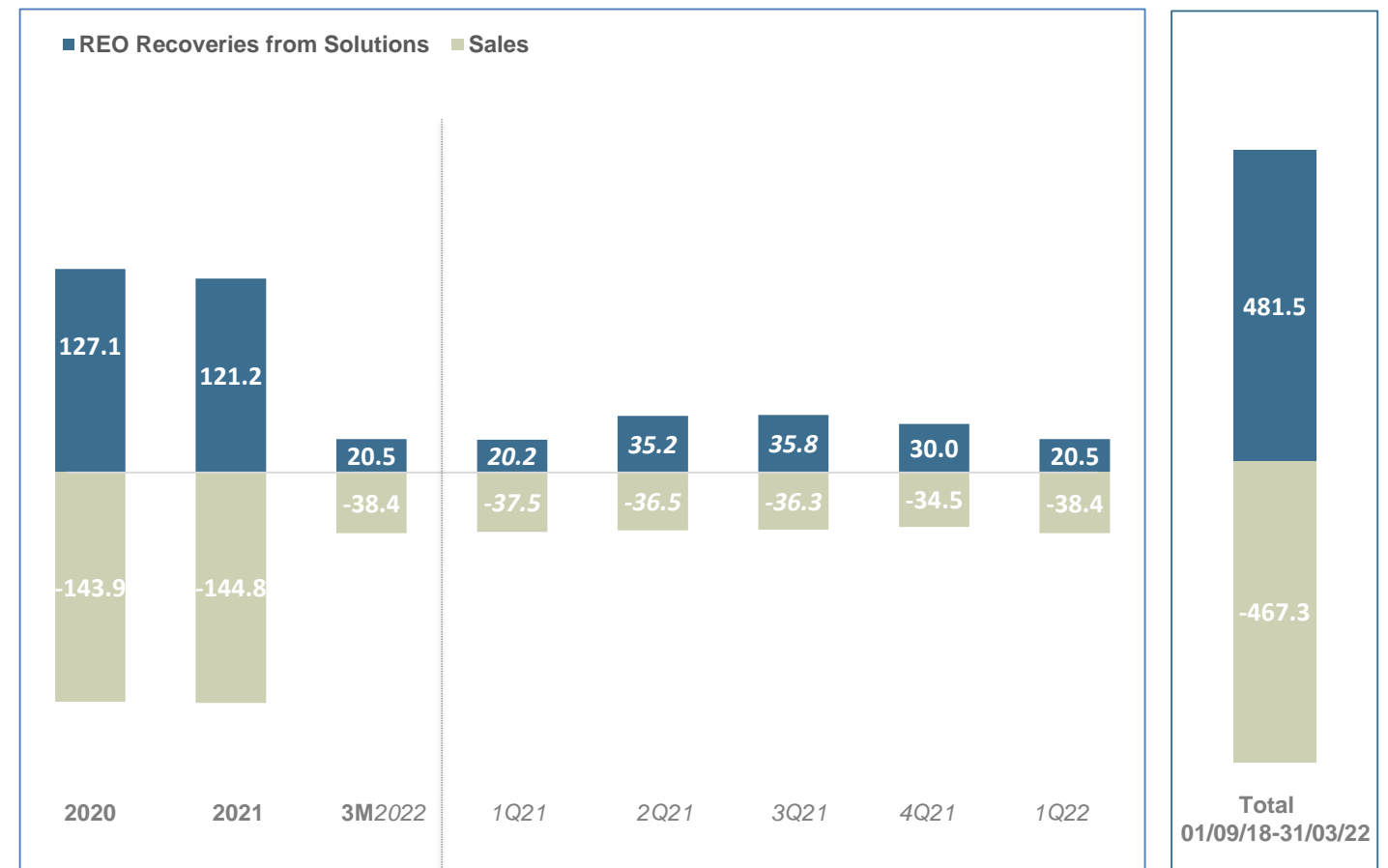
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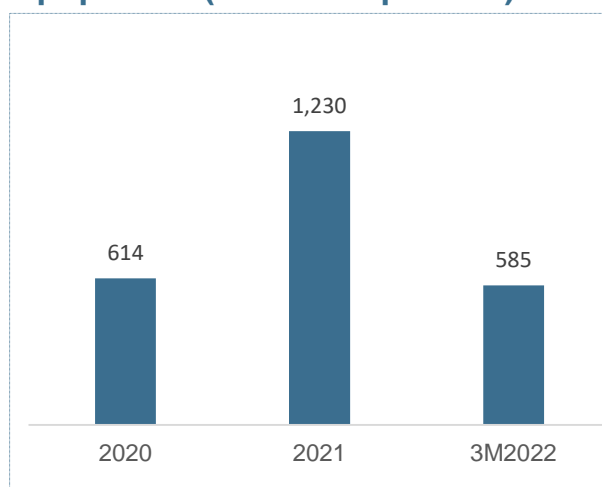
## Property Portfolio by Sector (€mln)



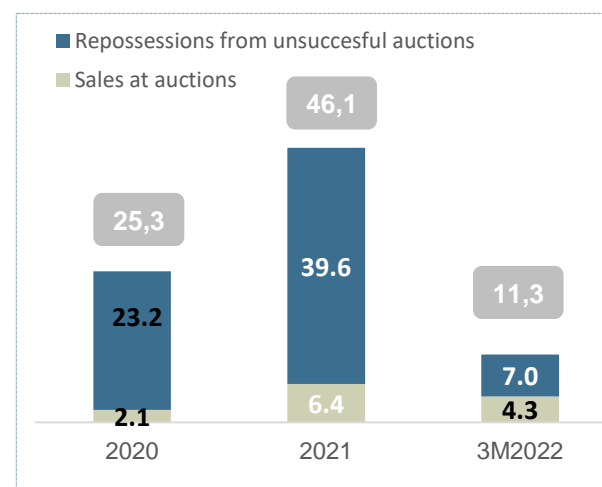
## Property Recoveries and Sales (€mln)



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



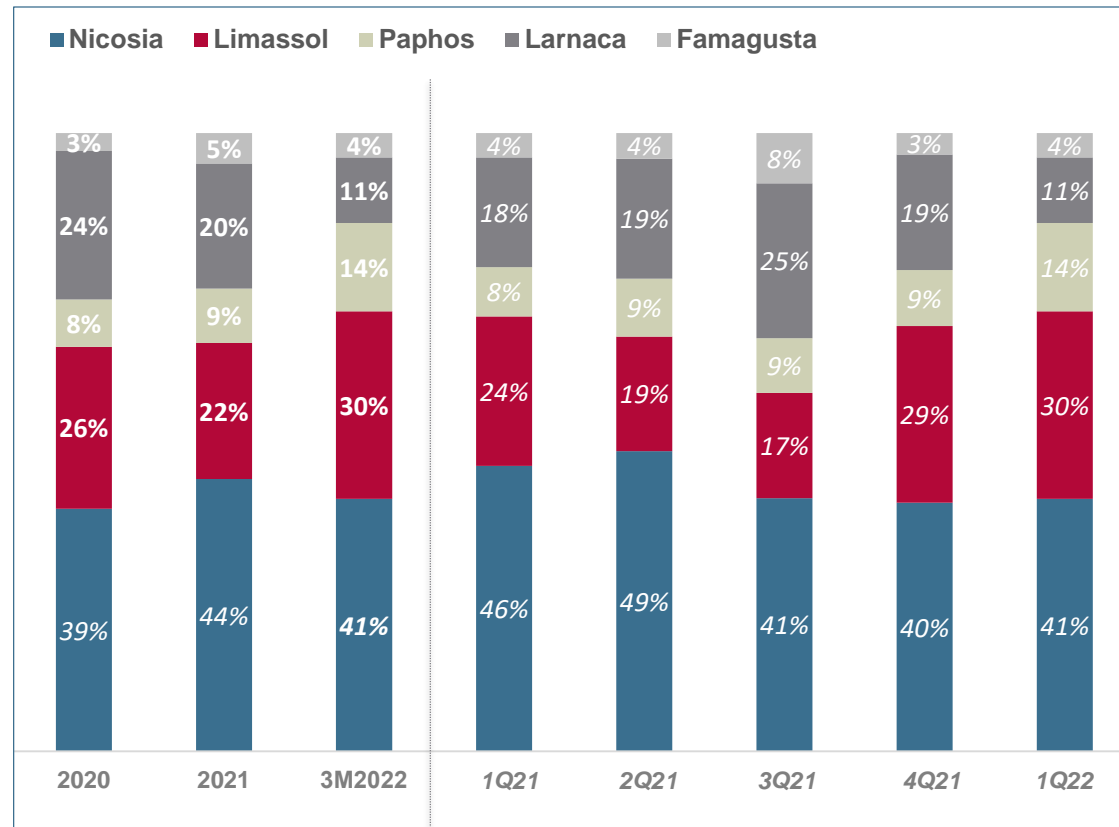
## Auctions Results (€mln)



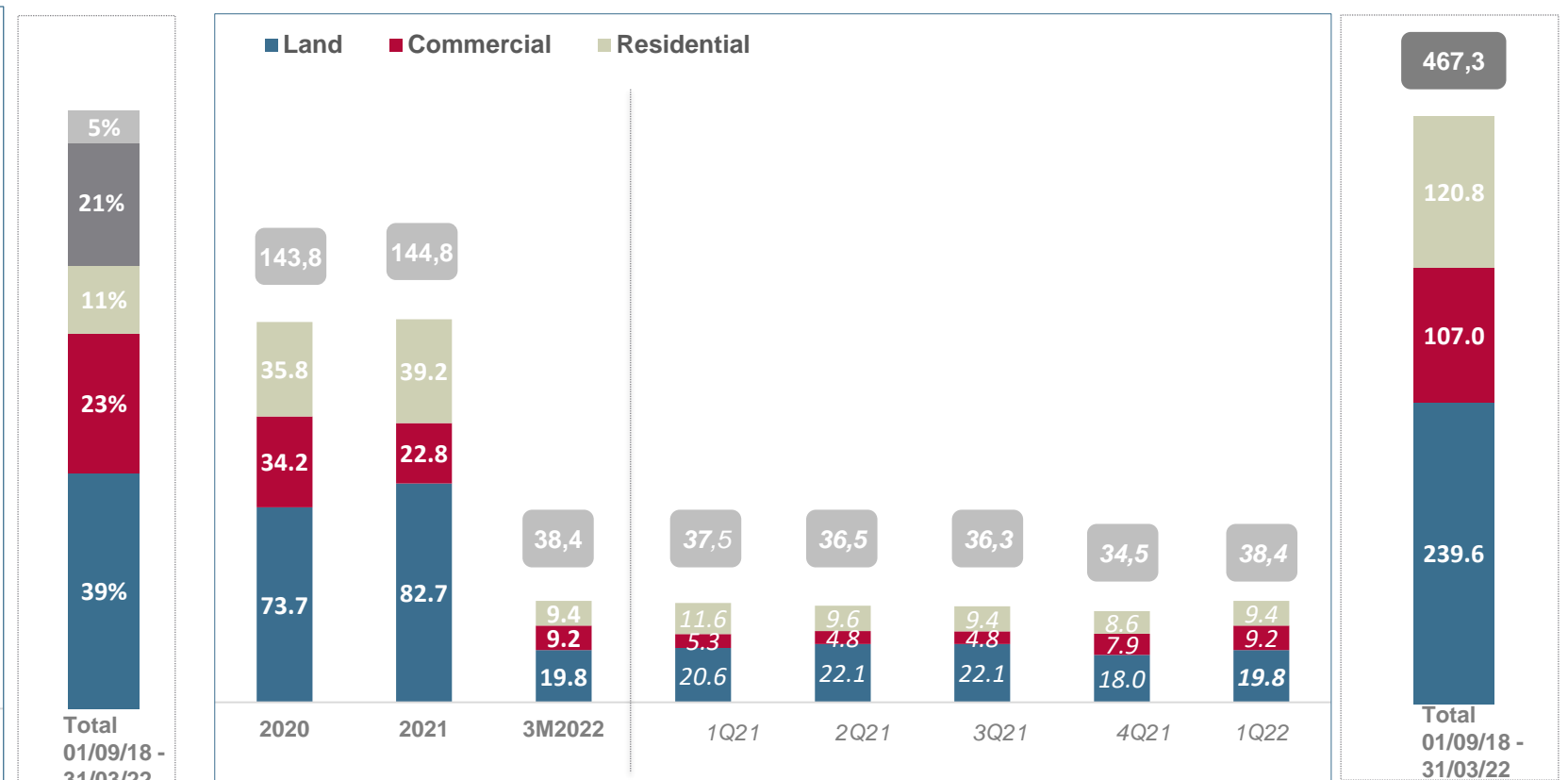
- Real estate sales amounted to €467,3mln of which €38,4mln were completed in 1Q22.
- Debt to Asset Swaps (DTAs) totaled €481,5mln, of which €20,5mln were completed in 1Q22. Properties with value of €92,4mln relate to repossessed properties after failed auctions, of which €7,0mln were completed in 1Q22.
- Total Auctions of 3.721 properties valued €461mln were carried out. Property sales through auctions reached 352 properties valued at €19,3mln, of which 84 properties with value of €4,3mln were completed in 1Q2022.
- 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

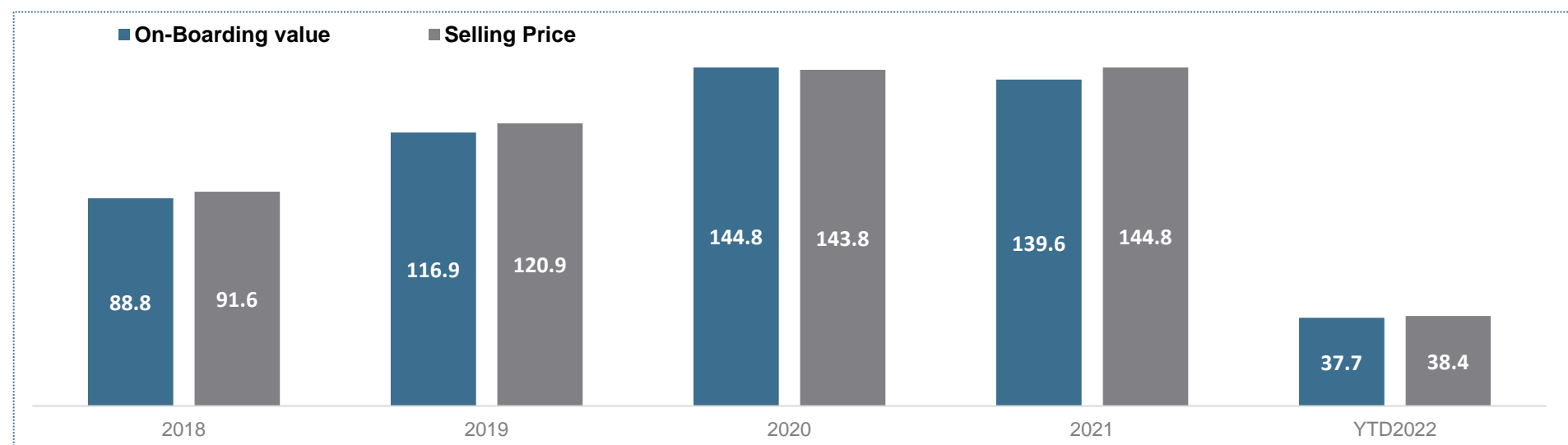
## Property Sales by Region (%)



## Property Sales by Sector (€mln)



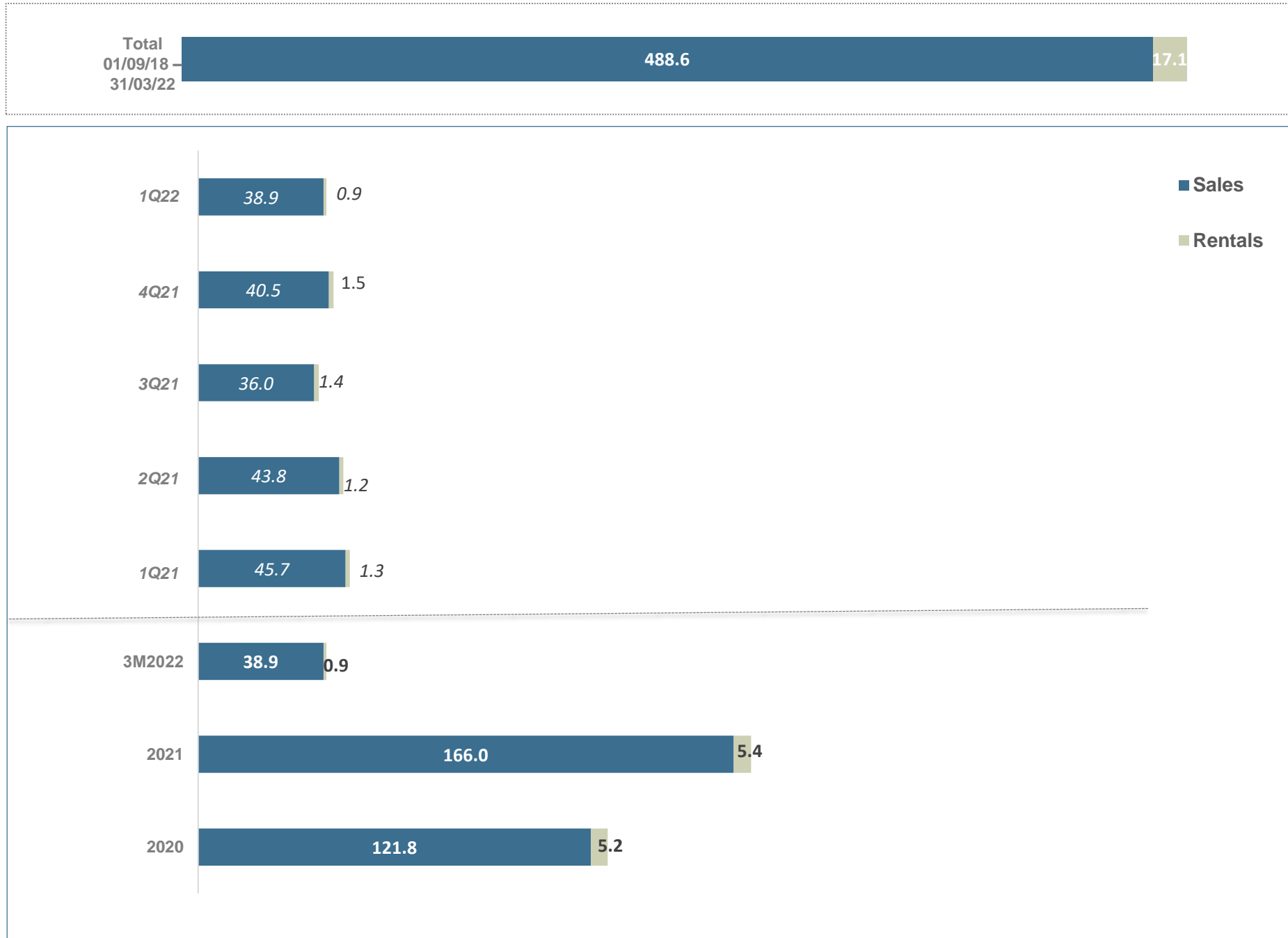
## Sales Price versus On-Boarding & Market Value (€mln)



- Average selling price from 01/09/18 to 31/03/22 is +2,2% from the on-boarding value adjusted with revaluations.
- A total of 1.485 properties amounting to €177,2mln 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

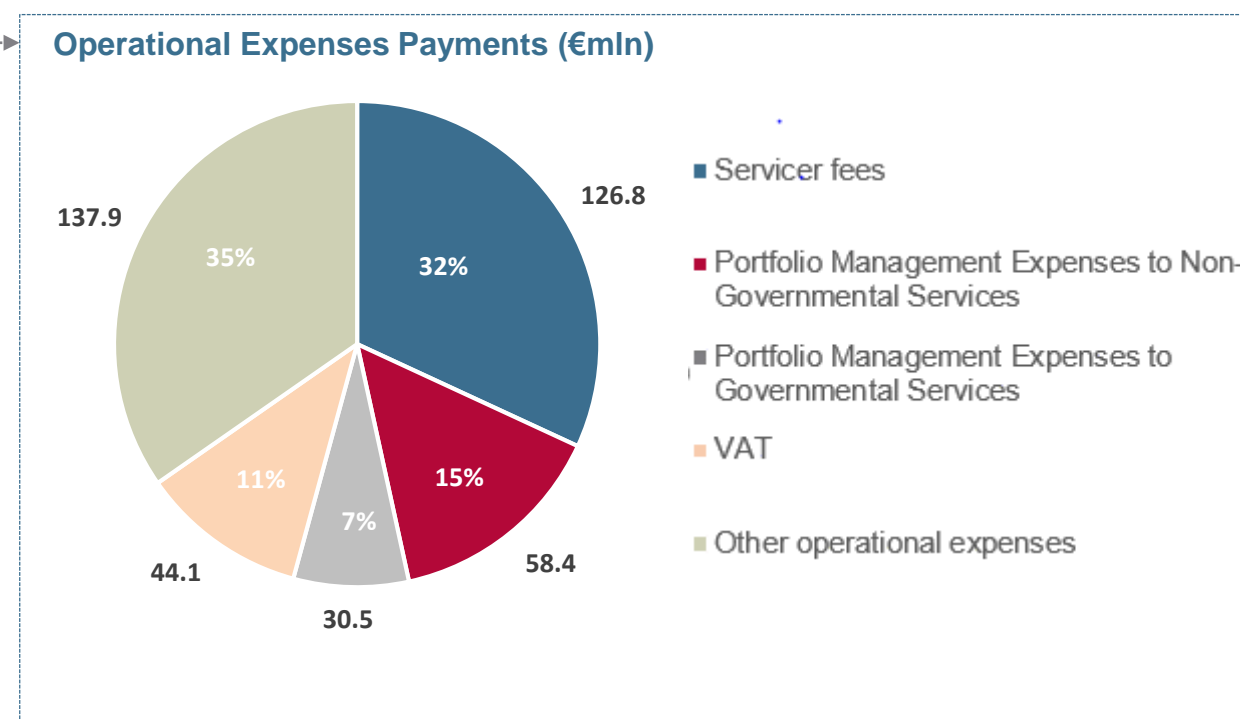
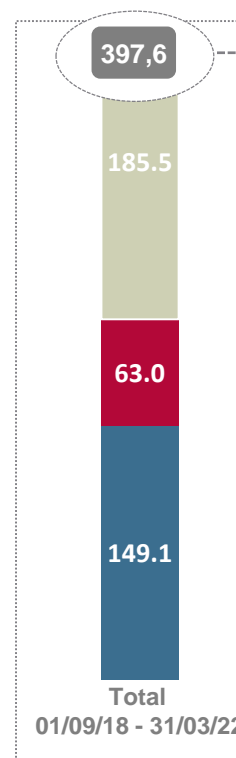
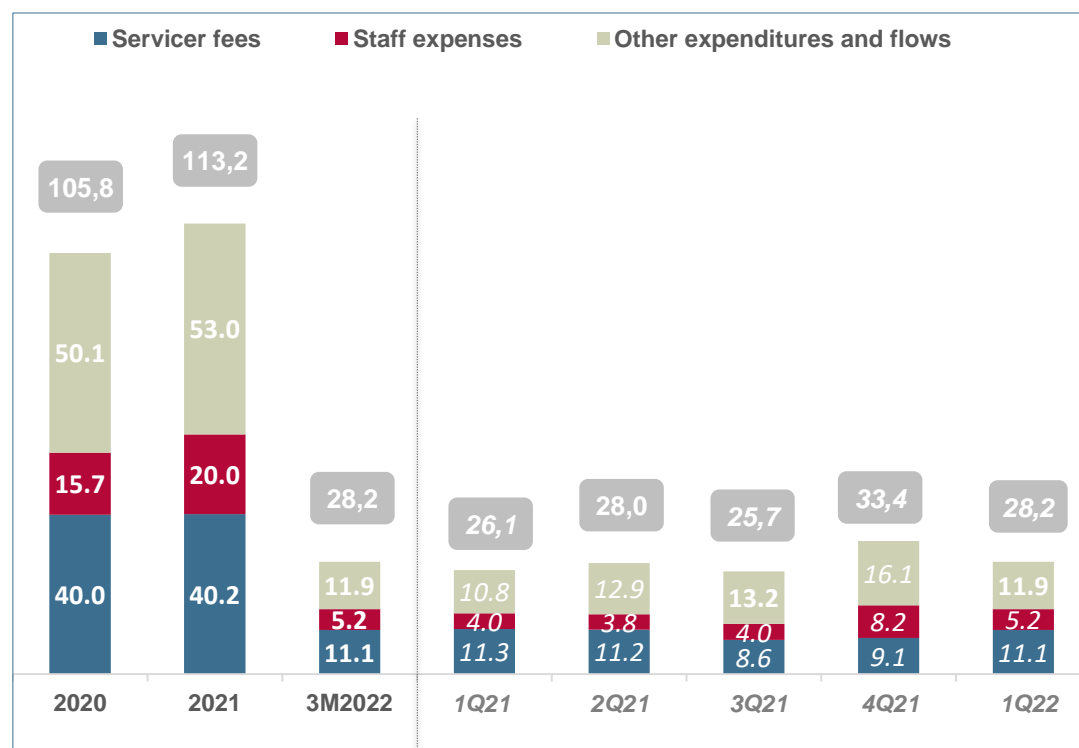


- Total collections from real estate sales through Altamira Cyprus until 31/03/2022 reached €488,6m and total collections from rentals €17,1m.
- Collections from sales in 1Q22 reached €38,9m, a decrease of 4% compared to previous quarter and a decrease of 14,8% compared to the corresponding quarter of 2021.
- Rental income in 1Q22 reached €0,9m, a decrease of 40% is recorded over the preceding quarter and a decrease of 30% 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 agreement 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 €149,1mIn (including non-recoverable VAT) has been paid up to 31/03/2022. 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 €62,9mIn to 31/03/2022, with the number of KEDIPES staff totaling 360 people (of which 19 will take the March 2022 VRS and will be released gradually within 2Q2022).

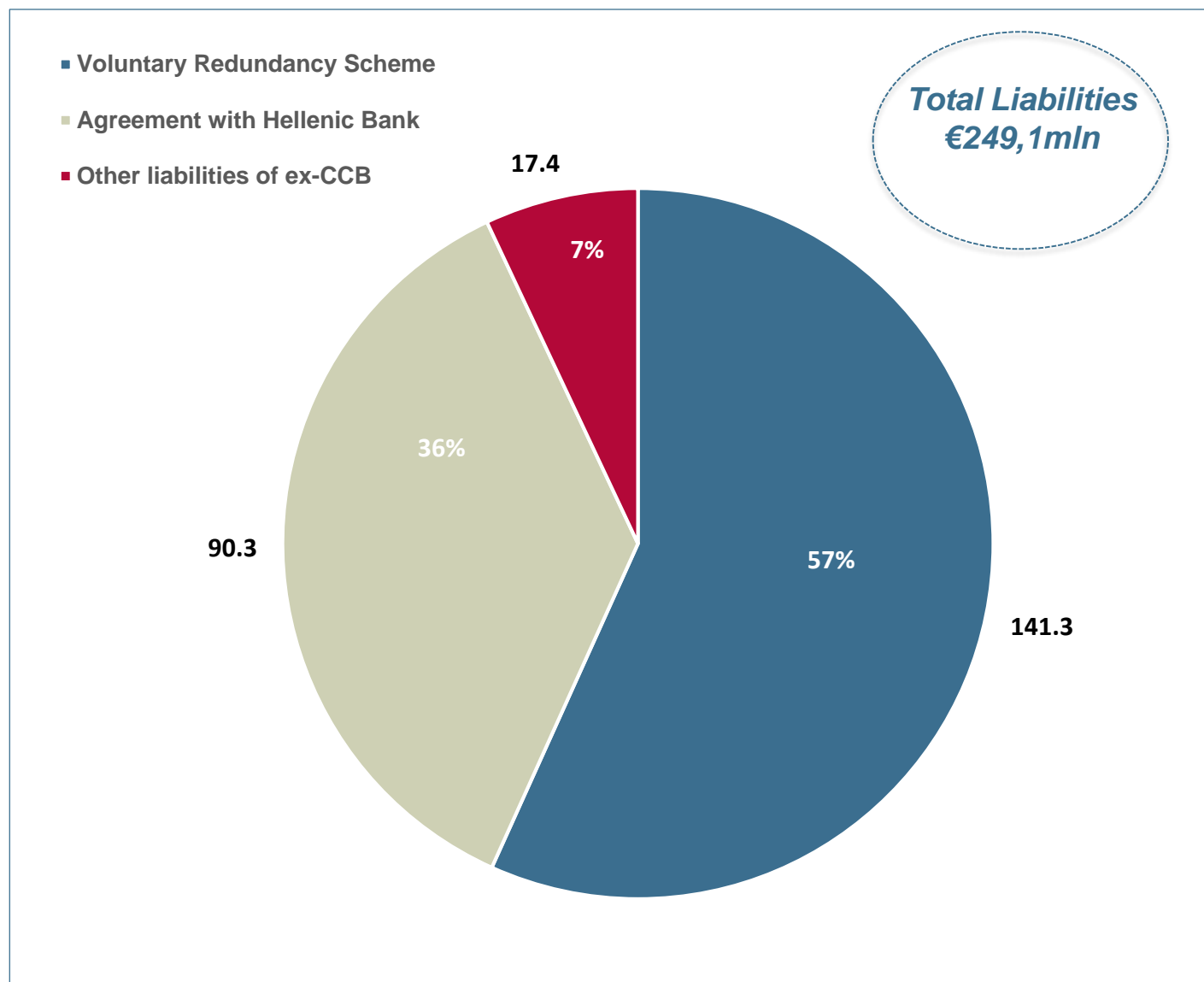
### Other Expenses and Flows

A total cost of €185,5mIn which mainly concerns:

- 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 €62,3mIn of which €2,9mIn relate to 1Q22.
- 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 €99,9mIn, of which €6,5mIn related to 1Q22. An amount of €30,5mIn of the Asset Level Expenses was paid to Government Services.
- capital expenditure and other flows.

**A total of €74,5mIn 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 31 March 2022, a settlement of liabilities totaling €249,1mln 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.

### *Agreement with Hellenic Bank*

Under the agreement, amounts totaling €13,8mln have been paid to Hellenic Bank in relation to the agreement concerning the transfer of business.

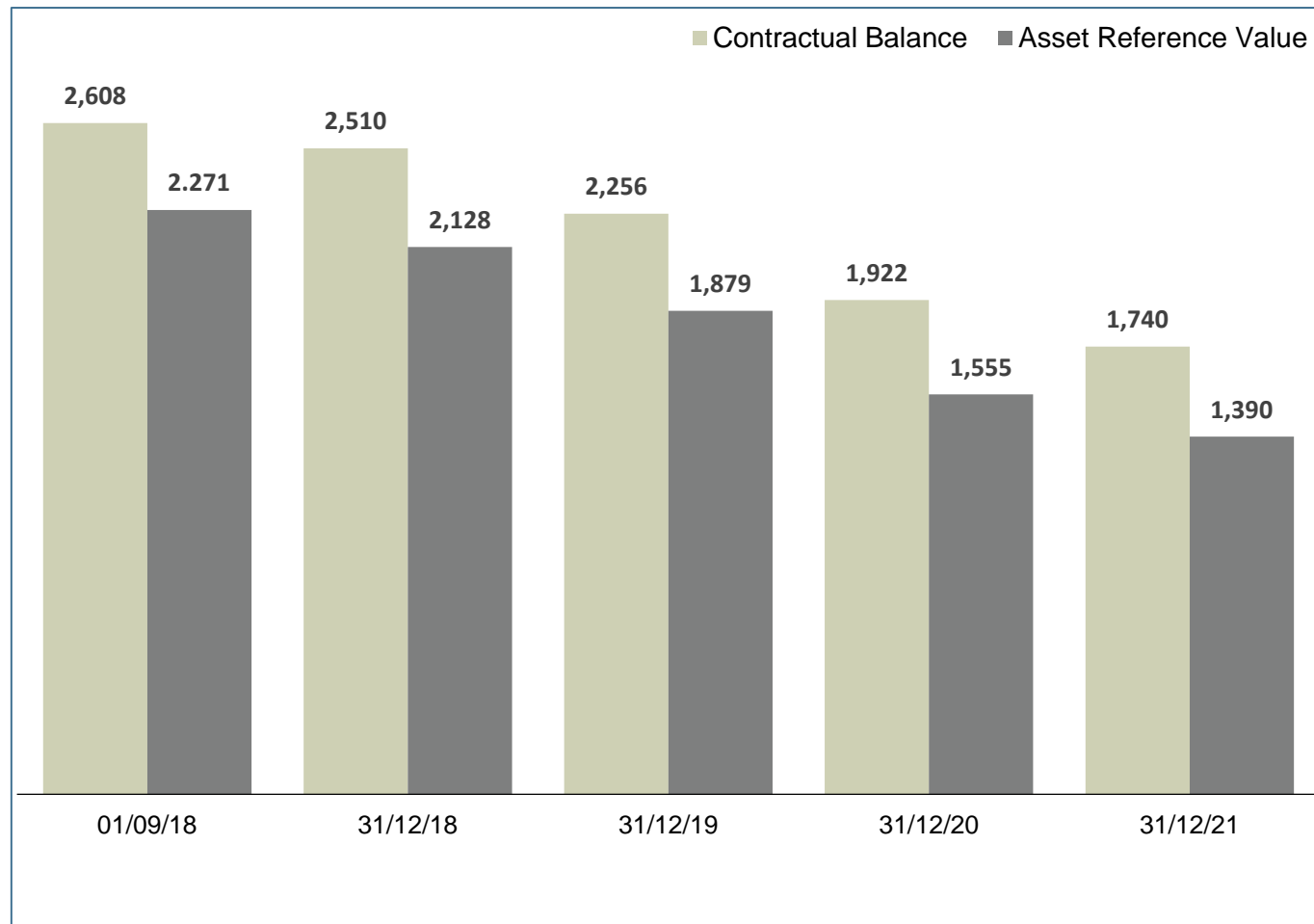
Under the Asset Protection Scheme with Hellenic Bank Asset Protection Scheme total payments of €78,2mln have been made to Hellenic Bank until 31 March 2021.

### *Other Liabilities of ex-CCB*

These mainly concern payments for taxes, social security and supervisory fees.



## APS Exposure (€mln)



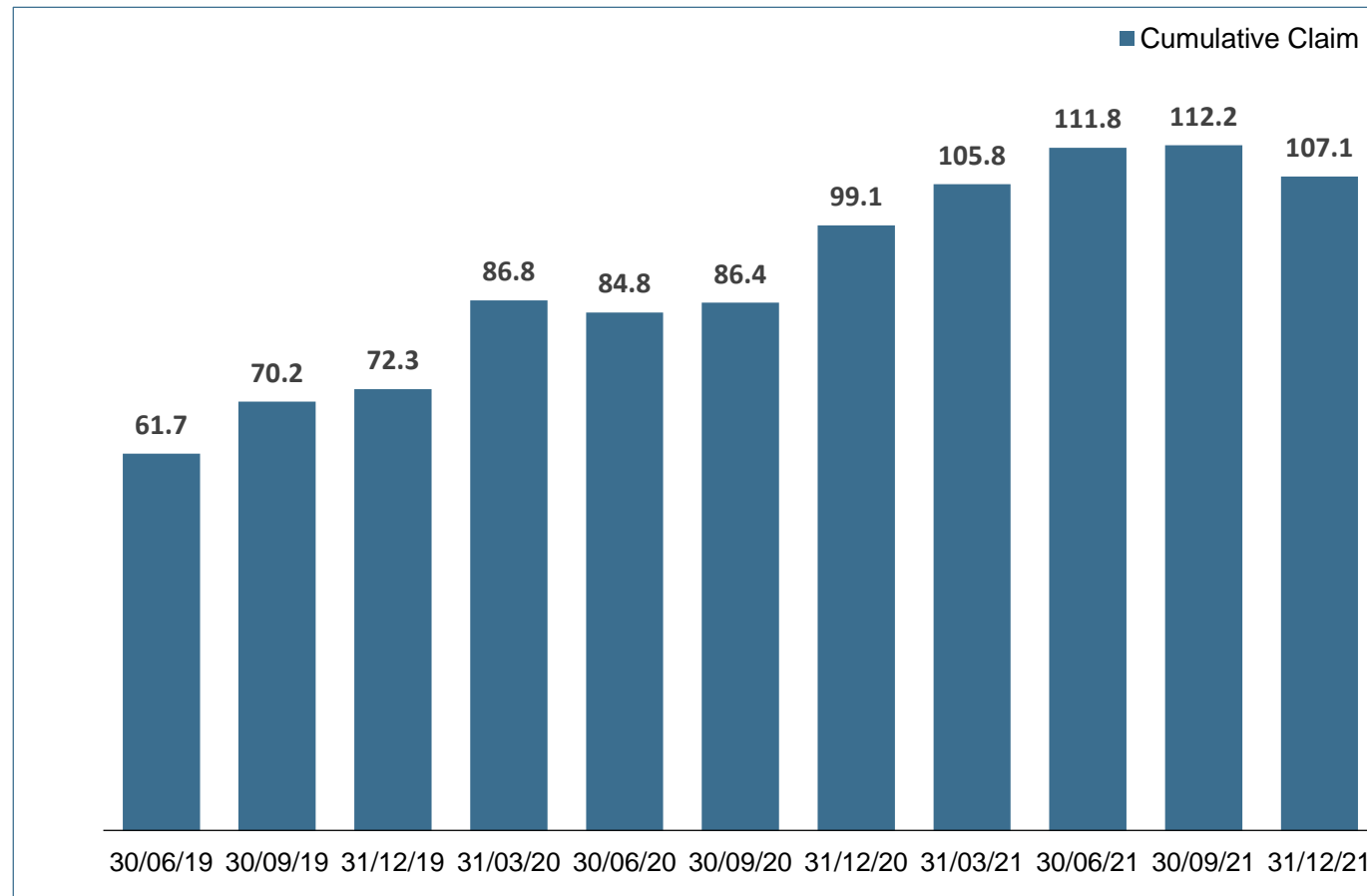
- The Contractual Balance of assets covered by the Scheme as at 31 December 2021 is €1,740mln, compared to €2,608mln. at the start of the Scheme.
- According to the latest data provided by Hellenic Bank, the Reference Value of the assets covered on 31 December 2021 is €1.390mln. The reduction includes the impact of €184mln asset withdrawals on the second anniversary of the scheme and a small decrease of €2,3mln asset withdrawals on the third anniversary of the scheme. The Asset Reference Value as at 31 December 2021 is reduced by 39% 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 customer loans with initial Contractual Balance of €2.608mln and Reference Value of €2.271mln. 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 €1.351mln, including all non-performing loans. The duration of the cover is 12 years.
- APS Pool 2 includes loans with initial Reference Value of €920mln. 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 €184mln and pay a fee of €4,3mln to the Republic of Cyprus.
- In addition, at the end of October 2021, on the third anniversary of the scheme, HB has elected, to withdraw loans with Reference Value of €2,3mln and pay a fee of €22,8mln. The withdrawal relating to the third anniversary is effective from Q4 2021.
- As a result, the total payments to date by Hellenic Bank to the Republic of Cyprus as guarantor of the scheme reached so far €42,1mln.

## Cumulative APS Claim (€mln.)\*



- As part of the Scheme Hellenic Bank has submitted so far eleven claims for a cumulative amount of €107,1mln for the period 1<sup>st</sup> September 2018 to 31 December 2021.
- Payments of €78,2mln or 73% of all APS claims have been made to date. During 1Q2022 no payment was made.
- SEDIPES/KEDIPES and HB are currently discussing to confirm the remaining claim 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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