



## Announcement

### Agreement for sale of a portfolio of Non Performing Loans

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Nicosia, 15 November 2021

**This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014.**

#### **Group Profile**

*The Bank of Cyprus Group is the leading banking and financial services group in Cyprus, providing a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. The Bank of Cyprus Group operates through a total of 91 branches in Cyprus, of which 11 operate as cash offices. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 3,558 staff worldwide. At 30 June 2021, the Group's Total Assets amounted to €24.2 bn and Total Equity was €2.1 bn. The Bank of Cyprus Group comprises Bank of Cyprus Holdings Public Limited Company, its subsidiary Bank of Cyprus Public Company Limited and its subsidiaries.*

Bank of Cyprus Holdings Public Limited Company (“BOC Holdings” and, together with its subsidiaries, the “Group”) has reached an agreement with funds affiliated with Pacific Investment Management Company LLC (“PIMCO”), for the sale of a portfolio of Non Performing Loans (the “Portfolio”) with a gross book value of €577 mn<sup>1</sup>, as well as real estate properties with a book value of €121 mn<sup>1</sup> (known as “Helix 3”, or the “Transaction”). The Portfolio has a contractual balance of €993 mn<sup>2</sup> and it comprises c.20,000 loans, mainly to Retail clients. At completion, the Bank will receive gross cash consideration of c.€385 mn.

The Transaction represents another milestone in the delivery of one of the Group’s core strategic objectives of improving asset quality through the reduction of NPEs. Pro forma for this Transaction, the Group’s NPE ratio will be in single digit.

The Transaction reduces the stock of NPEs by 36%<sup>1</sup> and the properties by 9%<sup>1</sup>. On a pro forma basis, in the first nine months of 2021 our NPE stock reduced by €2.2 bn<sup>1</sup> to €0.9 bn<sup>1</sup>, and the NPE ratio to 8.6%<sup>1</sup>, including Helix 3, Helix 2 and organic reductions.

Overall, by completion, the Transaction is expected to have a total positive impact of 66 bps<sup>1</sup> on the Group’s CET 1 ratio and c.€21 mn on the Group’s income statement. The impact of the Transaction on the Group’s income statement for 3Q2021 is a net profit of c.€10 mn and a positive impact of 7 bps<sup>1</sup> on the Group’s CET 1 ratio.

The completion of the Transaction is currently estimated to occur in the first half of 2022 and remains subject to a number of conditions, including customary regulatory and other approvals.

The Portfolio and the real estate properties included in the Transaction will be transferred to a licensed Cypriot Credit Acquiring Company (the “CyCAC”) by Bank of Cyprus Public Company Limited (the “Bank”). The shares of the CyCAC will then be acquired by certain funds affiliated with PIMCO.

Following a transitional period where servicing will be retained by the Bank, it is intended that the servicing of the Portfolio and the real estate properties included in the Transaction will be carried out by a third party servicer selected and appointed by the purchaser.

PIMCO is one of the world’s premier fixed income investment managers. With its launch in 1971 in Newport Beach, California, PIMCO introduced investors to a total return approach to fixed income investing. In the 45+ years since, the firm continued to bring innovation and expertise to their partnership with clients seeking the best investment solutions. Today PIMCO has offices across the globe and 2,900+ professionals united by a single purpose: creating opportunities for investors in every environment. PIMCO is owned by Allianz SE, a leading global diversified financial services provider.

**Panicos Nicolaou, Group Chief Executive Officer**, commented:

“I am delighted to announce the signing for the disposal of Helix 3 today, a significant milestone in our de-risking strategy, allowing us to early achieve, by a year, our guidance for a single digit NPE ratio, in a capital accretive and profitable transaction.

We are reaching the end of a long journey that started in 2014. Overall, since the peak, we have now reduced the stock of NPEs by €14.1 bn<sup>3</sup> or 94%<sup>3</sup> to less than €1 bn<sup>3</sup> and the NPE ratio by 54 percentage points<sup>3</sup>, from 63% to less than 9%<sup>3</sup>.

We are pleased with the progress achieved on our medium term strategic objectives, and remain fully committed and on track to achieve an NPE ratio of 5%.”

Morgan Stanley & Co. International plc and Interpath Advisory acted as financial advisors, Allen & Overy LLP acted as English legal advisors and Chryssafinis & Polyviou LLC acted as Cypriot legal advisors to the Bank in this Transaction.

For further information, please contact Investor Relations at [investors@bankofcyprus.com](mailto:investors@bankofcyprus.com)

<sup>1</sup> Based on the Group Financial Results for the six months ended 30 June 2021

<sup>2</sup> As at the reference date of 31 May 2021

<sup>3</sup> Based on the Group Financial Results for the six months ended 30 June 2021, proforma for Helix 3 and the organic NPE reduction of c.€300 mn in the first nine months of 2021