



3 July 2017

## Announcement

**Subject: Sale of Non-Performing Loan and Real Estate Management Business by Hellenic Bank to APS Debt Servicing Cyprus Ltd**

Hellenic Bank Public Company Ltd (“**Bank**”) has sold its non-performing loan and real estate management business, to a newly established entity APS Debt Servicing Cyprus Ltd (“**APS Cyprus**”) which is a member of the APS Holding a.s. (“**APS Holding**”) group of companies. APS Cyprus will manage the Bank’s non-performing loans and real estate assets. Further to the announcement dated 11 January 2017, all required regulatory clearances have been received. The transfer of business was on 1 July 2017 while APS Cyprus commences operations on 3 July 2017.

APS Cyprus is acquiring the operations of the Bank’s internal Arrears Management Division (“**AMD**”), including the necessary resources to independently carry out the servicing of non-performing loans and real estate assets. Simultaneously, the Bank has executed a 10-year service level agreement with APS Cyprus for the management of the Bank’s non-performing loan and real estate portfolio (“**NPL and REO Portfolio**”). It is noted that the Bank retains the ownership of the said non-performing loan and real estate portfolio. The contract is priced at arms’ length following a two stage competitive auction process.

APS Cyprus is 51% owned by APS Holding and 49% by the Bank. APS Cyprus will assume all operating expenses associated with the management of the Bank’s NPL and REO Portfolio including but not limited to the costs of payroll, IT licenses, processes, products, services and other operations related overheads. 129 employees from the Bank’s AMD are moving to APS Cyprus while additional resources, expertise and knowhow will be brought in as needed to further enhance the capabilities and capacity of the operation.

Non-performing loans with a value of approximately €2,3 billion and real estate assets with a value of approximately €150 million will be managed by APS Cyprus in consideration for an administration fee payable by the Bank to APS Cyprus. The administration fee to be paid to APS Cyprus will comprise of both a fixed and a variable element. The level of fees payable to APS Cyprus varies according to the progress of collections with the majority of the fees being driven by the successful resolution of the portfolio.

The consideration for the sale of the business is approximately €20,6 million.<sup>1</sup> The accounting gain before tax from the transaction is approximately €19,9 million, with a pro forma positive impact of approximately 30 basis points on the Common Equity Tier 1 capital ratio.<sup>2</sup>

The transaction is consistent with the Group's strategy of "fixing" the balance sheet by tackling asset quality problems and "building" the franchise by expanding the business in a risk prudent way. Furthermore, it is in line with the ECB, IMF and EBRD guidelines on the management of non-performing loans. Through the creation of the first debt servicing platform in the Cypriot market, the Bank will be able to effectively tackle its non-performing loans in an accelerated way and with higher recoveries, leveraging on the knowhow, proven expertise and technical experience of APS Holding. The Bank will also be in a stronger position to focus its resources on managing and growing the performing loan book by seizing opportunities both domestically and internationally. The establishment of a debt servicer is expected to facilitate the price discovery for problematic loans and help the development of a market for distressed assets in Cyprus, attracting international investor interest for such assets and expediting the resolution of problem loans.

APS Holding is a leading company in the management and recovery of loan portfolios and real estate within Central and South-Eastern Europe. Founded in 2004, APS Holding is headquartered in Prague, Czech Republic. Through its more than 650 experts, it provides services in 11 European countries: Bulgaria, Croatia, Cyprus, the Czech Republic, Hungary, Montenegro, Poland, Romania, Greece, Serbia, and Slovakia. APS Holding manages assets with a total nominal value of more than €5,1 billion (€7,5 billion including the current transaction). Since 2013, APS Holding has been an official partner of the International Finance Corporation (IFC), a member of the World Bank.

#### **HELLENIC BANK PUBLIC COMPANY LTD**

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<sup>1</sup> This comprises an upfront consideration of €13,7 million (including the Bank's contribution) and a deferred consideration of €6,9 million.

<sup>2</sup> Based on financial statements dated 31 March 2017. The positive impact will be included in the regulatory capital ratios upon the auditing of the Bank's relevant financial results and regulatory review.