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Other Inside Information (Substantial Other Inside Information (Substantial Information/ Major Development)

HELLENIC BANK PUBLIC COMPANY LTD

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Acceptance of Hellenic Bank's Final Offer to acquire certain assets and liabilities of the Cyprus Cooperative Bank

Announcement dated 18th June 2018 is attached.

Attachment:

1. **Acceptance of Hellenic Bank's Final Offer to acquire certain assets and liabilities of the Cyprus Cooperative Bank**

Regulated

Publication Date: 19/06/2018

HELLENIC BANK

18 June 2018

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF EU REGULATION 596/2014.

ANNOUNCEMENT

ACCEPTANCE OF HELLENIC BANK'S FINAL OFFER TO ACQUIRE CERTAIN ASSETS AND LIABILITIES OF THE CYPRUS COOPERATIVE BANK ESTABLISHES HELLENIC BANK AS A LEADING RETAIL AND SME BANK IN CYPRUS

Further to the announcement made by Hellenic Bank Public Company Limited (the "**Company**") on 15 June 2018, that it submitted a final offer (the "**Final Offer**") for the acquisition (the "**Acquisition**") of certain assets and liabilities of the Cyprus Cooperative Bank Ltd ("**CCB**"), and further to the statement by the Minister of Finance that the Council of Ministers of the Republic of Cyprus is supportive of the Company's Final Offer, subject to submission of a capital plan by the Company, the Company announces that today its Board of Directors approved the capital plan and the Company submitted the capital plan to CCB and its advisors. The capital plan is subject to approval by the European Central Bank. The Final Offer was accepted by the shareholders of CCB at the extraordinary general meeting which took place today.

As stipulated in the Final Offer, the Acquisition comprises of a balance sheet with a total size of €10.3bn as well as certain business of the CCB that is related to the balance sheet. The balance sheet comprises of a portfolio of primarily performing loans (net loans: €4.6bn), Cyprus Government Bonds (€4.1bn), cash (€1.6bn), customer deposits (€9.7bn) and certain other current liabilities and assets. The terms of the Acquisition will include an asset protection scheme ("**APS**"), provided by CCB, whose obligations will be guaranteed by the Republic of Cyprus. The APS will protect parts of the acquired loan portfolio, such as €0.5bn of non-performing exposures (net) and up to €2.1bn of high risk performing loans, against future unexpected losses to the Company. The definitive agreements for the Acquisition are expected to be entered into as soon as practicable.

The Company has offered to pay CCB €74mn in cash as consideration for the Acquisition.

The Acquisition is expected to accelerate the Company's strategy of strengthening its banking franchise across Cyprus with an enlarged and diversified customer base. The Acquisition perimeter is complementary to the Company's existing business model, diversifying its loan portfolio from its current focus on corporates and SME clients to establish an enlarged retail presence. Subject to the successful completion of the

Acquisition, the Company is expected to have a performing loan market share of c. 22%[1] and a customer deposit market share of c. 31%,[2] establishing the Company as a leading retail and SME bank in the Cypriot economy. The Company is expected to expand its services to the c. 400,000 customers of CCB (some of which are joint customers with the Company) which, combined with its existing customer base, will lead it to serve most Cypriot households.

The Company's strong liquidity position enabled it to provide a comprehensive offer to the CCB's tender process for the sale of certain assets and liabilities. It was able to submit an offer to absorb the entirety of customer deposits and provide liquidity to CCB depositors. Should the transaction proceed, the Company will continue to maintain a prudent liquidity position post-completion, with an expected ratio of net loans to deposits of approximately 50%, allowing it to further support the financing needs of its customers.

The Acquisition is expected to achieve a reduction to the non-performing exposure ("**NPE**") ratio of the Company from 52%[3] to below 25%[4], while the Texas ratio[5] is expected to improve from 115%[6] to c. 100%[7]. As a result, the Company's financial profile is expected to improve considerably, allowing it to focus on its core strategic initiatives.

In addition to revenue and funding cost synergies, operational cost synergies are expected from the rationalisation of the combined branch network and from the planned employee exit scheme to be implemented by CCB's management prior to the completion of the Acquisition, providing greater certainty for the realisation of such cost synergies.

The Company's medium term[8] targets[9] following the Acquisition, include, *inter alia*:

- **Asset Quality:** Reduction of NPE ratio[10] to below 20%, whilst maintaining a NPE coverage ratio of around 55%.

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[1] Latest available figures (i.e.: December 2017 for the Company and for the banking system as per Central Bank of Cyprus)
[2] Based on Central Bank of Cyprus statistics for April 2018
[3] As of 31 March 2018
[4] Excluding NPEs under an asset protection scheme
[5] Defined as NPEs / (Shareholders' equity + Accumulated Impairment Losses)
[6] As of 31 March 2018
[7] Excluding NPES under an asset protection scheme and post equity capital increase
[8] Medium Term Targets refer to a period of 3 to 5 years
[9] These are targets only and not profit forecasts. There can be no assurance that these targets will be met and it should not be taken as an indication of the Company's expected or actual future results. Recipients of this announcement should decide for themselves whether or not the targets are reasonable or achievable.
[10] Excludes the impact of any potential future NPE transactions or any similar related transactions and excluding any NPEs under an asset protection scheme

- **Funding:** Net loans to deposits ratio in excess of 55%
- **Profitability:** Net interest margin (as % of average total assets) in excess of 2.3% with a cost to income ratio below 55%.

The Company will have a significant exposure to Cyprus Government Bonds and has a time-specific plan to reduce this exposure in the coming years. The Company's capital position, following execution of the capital plan, will be sufficient to satisfy the regulatory capital requirements for such exposure.

Subject to final agreement, the Company intends to finance the Acquisition via an equity capital raise of €150mn at a subscription price of €0.70 per share in cash (the "**Capital Raise"**) of which, at least €100mn will be via a pre-emptive rights issue. The Acquisition is conditional on the shareholders having validly passed the necessary resolutions in a duly convened extraordinary general meeting approving the issue and allotment of shares comprising the Capital Raise by Hellenic Bank. The Capital Raise should allow the Company to maintain a CET1 ratio and total capital in excess of 13.7% and 16.0% respectively, which are expected to increase over the coming years through organic capital generation.

Additionally, as part of the equity capital raise, Hellenic Bank has entered into a subscription agreement with Demetra Investment Public Ltd ("**Demetra**") for up to €72.28mn. Pursuant to the subscription agreement Demetra commits to subscribe for its *pro rata* share of the pre-emptive rights issue. To the extent that shares are not subscribed for by other holders in the pre-emptive rights issue, the Company has agreed to allocate to Demetra such number of additional shares as are necessary for Demetra to have a total shareholding of not less than 20.1% at completion of the Capital Raise. The Board of Directors may, at its full discretion, allocate to Demetra any further shares not subscribed for in the pre-emptive rights issue up to, including other shares subscribed for by it in the Capital Raise, the total amount of €72.28mn.

The Company has been advised by Alantra Corporate Finance S.A, Allen & Overy LLP, Antis Triantafyllides & Sons LLC, PricewaterhouseCoopers Ltd and The Boston Consulting Group Hellas S.A. (the "**Advisors**") and will, to the extent required by applicable laws and regulations, keep the investors informed of any developments on this matter.

HELLENIC BANK PUBLIC COMPANY LIMITED

Forward Looking Statements

The information in this announcement includes forward-looking statements which are based on current expectations and projections about future events. These forward-looking statements, as well as those included in any other material referred to within this announcement, are subject to risks, uncertainties and assumptions about the Company and its subsidiaries and investments, including, among other things, securing necessary governmental and other approvals, changing business or other market conditions and the prospects for growth anticipated by the management of the Company. In light of these risks, uncertainties and assumptions, the events or circumstances referred to in the forward-looking statements may not occur.

None of the future projections, synergies, expectations, estimates or prospects in this announcement should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, synergies, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in this announcement. No one undertakes to publicly update or revise any such forward-looking statement, whether as a result of new information, future events or otherwise. As a result of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise.

No statement in this announcement is or is intended to be a profit forecast or profit estimate or to imply that the earnings of the Company for the current or future financial years will match or exceed the historical or published earnings of the Company. The price of shares in the Company and the income from them may go down as well as up and investors may not get back the full amount invested on disposal of the shares.

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