



## Announcement

# Agreement for the sale of Bank of Cyprus UK Limited

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Nicosia, 10 July 2018

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 123 branches, of which 121 operate in Cyprus, 1 in Romania and 1 in the United Kingdom. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 4,396 staff worldwide. At 31 March 2018, the Group's Total Assets amounted to €23.4 bn and Total Equity was €2.3 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**  
The best Bank in Cyprus 2017

Bank of Cyprus Holdings Public Limited Company (“**BOC Holdings**” and, together with its subsidiaries, the “**Group**”) announces that it has signed a binding agreement to sell its wholly owned subsidiary bank in the UK, Bank of Cyprus UK Limited (“**BOC UK**”) and its subsidiary Bank of Cyprus Financial Services Ltd (“**BOC FS**”, and together the “**UK Group**”) to Cynergy Capital Limited (“**Cynergy**”). The sale is expected to be completed by the end of 2018 and is subject to approval by the regulators of both the Group and BOC UK.

The sale consideration of £103 mn (c. €117 mn<sup>1</sup>) is subject to customary purchase price adjustments for the period up to completion. The consideration is payable in cash, of which half is deferred over 24 months from completion, without any performance conditions attached.

On completion, the total value of the sale is expected to have a positive impact of c.65 bps<sup>2</sup> on the Group’s CET1 ratio and c.60 bps<sup>2</sup> on the Group’s Total Capital ratio. The accounting profit from the sale is estimated at c.€3 mn<sup>2,3</sup>. The Group will provide an update on the financial impact at completion.

The transaction is expected to have a negligible impact on the Group income statement and the organic EPS guidance of c.€0.40 for the year is maintained. Other than a c.€2 bn reduction in balance sheet size, the Group’s targets for the year and medium term guidance remain unchanged and continue to exclude any impact from any possible accelerated risk-reduction transactions.

The decision to sell the UK Group is in line with the Group’s strategy of delivering value for shareholders and focusing principally on supporting the growing Cypriot economy.

Further to this transaction, the Group and BOC UK will sign a cooperation agreement, which will see both organisations cooperating in a number of key areas going forward, including continuity of servicing for existing customers.

Following completion, BOC UK is expected to be rebranded to “Cynergy Bank”, a name chosen to reflect the bank’s Cypriot heritage, combined with a modern and energetic focus.

**John Patrick Hourican, Group Chief Executive Officer**, commented: *“This is another positive step in our journey back to strength. The transaction will further simplify the Group and deliver good value to shareholders. The equity realised will be deployed in pursuit of our core activity in Cyprus to continue to support the recovery of the Cypriot economy.”*

*Whilst BOC UK has been part of the Group for a long time, it has become increasingly clear that the UK business will benefit from the greater scale that can be achieved through the support of Cynergy. We expect this change in ownership to drive greater value for customers, colleagues and Group shareholders. The transaction will allow the bank in the UK to grow faster, thereby achieving the ambition for this business with new partners. We are excited about the cooperation agreement which provides for a strong channel of connectivity post-Brexit and into the future, and will support Group customer requirements for UK banking, as well as delivering commercial benefits for both organisations.”*

<sup>1</sup> Using FX Rate EURGBP of 0.8770 as at 31 March 2018

<sup>2</sup> Based on the Group financial results for the quarter ended 31 March 2018

<sup>3</sup> Includes the recycling to the Income Statement of a foreign currency gain of €17 mn currently recorded in the foreign currency translation reserve

**Nick Fahy, Chief Executive Officer of BOC UK**, commented: *“This is a positive development for the UK bank. The sale to Cynergy will enable us to focus on growing our franchise across enterprising business owners and savers in the UK, including the underserved property and SME market. We have worked for decades with UK-Cypriot customers and businesses and are immensely proud of our history - we will continue to stay true to this heritage. I look forward to working with Cynergy and further developing Cynergy Bank into one of the leading specialist banks in the UK.”*

**Bal Sohal, Director of Cynergy** added: *“We have been actively looking to invest in the UK banking sector, where we see significant opportunities for growth and to better address the needs of small businesses in the UK, including those of the Cypriot community. Cynergy’s focus will be on delivering sustainable growth for the UK bank. We plan to support the existing management team to deliver on the strategy it has for the bank and are committed to investing further capital to develop the business in the coming years.”*

As required by the Cyprus Stock Exchange and according to paragraph 5.2.1.17(7) of the Decision of the Council of the CSE Concerning the CSE Market 379/2014 (as amended), the transaction is at arm’s length, it does not relate to or affect the interests of the Company’s Secretary or of any “designated person” in accordance with the meaning given to the aforementioned term in article 137(3) of the Cyprus Securities and Stock Exchange Law 14(I)/1993 (as amended).

HSBC acted as financial advisor and Norton Rose Fulbright as legal advisor to the Group in connection with this transaction. PwC acted as financial advisor and Eversheds Sutherland as legal advisor to Cynergy.

### **Notes to the editor**

**BOC UK** currently operates a predominantly retail funded franchise through seven locations across the UK. It specialises in supporting the business owners market with specialist offerings in property and business lending. It also offers mortgage products, together with its savings, current accounts and trade-related products for SMEs and professionals. BOC UK is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

As at 31 March 2018, BOC UK had gross loans of £1.52 bn (€1.73 bn<sup>1</sup>) accounting for 9% of Group total gross loans, deposits of £1.66 bn (€1.89 bn<sup>1</sup>) accounting for 11% of Group total deposits and risk weighted assets of £0.8 bn (€1.0 bn<sup>1</sup>).

**Cynergy** is led by a consortium comprising Mr. Pradip Dhamecha (OBE), Mr. Balbinder (Bal) Sohal, Mr. John Coulter and Ms. Ann Jones. The consortium investors are experienced business owners in the UK, focused on the retail and SME sectors. They have worked together for several years and have a number of successful business interests and investments, in a variety of sectors including retail, wholesale, property and financial services.

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