

Case study

Bank of Cyprus maximises its NPL portfolio sale price through Recognyte's software technologies



Client name

Bank of Cyprus

Region

Cyprus, Europe

Technologies used

DataScout, ActiveEstate

The Bank of Cyprus 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 108 branches in Cyprus with representative offices in Russia, Ukraine and China. It is the largest bank in Cyprus by market penetration, with 83% of Cypriots having active Bank of Cyprus accounts, representing 60% of total corporate accounts and 40% of the overall banking sector.

The challenge

At the peak of the Cyprus financial crisis in 2013, the Bank of Cyprus had €14bn of non-performing exposures (NPEs) on its balance sheet, which translated to an NPE ratio (NPEs to Gross Loans) of 52%. Amidst pressure from regulators, the Bank took steps, initiated projects and implemented procedures whose aim was to reduce its stock of NPEs whilst maximizing loan recoveries.

In 2021, having successfully reduced its NPE stock to just under €2bn, as a result of organic workouts and having successfully completed two major NPE sales to Private Equity funds, the Bank initiated Project Helix 3 – its third attempt to deleverage through a bulk sale, which included a portfolio of Non-Performing Loans with a gross book value of €577mn, as well as Real Estate Owned (REO) properties (acquired in prior years through repossessions) with a book value of €121mn.

To avoid having to sell the portfolio at a substantial discount, the Bank knew that remediating and enriching the real estate data underpinning the loan portfolio first would offer them the best way to maximise potential returns. It had learned this after its Helix 1 project and subsequently engaged Recognyte for its data remediation and enrichment on its Helix 2 and Helix 3 projects.

An option to undertake this remediation project manually was quickly dismissed and a data remediation solution partner was sought. Recognyte was introduced to the Bank of Cyprus via a partner and was selected for its leading real estate software technology.

Recognyte offered real estate solutions that could accelerate data remediation and enrichment through artificial intelligence as well as offer complete portfolio management solutions for real estate owners.

The solution

The Bank was keen to offer potential bidders the maximum visibility and transparency into the collateral security within the portfolio. The portfolio contained 4,100 real estate collaterals and 400 REOs within the Helix 3 datatape, as well as other valuation reports. Bank of Cyprus used Recognyte's DataScout solution to provide data cleansing and remediation for its RE collateral book. Furthermore, DataScout's proprietary AI capabilities managed the datatape enrichment process, appending new relevant information it had gathered from third party open sources.

The seller wanted to give potential bidders access to the portfolio. Recognyte's ActiveEstate portfolio management solution was set up as a virtual data room (VDR) on the bank's premises. From ActiveEstate, potential bidders could gain access to the remediated data to select their underwriting samples and assess how they might bid based on the collateral data quality within the portfolio.

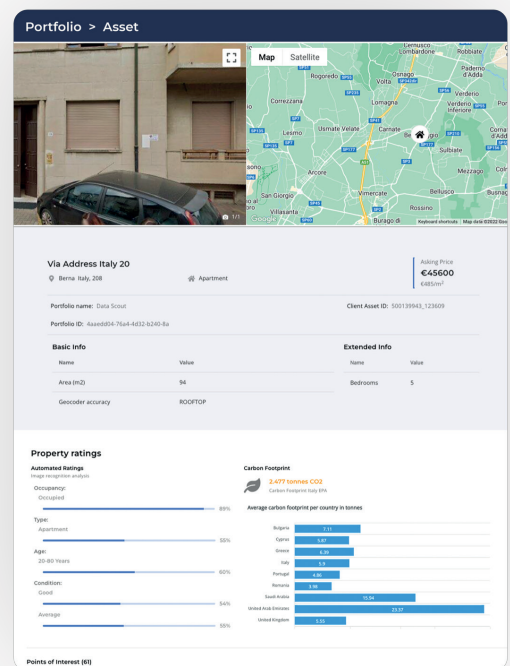
The portfolio was visualised through a BI Dashboard that was used as the main reference point for the bidders to visualise the contents of the portfolio.

The outcome

The data cleansing and enrichment exercise took just five working days to complete and managed to remediate 92% of the portfolio's data. By comparison, done manually the cleansing and enrichment would have taken the company many analysts over many months to complete.

Data transparency enabled investors to better predict the timeline needed for the recoveries in their portfolio business plan, by sampling and analysing a small portion of the portfolio. Bidders were also able to be less prudent when placing their bids knowing that the random sample was representative of the entire portfolio. This transparency benefited the bank as the bids offered were much closer to its portfolio asking price.

Bank of Cyprus successfully sold its portfolio of € 577m Non-Performing Loans (NPLs) and €121mn of REOs in a competitive bid to a company with a known track record in handling NPLs and achieved it within the timeframe set out in their business plan.



€698m

Value of the portfolio



5 days

Time needed to remediate and enrich 4,100 RE collaterals and 400 REOs



92%

Percentage of the portfolio data remediated