

Case Number: 08.05.001.022.020

THE CONTROL OF CONCENTRATIONS BETWEEN ENTERPRISES LAW

No. 83(I)/2014

Notification of concentration concerning the acquisition of non-performing loans portfolio of Bank of Cyprus Public Company Ltd from CYCMC II Ltd, whose share capital will subsequently be acquired by PIMCO Group, through B4 Galium Holding S.a.r.l.

Commission for the Protection of Competition:

Mrs. Loukia Christodoulou	Chairperson
Mr. Andreas Karidis,	Member
Mr. Panayiotis Oustas,	Member
Mr. Aristos Aristidou Palouzas,	Member
Mr. Polinikis Panayiotis Charalambides	Member

Date of decision: 31 May 2022

SUMMARY OF DECISION

On the 28th of April 2022 the Commission for the Protection of Competition (hereinafter the “Commission”) received on behalf of B4 Galium Holding S.a.r.l. (hereinafter the «B4 Galium» or «The Buyer»), a notification of a proposed concentration. The notification was filed according to Section 10 of the Control of Concentrations between Enterprises Law 83(I)/14 (hereinafter the “Law”).

The notification concerns a concentration regarding the acquisition of a portfolio of non-performing loans (hereinafter the "NPLs") and the management of real estate acquired through execution procedures or payments against credit rights arising from

mortgage loans in Cyprus (hereinafter the "REOs") of the Bank of Cyprus Public Company Ltd (hereinafter together the "Targeted Portfolio") from CYCMC II Ltd, which will subsequently be acquired by B4 Galium.

Companies participating at this merger are the following:

1. B4 Galium is a limited liability company duly registered under the laws of the Grand Duchy of Luxembourg. The Buyer is an investment vehicle, controlled by PIMCO.

PIMCO is a global investment management firm that focuses on active fixed income management and provides services to specialized institutions, financial intermediaries and institutional investors (hereinafter the "PIMCO Group").

2. Target in the present concentration is CYCMC II LIMITED (hereinafter "CYCMC II"), a private limited liability company, duly registered under the laws of the Republic of Cyprus. CYCMC II is currently a 100% subsidiary of the Bank of Cyprus. CYCMC II was established for the purposes of this transaction and prior to the completion of the acquisition of its shares by the Buyer, CYCMC II will acquire the Targeted Portfolio.

As part of this Transaction, B4 Galium will acquire 100% of the share capital of CYCMC II, which will operate in the following markets:

- I. The purchase of non-performing loans in Cyprus,
- II. The management and recovery market of non-performing loans in Cyprus, and
- III. The real estate management, which has been acquired from execution measures or by the repayment of credit rights arising from mortgage loans in Cyprus and/or from the acquisition of a REO portfolio.

According to the Sales and Purchase Agreement the transaction will be completed in two interrelated stages. The first stage concerns the "Plan of Arrangement", which the Bank of Cyprus will transfer a portfolio of NDEs and REOs to CYCMC II. The second stage is based on the terms of the Sale and Purchase Agreement, which B4 Galium will acquire 100% of the share capital of CYCMC II, from the Bank of Cyprus.

The Commission, considering the facts of the concentration, has concluded that this transaction constitutes a concentration within the meaning of section 6(1)(α)(ii) of the Law, since it leads to a permanent change of control of the Targeted Portfolio and CYCMCIII and B4 Galium will acquire sole control.

The Commission has concluded that for the purposes of evaluating this concentration, the relevant product / service market is (a) possession of a NPL portfolio / the acquisition of NPLs and (b) management of NLPs, either in-house or through third parties and (c) management of real estate acquired by credit institutions through execution or payment procedures against credit rights arising under from mortgage loans (REO).

In addition, the Commission concluded that the geographical market for the relevant markets in question is that of the territory of the Republic of Cyprus.

According to the data of the notification, there is horizontal relationship between PIMCO Group and CYCMC II in the market of (a) possession of NPL portfolio / the acquisition of NPLs but since the market share of the PIMCO Group in this market after the completion of the Transaction will be according to the participants [10-20%], which is lower than 15% which is the threshold for creating an affected market in Cyprus according to the Annex I of the Law there is no affected market.

Additionally there is horizontal relationship between PIMCO Group and CYCMC II in the market of (b) management of NLPs but since the market share of the PIMCO Group in this market after the completion of the Transaction will be according to the participants [10-20%], which is lower than 15% which is the threshold for creating an affected market in Cyprus according to the Annex I of the Law there is no affected market.

According to the data of the notification, there is horizontal relationship between PIMCO Group and CYCMC II in the market of (c) management of real estate acquired by credit institutions through foreclosure or payment procedures against credit rights arising under mortgage loans but since the market share of the PIMCO Group in this market after the completion of the Transaction will be according to the participants [0-5%], which is lower than 15% which is the threshold for creating an affected market in Cyprus according to the Annex I of the Law there is no affected market.

Regarding vertical relationships, the Commission points out that there is a possible vertical relationship arises between PIMCO Group in the management of non-performing loans and CYCMC II as a holder of non-performing loans. Upon completion of the transaction PIMCO Group and CYCMC II will have a market share in the NPL management market in Cyprus is [10-20%], which is below the 25% threshold that creates an affected market according to Annex I of Law the Service concludes that no affected market arises.

Based on the above and all the elements of the administrative file, the Commission concludes that there are no other markets in which the notified concentration may have significant effects, based on the provisions of the Law.

The Commission, on the basis of the factual and legal circumstances, unanimously decided that this concentration does not create or strengthen a dominant position as there is no affected market and therefore the concentration does not raise serious doubts as to its compatibility with the operation of the competition in the market.

Therefore, the Commission, acting in accordance with section 22 of the Law, unanimously decided not to oppose the notified concentration and declare it as being compatible with the operation of the competition in the market.

Mrs. Loukia Christodoulou,

Chairperson of the Commission for the Protection of Competition