

Asset sales: helping and hindering factors

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European Bank
for Reconstruction and Development

Corporate NPLs in CEE/SEE: some progress

- Romania has been the focus on many investors interested in CEE (provision level/coverage in Romania at 67%***)
- Most active buyers in Romania have been Deutsche Bank, APS, AnaCap and HIG Capital

Date	Seller	Buyer	Country	Portfolio type	Portfolio Size (EURm)
Dec-2014	BCR	Deutsche Bank	Romania	Corporate and CRE	400
Nov- 2014	Hypo Alpe Adria	B2 Holding	Croatia, Serbia, Montenegro, Slovenia	NPL portfolio	169
Aug-2014	MKB**	APS	Romania	Corporate Recovery	85*
July 2014	BCR	Consortium comprising DB, AnaCap, APS, H.I.G. Capital, APS	Romania	SME NPL	227
July 2014	Volksbank Romania	Consortium comprising DB, AnaCap, H.I.G. Capital, APS	Romania	NPL CRE	495

Source: Deloitte; KPMG research * Gross client receivables as of 31 Dec 2013; ** Corporate Recovery Management unit based in Romania
***as of Aug 2014

Corporate NPL Transaction considerations for Private Investors

Investor strategy

Foreclosure/recovery/liquidation:

- Efficiency and timing of bankruptcy, foreclosure and enforcement process
- Servicing activity/Servicer available
 - Asset management industry
 - Collateral: market liquidity for real estate assets

Restructuring:

- Requires operational changes
- Supportive regulatory/legal environment
- Super-seniority of additional funding

Deal and Market considerations

Size of market/portfolio/FX
Ability to do additional deals
Targeted returns

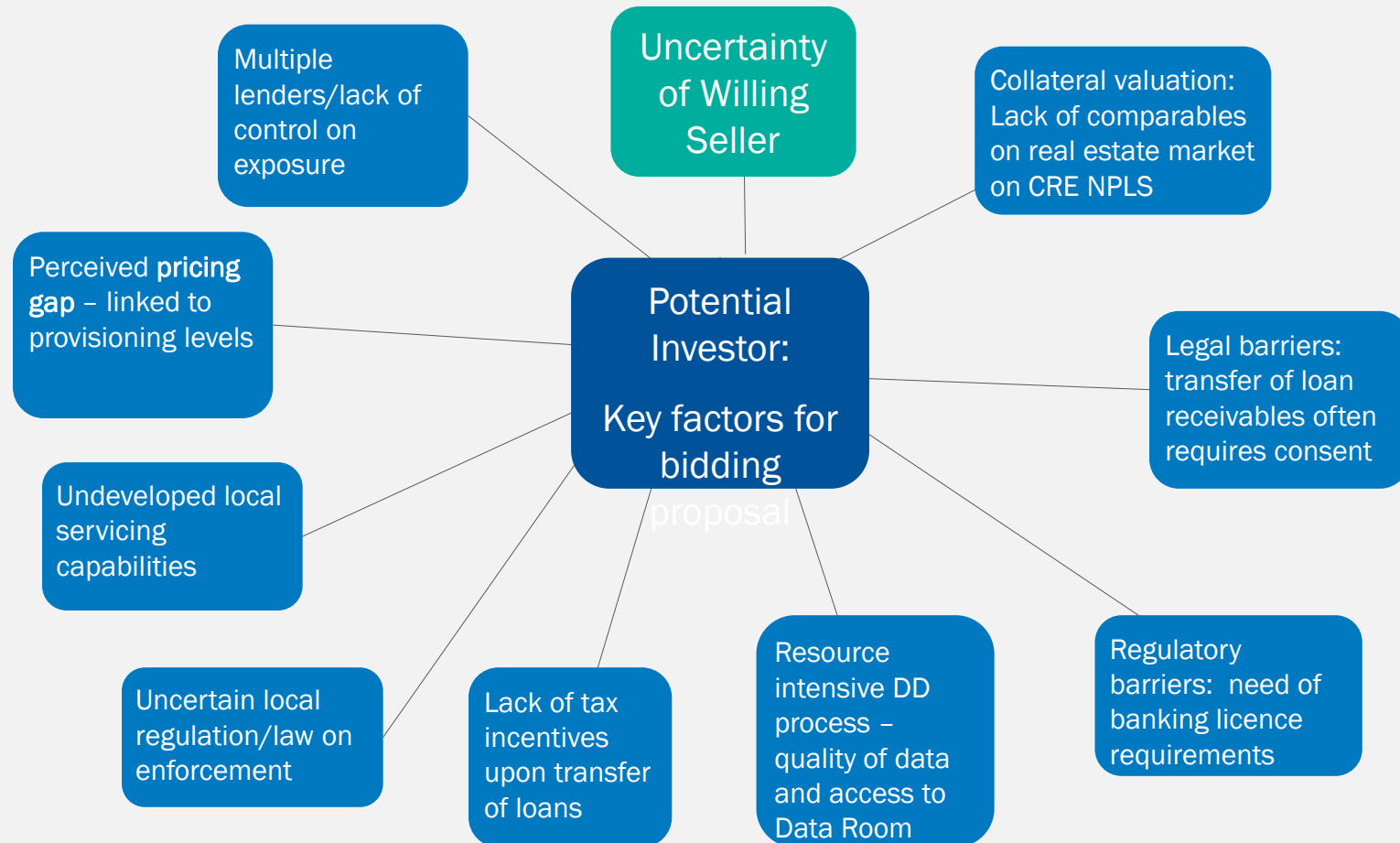
Bilateral conversations or auction

Tax, legal and regulatory framework

Single asset (target investor)
or Portfolio Sales (capital impact)

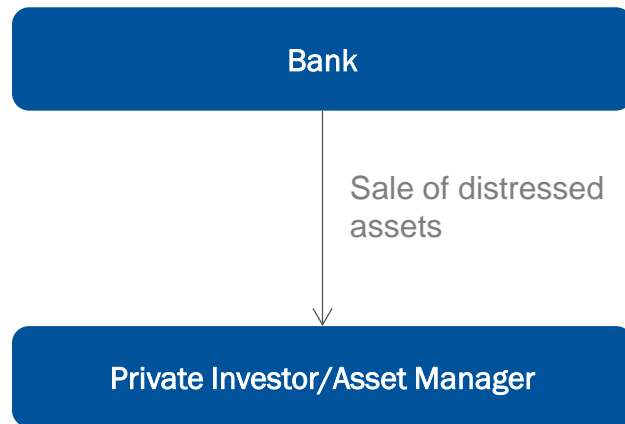
Corporate NPL Transaction: challenges for investors

- Private investors are looking into opportunities to purchase NPL portfolios in CEE/SEE but a number of factors needs to be taken into consideration before a successful loan sale market can be established

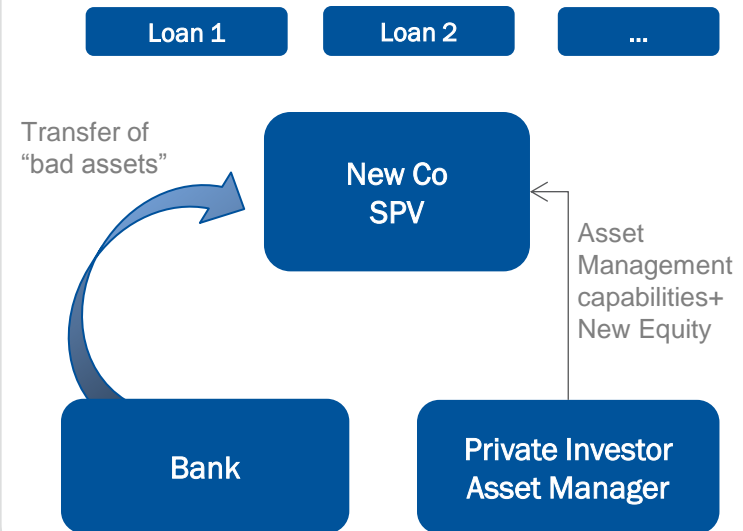


Corporate NPL Transactions Private Investors structures

Straight sale of NPL



Corporate Restructuring Vehicle/ Asset Management Company



- Distressed asset sales or transfer allows the banks to re-focus on the core business
- Loan work-out or restructuring process receives full attention from specialist investor/asset manager
- Private Investors include: Private Equity with special distressed fund, Credit/Special situations funds and Real Estate funds, Investment banks, local banks (focus on Performing Loans)

EBRD's involvement in NPL resolution

- EBRD's engagement in NPL resolution and corporate debt restructuring is an effort across different departments

Office of the General Counsel (OGC)/ Legal Transition Team (LTT)

Supporting legal reforms
Private principles for out-of-court restructuring
Capacity building/training on insolvency

Country and Sector Economics (CSE)

TC
Focus on NPL resolution
Vienna 2 Initiative

Banking/Financial Institutions

Supporting sales of distressed assets
Investments on asset managers
Acquisition of corporate and
secured portfolios

Banking/Industry, Commerce & Agribusiness (ICA)

Restructuring of corporates

EBRD's Operational Role in Corporate NPL Transactions

- Investor in NPL portfolios (requires intensive DD)
- Investor/financier in single-credit corporate restructurings (Banking/ICA)
- Support for specialised investors as a minority investor consortium member
- Support/financing for NPL asset managers
 - ✓ Focus on integrity and reputable collection practices
- Strong relationships with systemic regional banks
- Support for SPV or asset management structures with Private Investors putting in new money for re-structuring of corporate assets

- EBRD actively involved since 2010 – transaction and policy level (Vienna Initiative)
- Policy-level efforts to focus all relevant players on reducing NPLs
- NPL sales in the consumer loan space mainly with the exception of Turkey and more recently Romania
- Corporate NPL discussions difficult due to pricing gaps => increasing provisions could lead to corporate NPL sales in the near future
- Increased interest by private investors such as specialised funds and investment banks in our region
- NPLs transactions still relatively new in our region=> *requires more sales to become a destination for capital*

Annex: EBRD existing engagements related to NPLs

TurkAsset

- ✓ Invested debt & equity in 2011
- ✓ Leading NPL asset manager in Turkey
- ✓ Market is both retail and corporate
- ✓ All major private banks selling regularly

Vostok Finance

- ✓ Provided debt in 2013
- ✓ Leading NPL asset manager & servicer in Ukraine & Russia
- ✓ Unsecured retail loan sales in both markets
- ✓ Most banks are sellers

Frontex International

- ✓ Provided debt in 2014
- ✓ Leading NPL asset manager & servicer in Bulgaria
- ✓ Unsecured retail loan sales
- ✓ Most banks considering sales