



Sales of distressed portfolios

Attracting international investors,
establishing the local infrastructure

10 March 2016



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Agenda / Timing



BANK OF GREECE



European Bank
for Reconstruction and Development

Sales of distressed portfolios: attracting international investors, establishing the local infrastructure

Comments on the NPL Law and the BoG regulation of NPL Buyers and Services

— Stathis Potamitis, Law firm Potamitis Vekris

11.30 – 11.45

Greek Market – Buyer and Servicer Landscape

— Nicholas Colman, KPMG Portfolio Solutions Group

11.45 – 11.55

Panel on loan servicing:

— Nils Melngailis, Centerbridge Partners

— Richard Langstaff, Kaican

— Jose de Ochoa, PWC

12.00 – 12.40

Panel on loan sales:

— Josep Julia, IFC

— Dimitrios Psarris, Oliver Wyman

— Brad Palmer, Sankaty Advisors

— Konstantinos Vossikas, National Bank of Greece

12.45 – 13.25

Nicholas Colman



Contact

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Qualifications

Member of the Institute of Chartered Accountants Australia

Bachelor of Commerce in Accounting and Finance (Monash University Melbourne)

Bachelor of Arts in Psychology (Monash University Melbourne)

Experience

Nick is a partner in KPMG's global Portfolio Solutions Group, and has worked extensively with banks on the sell side to develop and implement sale strategies for non core and non performing loans (including setting up servicing platforms). In addition, Nick has experience working for PE funds on the buy-side looking to acquire these assets and therefore understands how they approach loan portfolio strategy, origination, loan portfolio valuations and due diligence. Nick was based in Athens between 2007 and 2009 and worked on projects with National Bank of Greece, Attica, Emporiki Bank and Citibank).

Selected projects

Most recently Nick has led the following engagements:

- Lead sell side advisor to a major Romanian bank on the sale of a €340 million residential mortgage NPL portfolio (Triton, 2015).
- Lead sell side M&A advisor to a bank on the sale of a €750 million PL and NPL commercial real estate (CRE) loan portfolio in Hungary, Croatia and Romania (Danube, 2015).
- Lead sell side M&A advisor to a PE house on the disposal of its €330 million senior and junior notes in a publicly listed security backed by a German residential mortgage loan portfolio (Lewin, 2015).
- Lead buy side advisor for an international bank on the successful acquisition of a €1.2 billion CRE, Corporate, SME and Retail loan book in Romania (Tokyo, 2015).
- Lead buy side advisor to an international investment bank on the acquisition of a CRE and Corporate loan book in Croatia (Janica, 2015).

Expertise

Real Estate, Private Equity and Banking



Why do banks sell NPLs?

1

Lack sufficient resources / expertise

2

Improve balance sheet and P&L ratios

3

Avoid “moral hazard” for performing borrowers

4

Unable to participate in the restructuring plan

5

Regulator and / or market pressure

Residential / Retail

Key Workout Strategies	Industry	Greece
— Debt re-profiling (tenure extension, Split Balance)	✓	✓
— DPO / Amicable settlement	✓	✓
— Amicable sale	✓	X
— Asset swaps and lease back	✓	X
— Enforcement	✓	X

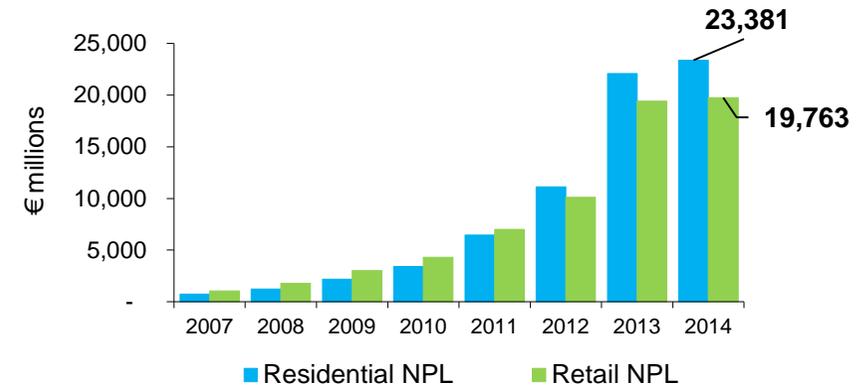
Key Challenges to Effective Workout

- Limited ability to confirm customer financial position
- Creditors have “limited / no stick” (ie moratorium)
- Insufficient debtor's revenues to allow restructuring
- Unclear regulation (ie forced sales)
- Unclear tax treatment of losses
- Decreased / unproven property values

Infrastructure requirements for External Servicers

- Minimum level of capital
- IT Infrastructure and people
- Track record of management team
- Regulator: BoG

Total Mortgages / Retail NPL volume



Source: Financial Statements



Corporate / SME

Key Workout Strategies

Key Workout Strategies	Value	Industry	Greece
— Prolongation		✓	✓
— Restructuring plan		✓	✓
— Amicable sale / Settlement (DPO)		✓	✓
— Debt to Asset / Equity swaps		✓	X
— Enforcement / Bankruptcy		✓	X

Key Challenges to Effective Workout

- Limited ability to confirm customer financial position
- Limited ability to confirm assets / real estate collateral
- Prioritisation of Corporate over SME customers within banks
- Creditors have “limited / no stick” (ie moratorium)
- Challenges with multi-creditors coordination / agreement
- Unclear / untested insolvency / bankruptcy procedures

Infrastructure requirements for External Servicers

- Workout skills /mentality
- Distressed capital
- Loan documentation
- JV with local operators

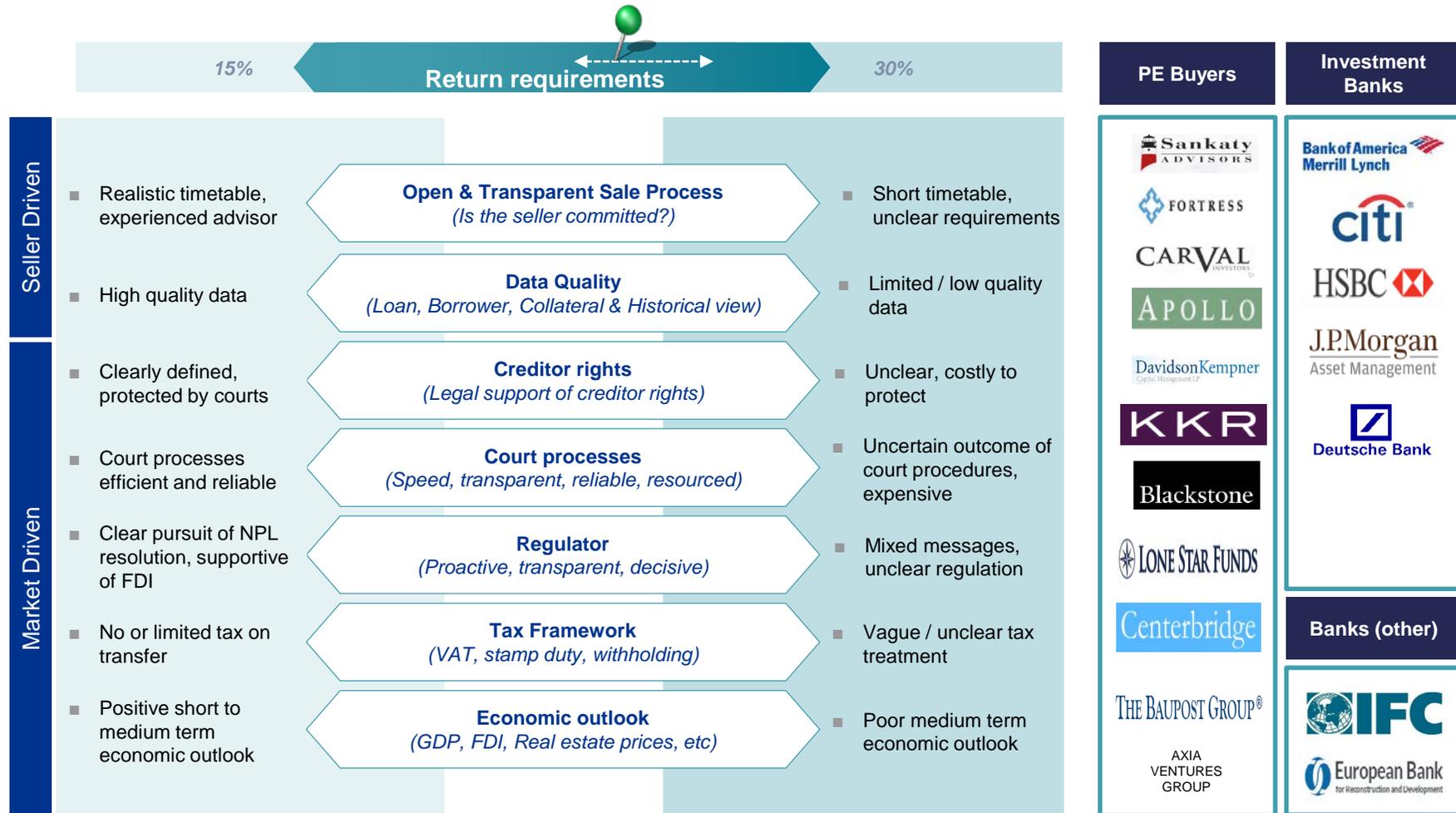
Total Corporate and SME NPLs



Source: Financial Statements



What drives investor return requirements?



What are the blockers & challenges?



Internal

Unwillingness to recognise additional losses leading to price gap

Lack of experienced workout specialists, Banks have mostly Relationship /Credit skills

Belief value can be created for NPLs simply through prolongation (but instead value erosion)

Data quality & quantity



Structural

No centralised asset pledge registry (real estate other pledges)

Limited borrower credit information (negative only, bank only)

Limited trust and cooperation between creditors

Costly to transfer asset ownership



Regulatory

Uncertainty over court protection of creditors' rights through enforcement

Continued debtor protection

Lack of clarity on application of new regulation

Slow process for approving new market entrants



... now to the panels to discuss views on the market and potential next steps



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