



Loan sales as a portfolio management tool

Speakers & Agenda

Speakers



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Agenda

Current developments on the German credit portfolio market

- I. Macroeconomic classification
- II. NPL Trends & Transactions
- III. Spread-Development and Outlook

Transaction structures and legal issues

- I. Objectives of a transaction
- II. Overview of transaction structures
- III. Legal issues
- IV. Implementation of the Credit Servicing Directive / Credit Secondary Markets Promotion Act
- V. Key points of the Credit Secondary Markets Act

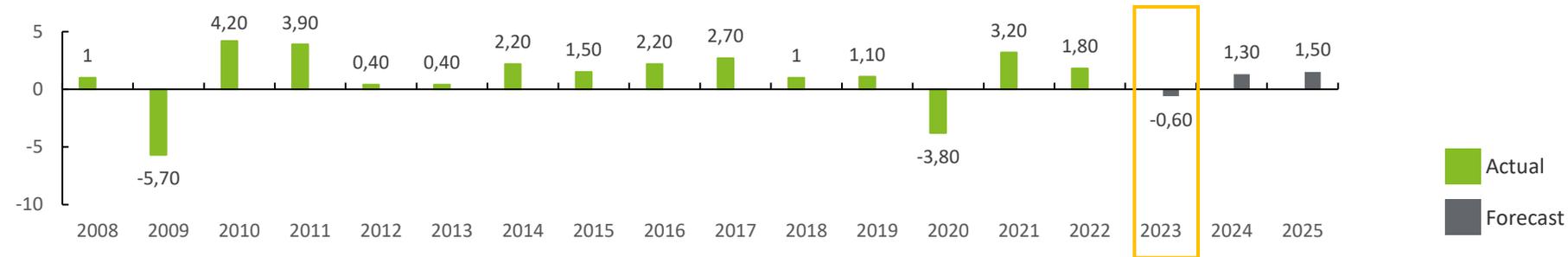


Current developments on the German credit portfolio market

The German credit portfolio market in times of geopolitical tensions and rising energy prices

Real gross domestic product

Change compared to previous year in %



Inflation (core)

Change compared to the same month of the previous year in %*



To ensure clarity, quarterly averages were calculated for the individual quarters

Interest rate development

Interest rate in %

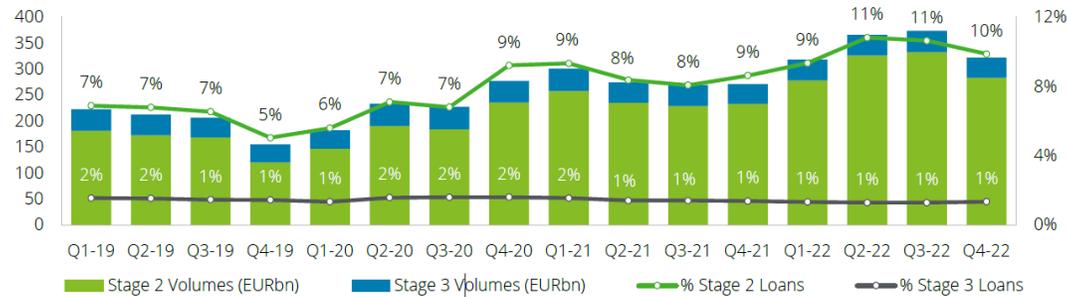


Sources: Joint Economic Forecast: Forecast for the development of GDP until 2025 | Statista; Consumer price index: overall index and 12 divisions – German Federal Statistical Office (destatis.de); World Economic Outlook (imf.org); Bank Rate history and data | Bank of England Database; Leitziens in den USA bis 2023 | Statista; Key ECB interest rates (europa.eu)

NPL trends and transaction dynamics in the German banking landscape

Development of IFRS stages in Germany

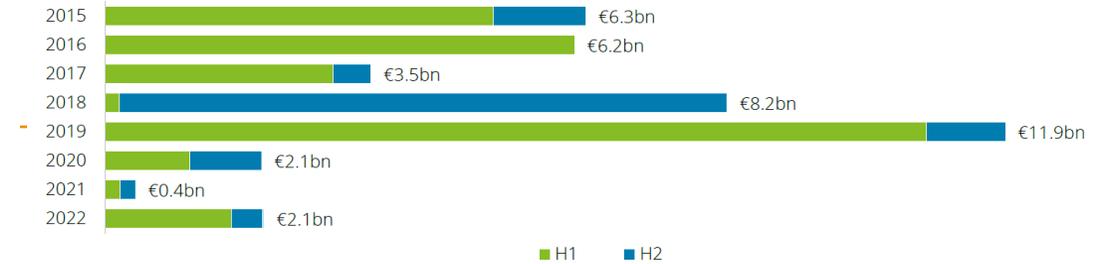
2019-2022



Transaction volume in Germany

by year

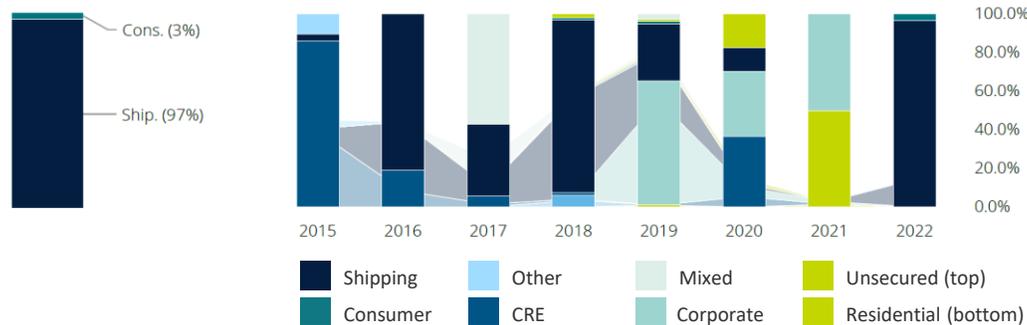
Figure 74: Activity by year - Germany



Transaction activity in Germany

by asset class

Figure 75: Activity by asset class 2022 - Germany



Completed transactions in Germany

in 2022

Table 9: Completed transactions in 2022 - Germany

Portfolio	Asset Class	PL/NPL	Seller	Buyer	Size (€m)
Project Blue Water	Shipping	PL	hsh portfolio-management AöR	Bank of America; Davidson Kempner	1,590
Confidential	Consumer	PL	Confidential	Confidential	70
Project Blue Ocean	Shipping	NPL	hsh portfolio-management AöR	Confidential	415
Project Blue Pearl	Shipping	NPL	NordLB	Hoist	n/a

Ordinary insolvencies applied for in Germany increase compared to the previous year, but remain below historical levels

Ordinary insolvencies applied for in Germany

in %

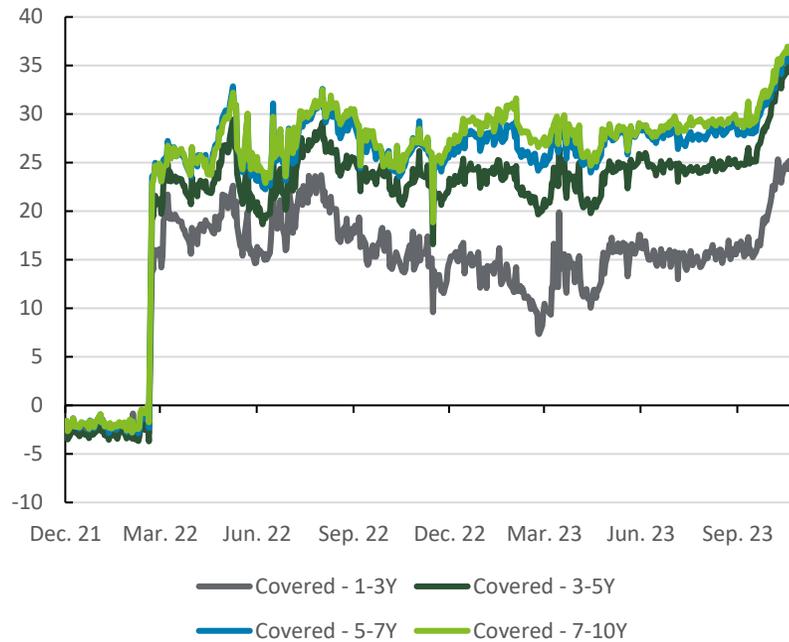


*Applications are only included in the statistics after the insolvency court has made its decision. In many cases, the actual date of the insolvency application is almost three months earlier
 **The quick indicator evaluates data from the publication platform insolvenzbeamtungen.de

Source: https://www.destatis.de/DE/Presse/Pressemitteilungen/2023/10/PD23_408_52411.html

Due to interest rate developments and the macroeconomic environment, an upward trend can be seen in asset swap spreads

Asset swap spreads covered bonds Germany
in BP



Asset swap spreads financial senior debt Germany
in BP



Source: Deloitte analysis

Deloitte's European Banking & Loan Portfolio Outlook 2023 - Market Update provides a comprehensive look at the loan portfolio market

Introduction

European Banking & Loan Portfolio Outlook – Market Update

- Looks at **developments** in the **loan portfolio market** and potential new **trends** for **banks** across **Europe**
- The report provides an **up-to-date overview** of recent **loan portfolio transactions** and **bank performance**



Collaboration of experts from over 10 countries in Europe



The report is updated quarterly



Last updated in Q2 2023

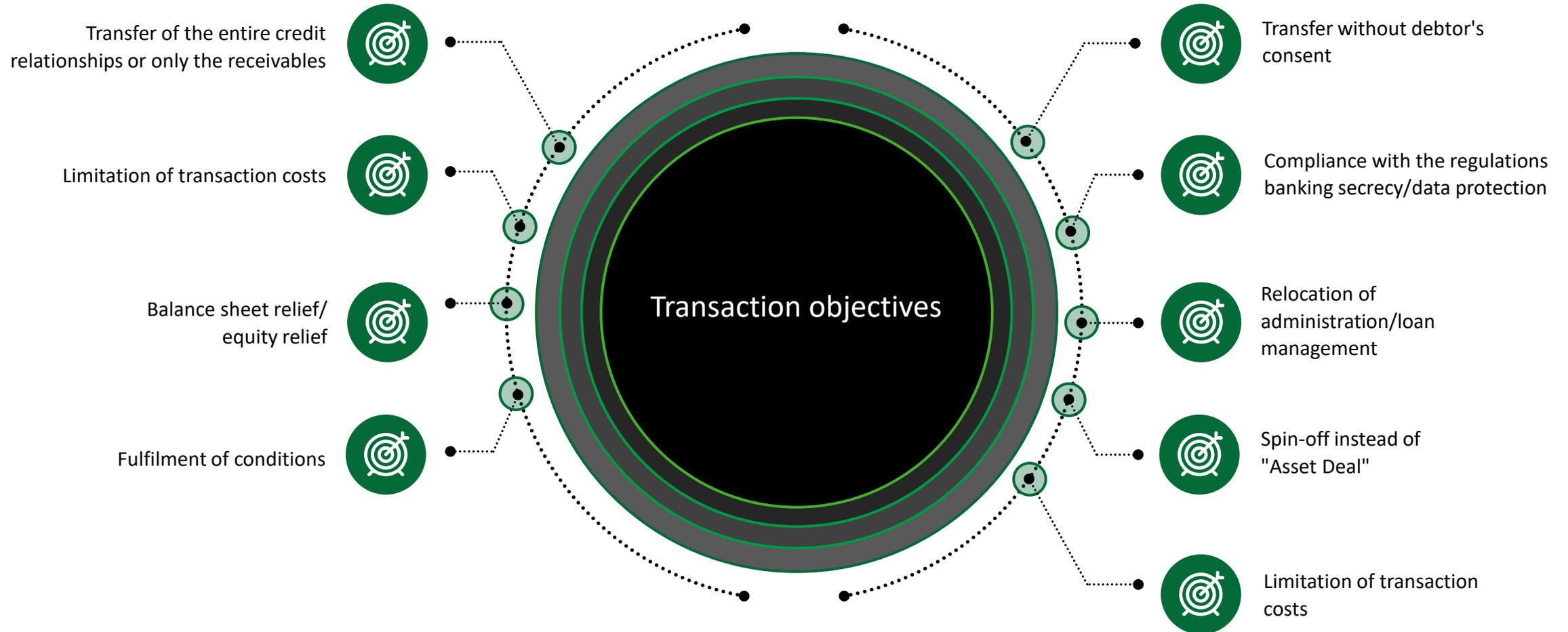


To register for the report, follow the link below or click on the cover of the report.

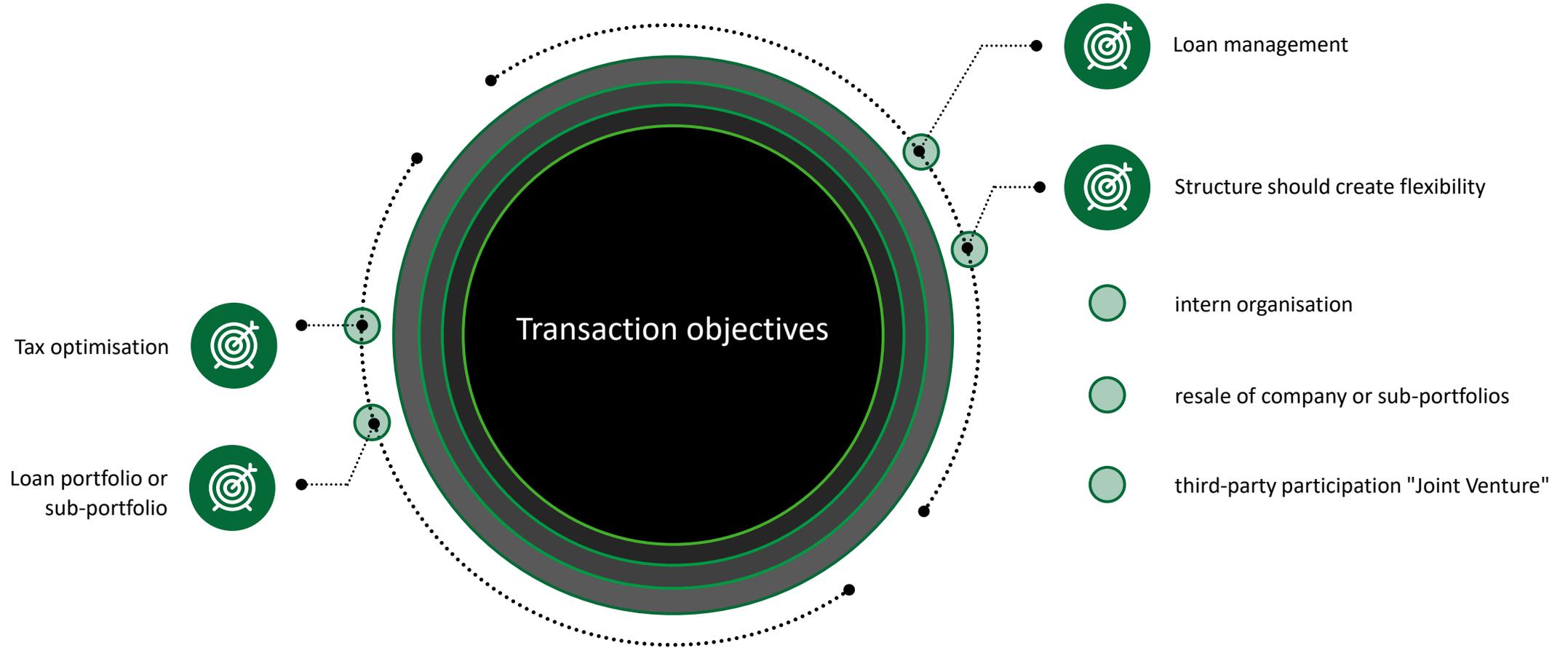
[European Loan Portfolio & Banking Outlook 2023 – Market Update | Deloitte UK](#)

Transaction structures and legal issues

Objectives of a transaction I



Objectives of a transaction II



Overview of transaction structures

Sale of "non-performing" loan portfolios (i.e. with a high probability that the credit and interest will not be repaid in full).

- "Asset deal" (acquisition of assets and rights belonging to the company)
- "Share deal" (acquisition of shareholding under corporate law)
 - Transformation Act
 - Contribution
- Synthetic transmission
 - Credit derivatives (transfer of economic risk)
 - Guarantees
 - (Silent) sub-participations

Sale of mixed portfolios

Sale of "healthy" loan portfolios

Special structures

- Joint Ventures (Transfer to Joint Ventures)
- Sale of „non-performing“ banks

"Single name loans" (individual sales) / restructurings

Bidding procedure or purchase negotiations

Overview of transaction structures II

Transfer by...

... universal succession

Spin-offs/Split-offs
pursuant to Sec. 123 para. 3/ para. 2 UmwG

... singular succession

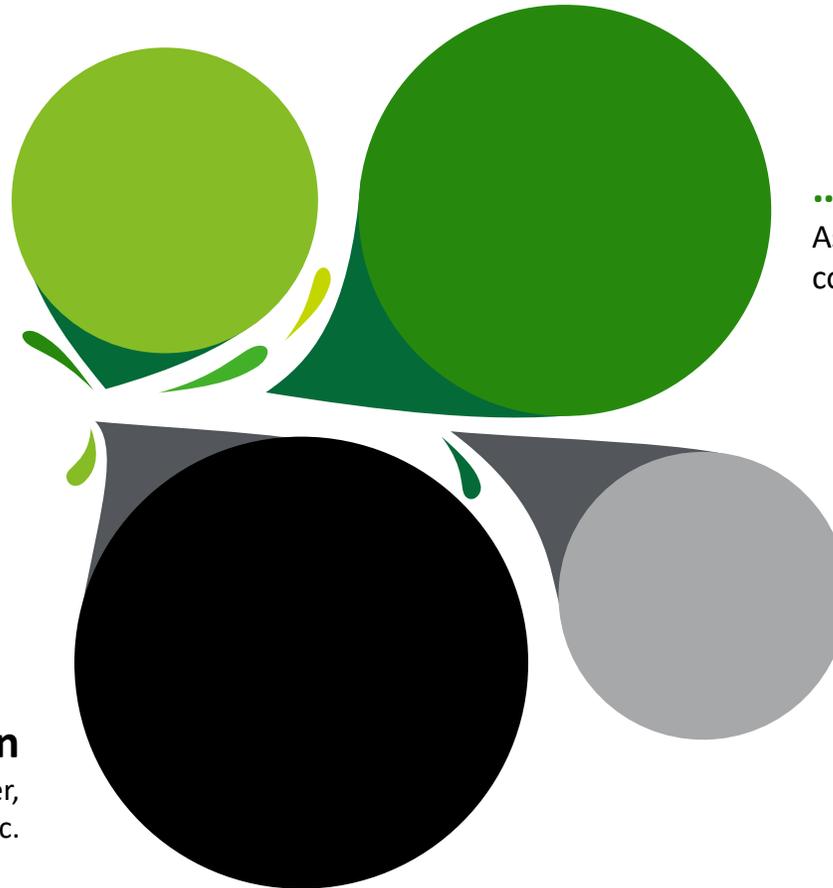
Assignment according to Sec. 398 BGB or assumption of contract according to Sec. 414 ff. BGB

... synthetic transmission

in the absence of third-party consent, obstacles to transfer, subsidised credits, etc.

... contribution

into a new or existing company



Implementation of the Credit Servicing Directive



Key points of the Credit Secondary Markets Act („KrZwMG“) (1)

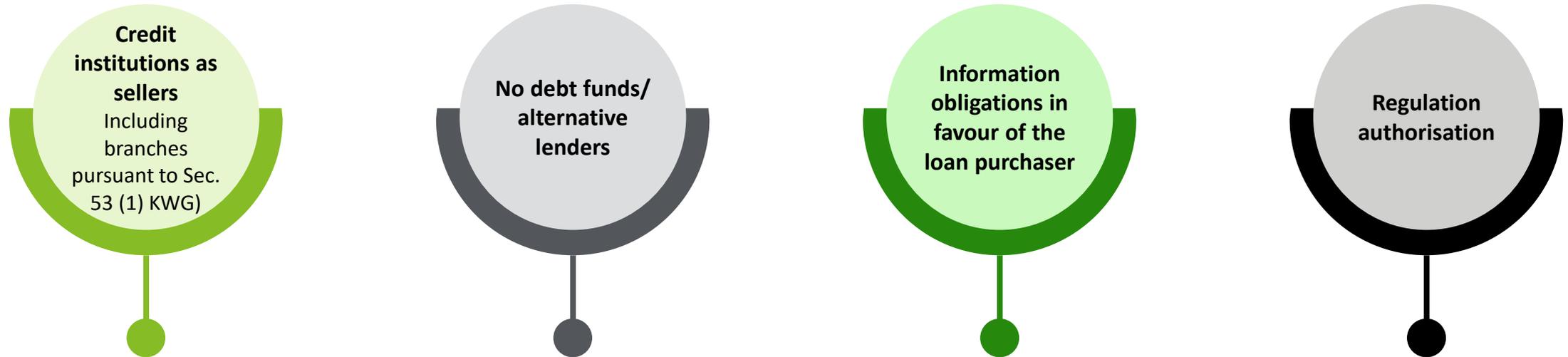
Application to non-performing loan agreements in accordance with Sec. 47a CRR (generally due more than 90 days):

1. No leasing contracts or rental agreements recognised
2. Analogy?

Not applicable to complex transactions where non-performing loan agreements are only part of such a transaction:

1. Sale of branches
2. Sale of business units
3. Sale of customer portfolios
4. Synthetic transfers
5. NPL securitisations (?)

Key points of the Credit Secondary Markets Act („KrZwMG“) (2)



Key points of the Credit Secondary Markets Act („KrZwMG“) (3)

Credit institutions as sellers (including branches pursuant to Sec. 53 (1) KWG)

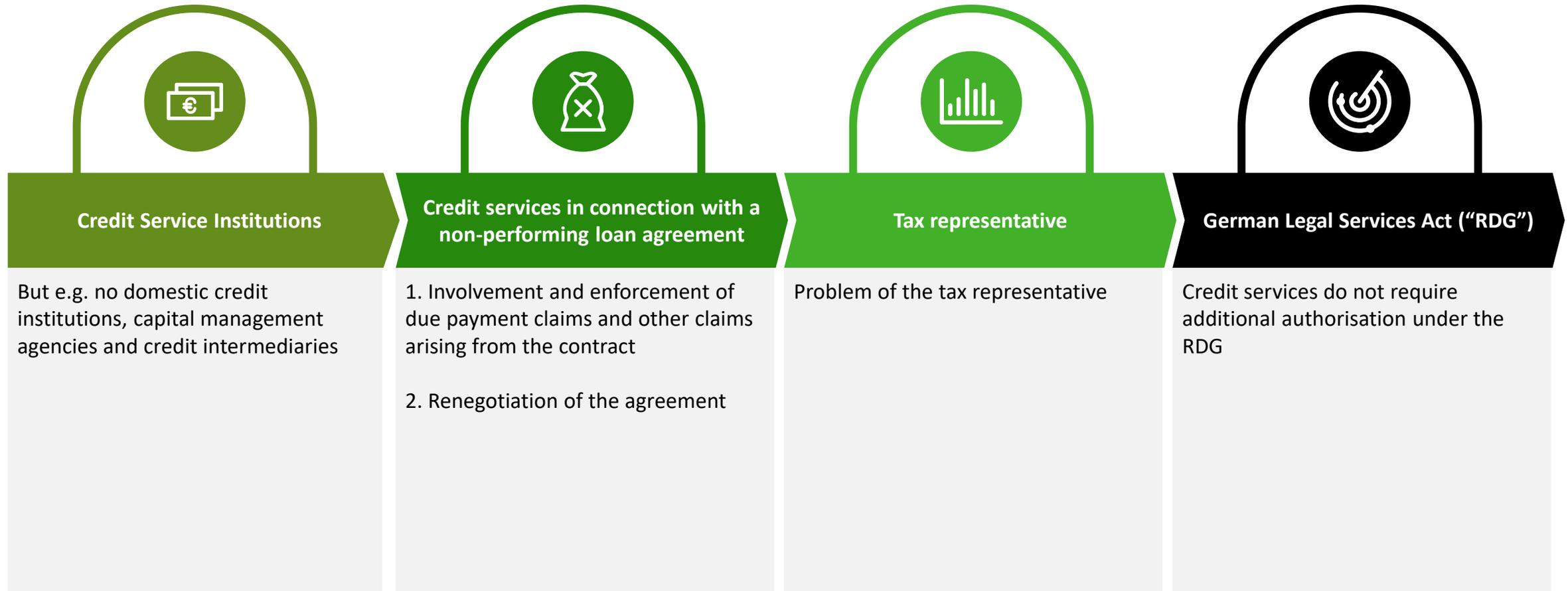
Debtors natural persons up to medium-sized companies (more than 249 employees / annual turnover not exceeding EUR 50 million / balance sheet total max. EUR 43 million)

Treatment of special purpose entities

Notification of information

No authorisation required

Key points of the Credit Secondary Markets Act („KrZwMG“) (4)



Key points of the Credit Secondary Markets Act („KrZwMG“) (5)

Need for a authorisation for credit services institutions

Competent authorities Federal Financial Supervisory Authority (BaFin) / Deutsche Bundesbank

Correspondingly for financial services institutions:

Corporate law documents

1. Addresses
2. Managing directors / administrative bodies (proof of suitability)
3. Holder of a significant shareholding
4. Sustainable business plan
5. Proper business organisation
6. Account information for external funds / escrow account
7. Outsourcing agreements
8. RDG information

Key points of the Credit Secondary Markets Act („KrZwMG“) (6)



Refusal of authorisation



Selection

1. Managing director is not considered reliable or does not have sufficient experience
2. Owner of a significant shareholding is not considered reliable
3. Does not have a proper business organisation



Cancellation of authorisation possible

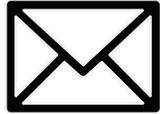
Key points of the Credit Secondary Markets Act („KrZwMG“) (7)

Proper business organisation (similar to MaRisk)

1. Internal control
2. Risk management
3. Regulations for fair and appropriate dealings with customers
4. Complaint management
5. German Anti-Money Laundering Act (GwG)

Annual Auditor / Auditor

Key points of the Credit Secondary Markets Act („KrZwMG“) (8)



Funds can be accepted from debtors and third parties / German Payment Services Supervision Act (ZAG)

Acceptance



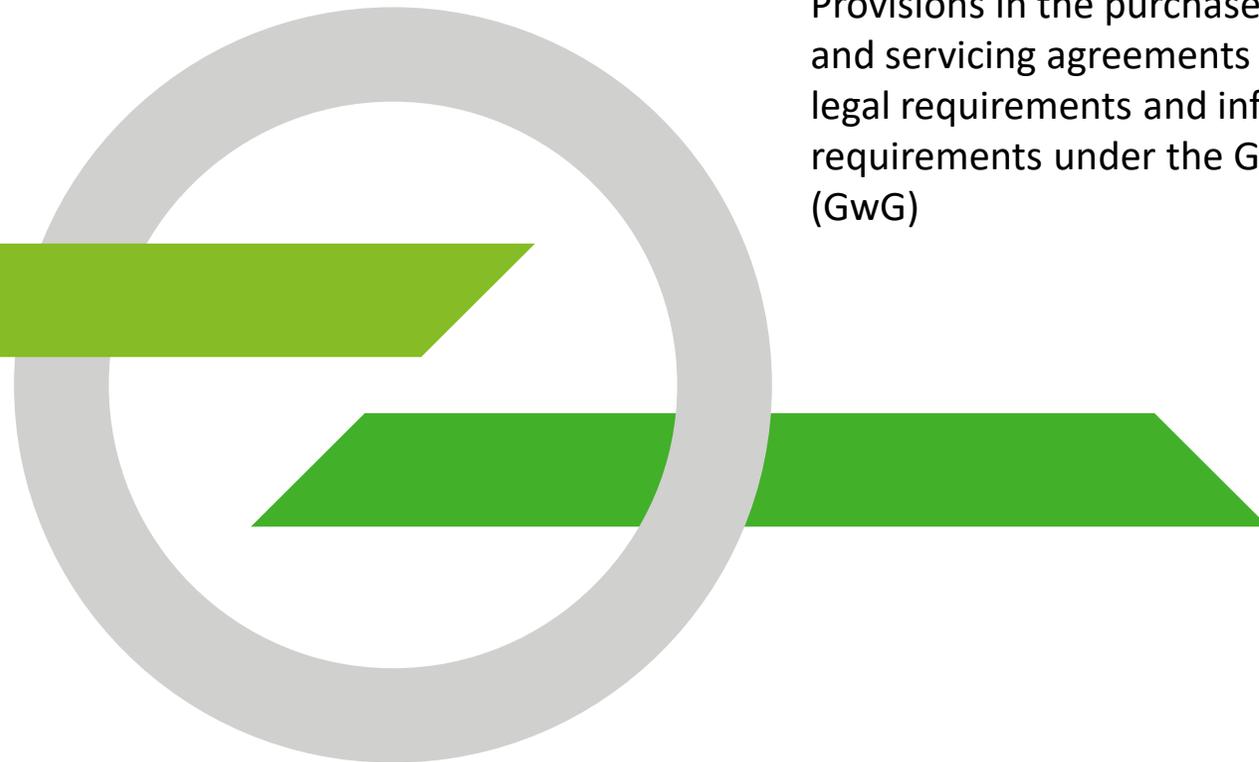
1. 6 months from 30 December 2023 (expected)
2. Acquisition took place before 30 December 2023

Transitional Arrangement

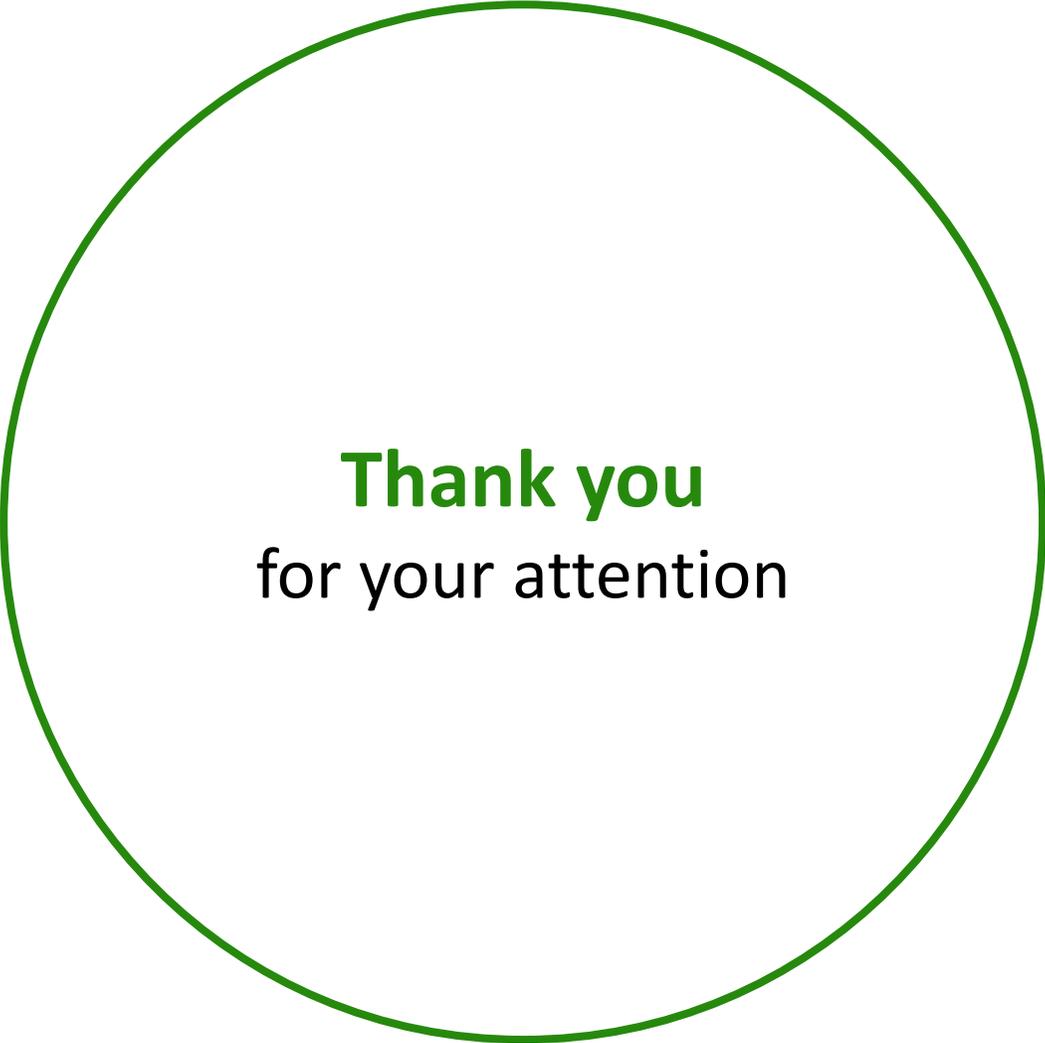
Key points of the Credit Secondary Markets Act („KrZwMG“) (9)

Provisions in the purchase agreement and servicing agreements regarding the legal requirements and information requirements under the German AMLA (GwG)

Compliance with future regulations in ongoing sales processes



Q&A



Thank you
for your attention

Your contact



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