DISTRESSED ASSETS RECOVERY PROGRAM (DARP)

OVERVIEW

November 2019
# DARP IN A NUTSHELL

DARP is a global platform that focuses on the acquisition and resolution of distressed assets across emerging markets, with significant developmental impact and attractive returns.

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<tr>
<th><strong>DARP</strong></th>
<th>Supports the creation of strong distressed assets markets in emerging economies.</th>
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<tbody>
<tr>
<td><strong>Strategy</strong></td>
<td>Based on two pillars: (i) building the essential servicing infrastructure required across markets and (ii) deploying capital, including mobilized capital from third-party investors, to stimulate the market through the acquisition and resolution of distressed assets.</td>
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<td><strong>Impact</strong></td>
<td>(i) Allows financial institutions to offload their NPLs and free up capital to resume lending; (ii) helps individuals and SMEs/corporates to normalize obligations, preserve assets and become creditworthy again; (iii) fosters best resolution practices, including integrity, corporate governance and environmental and social policies and procedures.</td>
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<td><strong>Global Reach</strong></td>
<td>Leading global distressed assets investor in emerging markets, including Latin America, Eastern Europe, Asia and Africa.</td>
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<td><strong>Network</strong></td>
<td>Extensive and unique network of partners worldwide, including reputable servicers, banks and investors.</td>
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<td><strong>Type of Investments</strong></td>
<td>(i) Equity investments in servicers and (ii) establishment and mobilization of capital into investment facilities, for (a) NPL portfolios (retail and SMEs) and (b) single asset opportunities (special situations, special lending and SME/corporate turnarounds).</td>
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<td><strong>Track Record</strong></td>
<td>DARP has committed US$7.3 billion globally, including mobilization of US$4.7 billion, which has enabled banks to offload over US$32 billion of NPLs, while helping over 18 million debtors resolve their obligations.</td>
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KEY MILESTONES

DARP has evolved from its beginnings as a crisis response initiative to today’s programmatic and strategic approach to creating strong distressed assets markets across emerging economies.

- IFC launches DARP
- First servicer equity investment
- Support NPL crisis in Europe
- Expansion to Asia
- US$1 billion investment milestone
- Launch of US$1 billion DARP global platform
- First Caribbean DARP platform
- DARP platforms reach $5 billion
- 2007
- 2009
- 2010
- 2012
- 2014
- 2016
- 2017
- 2018
- 2019

$7.3B since inception, global platform, 10+ years running

Expansion to MENA and Sub-Saharan Africa
IFC’s Distressed Asset Recovery Program

UNIQUE GLOBAL NETWORK

DARP’s global network of partners provides local knowledge and expertise and ensures use of best resolution practices

**Target Markets**

- **Europe and Central Asia**: ADM Capital, APS, EMSA (regional), EOS (Russia), Kruk (Romania).
- **Global**: Lapithus.
- **Latin America**: Adamantine (Caribbean), Covinoc, Sistemcobro (Colombia and Peru), Recovery (Brazil and Argentina), Secorse (Mexico).
- **Middle East and North Africa**: Omni Bridgeway (regional).
- **Asia**: ADM Capital, Altus, Clearwater (regional), Altico, Encore, IndiaRF (India).
- **Sub-Saharan Africa**: Nimble (regional).
DARP has committed US$7.3 billion in distressed assets in emerging markets, with US$2.6 billion from its own account and US$4.7 billion mobilized from investors.

**IFC Commitments**

150+ Portfolios Acquired

US$32+ Billion in UPB*

30+ million credits

18+ million debtors

**NPL Portfolio Highlights**

150+ Portfolios Acquired

US$32+ Billion in UPB*

30+ million credits

18+ million debtors

**By Region**

- EAP: 33%
- LAC: 44%
- ECA: 15%
- MENA: 1%
- Global: 7%

**By Type of Investment**

- Single Asset: 21%
- Servicer: 3%
- NPL Portfolios: 76%

**DARP – Historical Cumulative Commitments by Fiscal Year**

(*) UPB: Unpaid Principal Balance, which refers to the amount due that has not yet been remitted to the lender

(**) IFC’s Fiscal Year begins on July 1st of the previous calendar year and runs through June 30th of the designated calendar year
DEVELOPMENTAL METRICS

DARP is playing a key role in creating and developing distressed asset markets globally, delivering strong developmental impact metrics coupled with solid financial returns.

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<th>DARP Development Impact Indicators</th>
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<td># Portfolios Acquired</td>
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<td>150+</td>
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- Acquisitions of NPL portfolios across asset classes in Latin America, Eastern Europe, Asia and Africa
- NPLs offloaded from multiple lenders, increasing liquidity and origination of new loans
- Individuals and SMEs/corporates able to avoid losing their assets and remain active in the financial system
- Mobilized from third party investors, deepening secondary markets with improved liquidity

(*) UPB: Unpaid Principal Balance, which refers to the amount due that has not yet been remitted to the lender.
**DARP INVESTMENT STRATEGY**

DARP’s investment strategy focuses on building distressed assets resolution capacity with a network of global servicers and NPL platforms.

**OBJECTIVES**

- Enhance IFC distressed assets resolution capacity
- Build robust network of servicers
- Align interest among partners
- Promote best practices

**DARP SOLUTION**

**Servicing Capacity**

**Investment Platforms**

- Rapidly respond to distressed assets opportunities
- Efficiently mobilize funding from other investors
- Balanced risk-rewards

**Investment in Servicers**

- Minority equity investments (15-20%)
- Board representation
- Knowledge sharing among servicers in the network

**Single-Purpose Facilities**

- Established SPV for a particular transaction (e.g. acquire large portfolios or participate in a large auction)

**Recurring Facilities**

- SPV to recurrently buy portfolios
- Each future acquisition is carried out more efficiently based on a streamlined process

**Special Situations**

- Typically one-off investments to restructure or (re) finance sizeable assets / companies
- Direct investment in asset or indirectly through SPV
CASE STUDY: REGIONAL NPL PLATFORM

**Partner(s)**
- APS

**Industry & Geography**
APS is one of the leading distressed asset servicers in the CESEE region.

**Asset Class**
SME and retail secured and unsecured loans

**Total Investment**
Up to US$119 million
IFC’s share: up to 50.0%

**Client Needs**
Client approached IFC to achieve the following goals:
- Mobilize distressed asset investment across fragmented CESEE markets
- Further develop geographical footprint
- Develop servicing and asset management capability across the CESEE region.

**DARP Solution**
IFC and the client developed a flexible co-investment program which allows for:
- Flexible efficient multi-investor platform
- Framework for mobilization of third party distressed asset investment across fragmented CESEE markets.
- Systematic approach to underwriting and portfolio monitoring.
- Rapid deployment of capital to promptly meet market needs.

**Structure**

```
IFC             Co-Investors       APS Holding
               Servicing Agreements
Offshore SPV   APS Local Servicers
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- NPL Pool 1
- NPL Pool 2
- NPL Pool n

**Results (as of 06/30/19)**
- The SPV has acquired EUR 2.3 billion in face value NPLs to date.

**IFC Benefits**
- Helped banks offload EUR 2.3 billion in face value of NPLs from their balance sheets.
- Mobilized capital from private sector investors.
- Helping resolve over 200,000 loans from 132,000 borrowers
- Increasing liquidity and competition in fragmented CESEE markets
CASE STUDY:
DARP GLOBAL JV PLATFORM

**Client Needs**
Client needed a custom-made program that solved the following needs:
- Access to distressed assets infrastructure for acquisition of NPLs across emerging markets globally, which DARP’s existing network of partners could provide for.
- IFC’s knowledge of local markets and relationships with selling banks and financial institutions.
- Flexible capital structure adapting to the different risk profiles of the target markets.

**DARP Solution**
This DARP Global JV allows IFC to take DARP to the next level and maximize its impact by:
- Deploying capital through a combination of senior and junior tranches.
- Providing a high degree of diversification both in terms of markets and asset classes.
- Providing a variable degree of leverage matching the different risk profiles in the target markets.

**Structure**

**Results (as of 06/30/19)**
- Since inception, this platform has acquired 7 NPL portfolios. In addition, it is currently looking at several other opportunities across regions.

**IFC Benefits**
- Mobilized US$500 million in capital towards NPL resolution.
- Rapid reaction to market needs globally.
- Allowing significant knowledge transfer from a global leading distressed assets investor.
CASE STUDY:
RETAIL PLATFORM IN BRAZIL

Partner(s)

- Recovery
- Itau

Industry & Geography

Recovery is one of the largest servicers in the Latin American market. Itau is the largest private bank in Brazil and Latin America.

Asset Class

Retail, Auto, and SME Loans

Total Investment

Total Committed Capital: US$1.2 billion
IFC’s share: 30%

Client Needs

Client needed a custom-made program that solved the following needs:
- Readily available capital to tackle the growing NPL market opportunity in Brazil.
- Benefit from DARP’s global expertise.
- Tap IFC’s deep local knowledge and bank client network.

DARP Solution

IFC led the creation of a program that included:
- Building local distressed assets infrastructure, by becoming a shareholder of Recovery, our servicer in Brazil.
- Establishing a leading DARP retail platform, with flexibility to acquire NPL portfolios from any selling institution.
- Fostering best resolution practices, including IFC’s environmental and social policies, mitigating any potential reputational risk.

Structure

IFC

Itau

Local SPV

Servicing Agreement

Recovery (Master Servicer)

NPL Pool 1

NPL Pool 2

NPL Pool n

Results (as of 06/30/19)

- Since 2012, this platform has acquired 60+ NPL portfolios in Brazil.

IFC Benefits

- Mobilized US$800 million of private-sector capital
- Helped financial institutions offload approx. US$20 billion in face value NPLs.
- Helping resolve the obligations of more than 15 million households and SMEs
CASE STUDY: RETAIL AND CORPORATE PLATFORM IN SUB-SAHARAN AFRICA

Client Needs

The Client needed a partnership to scale up their operations in Sub Saharan Africa (SSA) that included:

- New capital to develop the business further and hire more employees at their servicing centers.
- Access to competitive long-term financing to allow for a sustainable growth through the acquisition of diversified NPL portfolios from multiple banks and countries in SSA.

DARP Solution

- Expanded servicing capacity to the company by becoming a shareholder of Nimble.
- Long-term financing available through the NPL platform for efficient acquisition of NPL portfolios.
- Access to global distressed asset expertise and best collection practices in the industry by incorporating Nimble to DARP’s unique global network of investors and servicers across emerging markets.

Structure

IFC

Nimble (Master Servicer)

Offshore SPV

Servicing Agreement

Onshore

SPV Country A

SPV Country B

SPV Country n

NPL Pool 1

NPL Pool 2

NPL Pool 3

NPL Pool n

Results (as of 06/30/19)

- A total facility for the NPL platform was approved for approx. US$90 million.

IFC Benefits

- Support the financial stability in SSA by providing a solution to the growing NPLs in the local banks.
- Banks will be able to offload their NPLs on a recurring basis, strengthening their balance sheet.
- Through the resolution of the NPLs, households and local businesses will be able to normalize their situation and have access to finance again.
- IFC’s best resolution practices will be used

Partner(s)

Nimble

Industry & Geography

Nimble is a regional NPL investor and servicer operating in South Africa, Botswana, Namibia, and Kenya.

Asset Class

Retail, SME & Corporate NPLs

Total Investment

US$90 million

IFC’s share: 85%