

DISTRESSED ASSETS RECOVERY PROGRAM (DARP)

OVERVIEW



IFC

**International
Finance Corporation**
WORLD BANK GROUP

March 2022

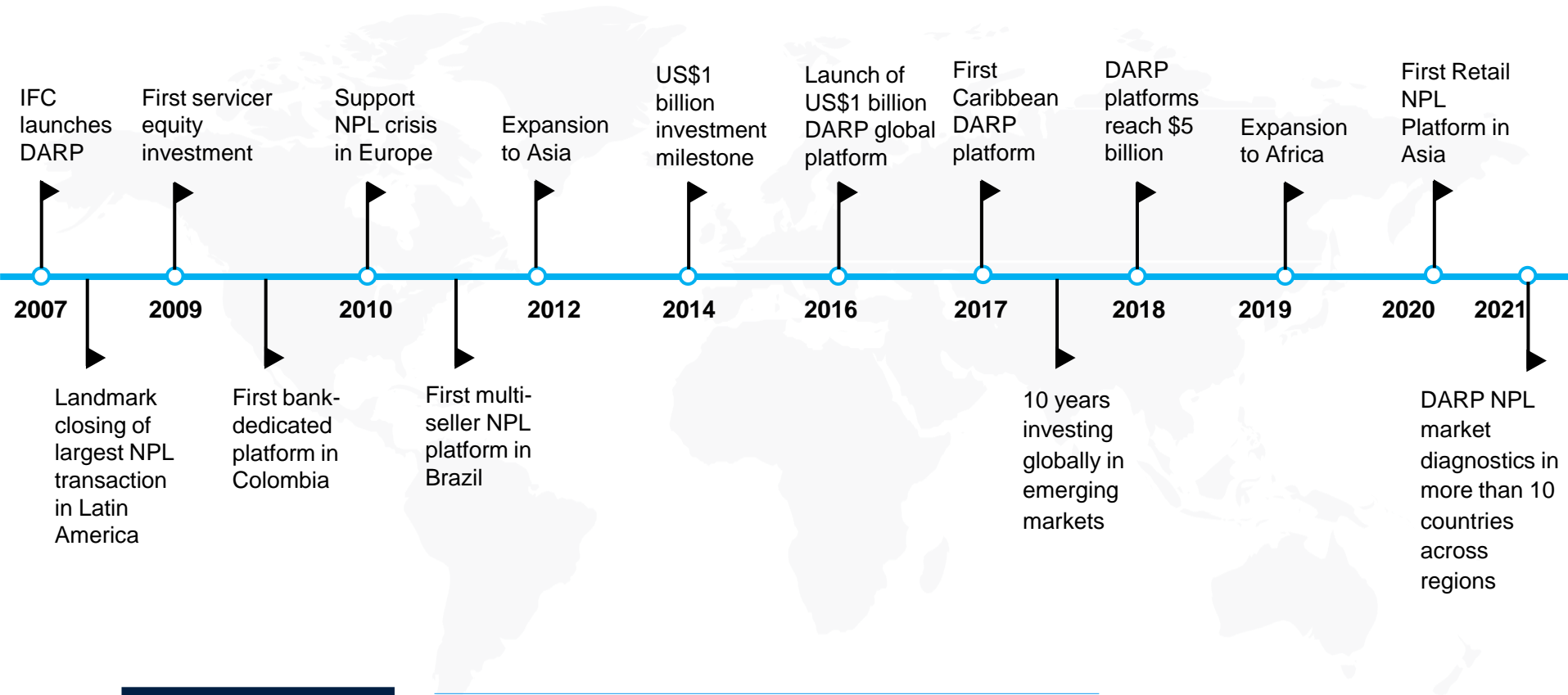
DARP IN A NUTSHELL

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

	DARP	Supports the creation of strong distressed assets markets in emerging economies.
	Strategy	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.
	Impact	(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.
	Global Reach	Leading global distressed assets investor in emerging markets, including Latin America, Eastern Europe, Asia and Africa.
	Network	Extensive and unique network of partners worldwide, including reputable servicers, banks and investors.
	Type of Investments	(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).
	Track Record	DARP has committed US\$8.2 billion globally, including mobilization of US\$5.3 billion, which has enabled banks to offload over US\$40 billion of NPLs, while helping over 20 million debtors resolve their obligations.

KEY MILESTONES

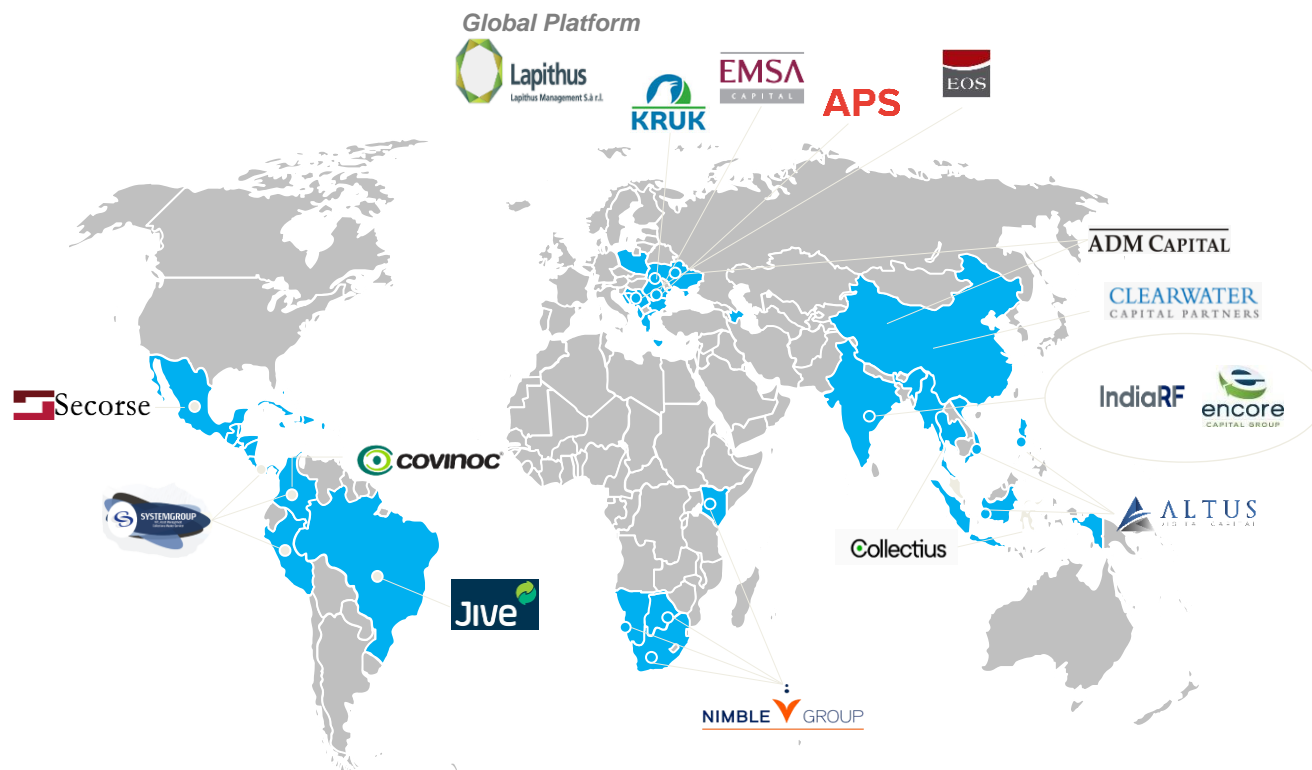
DARP has evolved from its beginnings as a crisis response initiative to today's programmatic and strategic approach to creating strong distressed assets markets across emerging economies



\$8.2B since inception, global platform,
15 years running

UNIQUE GLOBAL NETWORK

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



DARP Platforms Target Markets

Latin America: Reintegra (Colombia), Systemgroup (Andean region and Central America), Jive (Brazil), Secorse (Mexico).

Europe and Central Asia: ADM Capital, APS, EMSA (regional), EOS (Bosnia, Croatia, Romania and Serbia), Kruk (Romania).

Global: Lapithus.

Asia: ADM Capital, Clearwater (regional), Encore, IndiaRF (India), Collectus (Indonesia, Malaysia, Philippines, Thailand and Vietnam), Altus (Indonesia, Philippines, Thailand, and Vietnam).

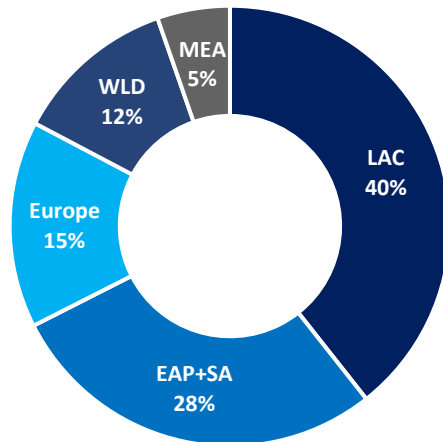
Sub-Saharan Africa: Nimble (regional).

TRACK RECORD HIGHLIGHTS

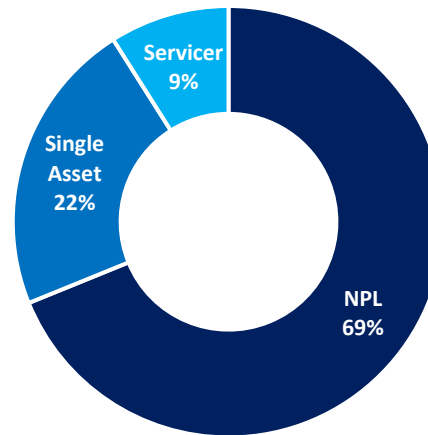
DARP has committed US\$8.2 billion in distressed assets in emerging markets, with US\$2.9 billion from its own account and US\$5.3 billion mobilized from investors

IFC Commitments

By Region



By Type of Investment



NPL Portfolio Highlights

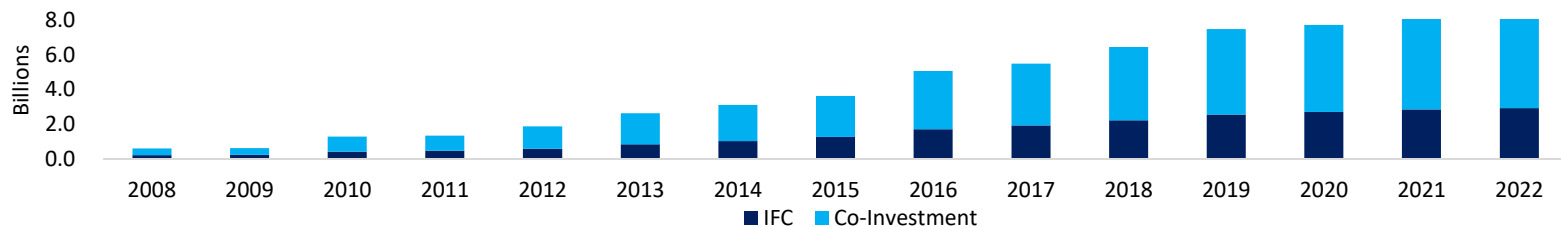
210+ Portfolios Acquired

US\$41+ billion in UPB*

34+ million credits

20+ million debtors

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



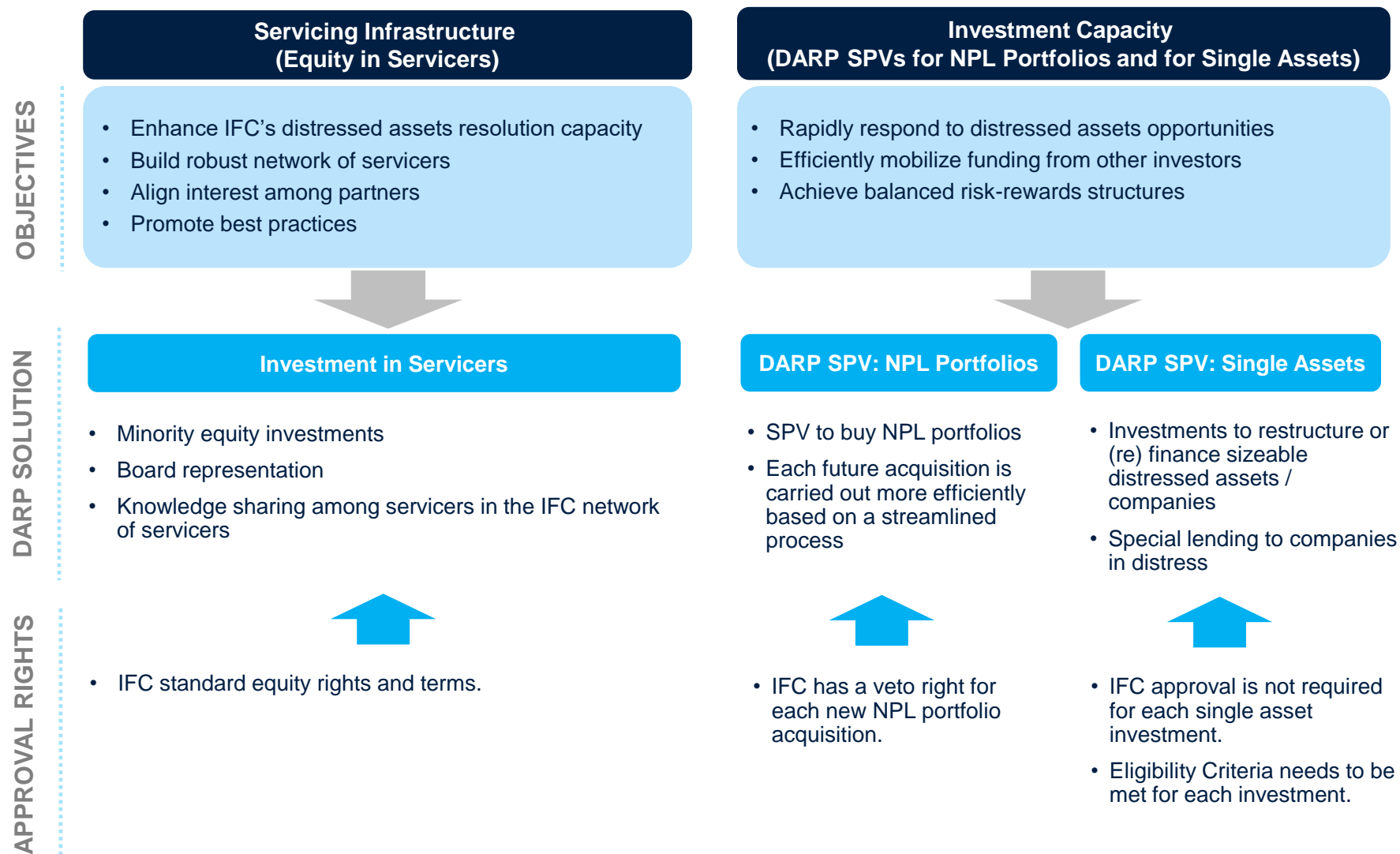
DARP Development Impact Indicators

# Portfolios Acquired	UPB *	# Borrowers	Mobilized Capital
210+	US\$41+ Billion	20+ Million	US\$5.3 Billion
➤ 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 local businesses able to normalize debt obligations	➤ 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





CASE STUDIES

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

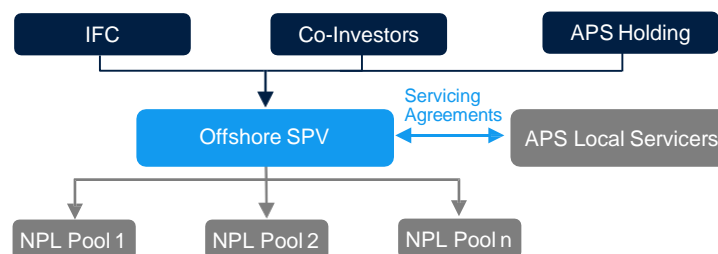
IFC and the client developed a flexible co-investment program which allows for:

- 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



Results (as of 12/31/21)

- 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:

CREDIT AND SPECIAL SITUATIONS PLATFORM IN ASIA

Partner (s)

ADM CAPITAL

Industry & Geography

ADM Capital is one of the longest standing asset managers with over 18 years experience in Asian private credit.

Asset Class

Asian Secured Loans

Total Investment

US\$100m IFC's Share 49%



Client Needs

Client needed a custom-made program that solved the following needs:

- Extend secured loans to mid sized companies in Asian Emerging Markets
- Ensure IFC standards relating to environmental, social and governance parameters

- Platform structure that matched the nature of the investments being financed, including the regular income generated via coupon, and higher seniority in the capital structure vs equity.



DARP Solution

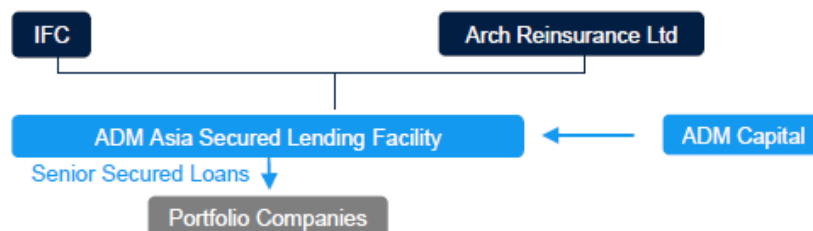
IFC led the creation of a program that included:

- Setting up a lending platform as a senior junior loan investment

- Setting up revolving loan facility together with capital call and return mechanisms that enabled investment in loans that were shorter in maturity than the 8-year life of the platform
- Appointment of ADM Capital as investment manager for the platform



Structure



Results (as of 12/31/21)

- The platform has invested in over more than 40 financially stressed companies helping them to obtain valuable capital to meet liquidity and capex needs Specialized solutions are helping capital constrained businesses avoid default, resolve their debt, rehabilitate their credit, and restore their progress
- In challenging fundraising environment in Asian emerging markets, IFC's participation as a cornerstone investor was strategically important to implement the facility IFC's investment attracted other investors since IFC's participation was seen as a stamp of approval, given IFC's reputation in the market



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 AND CORPORATE PLATFORM IN SUB-SAHARAN AFRICA

Partner (s)



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%



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.



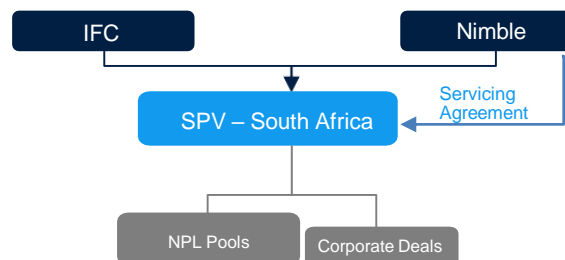
DARP Solution

- 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



Results (as of 12/31/2021)

- Since inception, the SPV has acquired 17 retail NPL portfolios with over US\$600 mn in face value in South Africa, Namibia, Botswana, Lesotho and Swaziland and has made 2 corporate investments in South Africa.



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

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