

Global Insolvency:

Restructuring trends in Germany

Germany- Marcus Schmucker; Andreas Lehmann;

- *who is selling distressed assets?*

Bank books are quite clean at the moment. Bank of Scotland sold a property portfolio and Cerberus bought. Sellers are often non-German.

- *what are the drivers for sale?*

Sales are opportunistic rather than being as a result of a need to sell. Interest rates are so low at the moment; the Banks have to make money somehow. Deutsche Bank increased its capital last year so there is plenty of money available to invest. They won't be affected by Asset Quality Review exercise by the European Bank.

- *are there "hot spots" across Europe?*

Spain.

- *any particular sector trends?*

Fashion, Retail and Renewable Energy (Solar)

- *are there any regulatory or legislative changes that will drive the market in the future?*

Nothing peculiar to Germany.

- *have there been many portfolio sales?*

There have been some portfolio sales by German banks but we are seeing more sales of corporate bonds- there is an active secondary market in non-performing bonds.

- *how are due diligence process of sales being run?*

They think this is being done by sampling.

- *how have loan portfolios been valued?*

Real Estate portfolios are being sold with loans and their properties. They are priced by reference to the asset itself. Loans are only 60-70% of value.

- *what is the present trend in your market?*

Corporate Bonds were issued by companies who said they were trying to get away from Bank financing. In reality they couldn't get borrowing from the Banks as they weren't financially strong enough. These corporate bonds are now non-performing and there is an active secondary market in them. Solarworld AG was a restructuring of a corporate bond. They wiped out the equity by 95%. It was bought by investors from Qatar (Qatar Foundation) and hedge funds. It was the largest out of court restructuring in Germany last year.

- *how do you see the next 12 months progressing?*

Banks have split into good banks and bad bank. Those employed at the bad bank are working out the loans (they want to keep their jobs). Not seeing buyers from the Far East or investors buying loans to acquire businesses and assets.