



*14<sup>th</sup> of March, 2012*



# **International Leasing – Restructuring**

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General Director*

# Key Issues

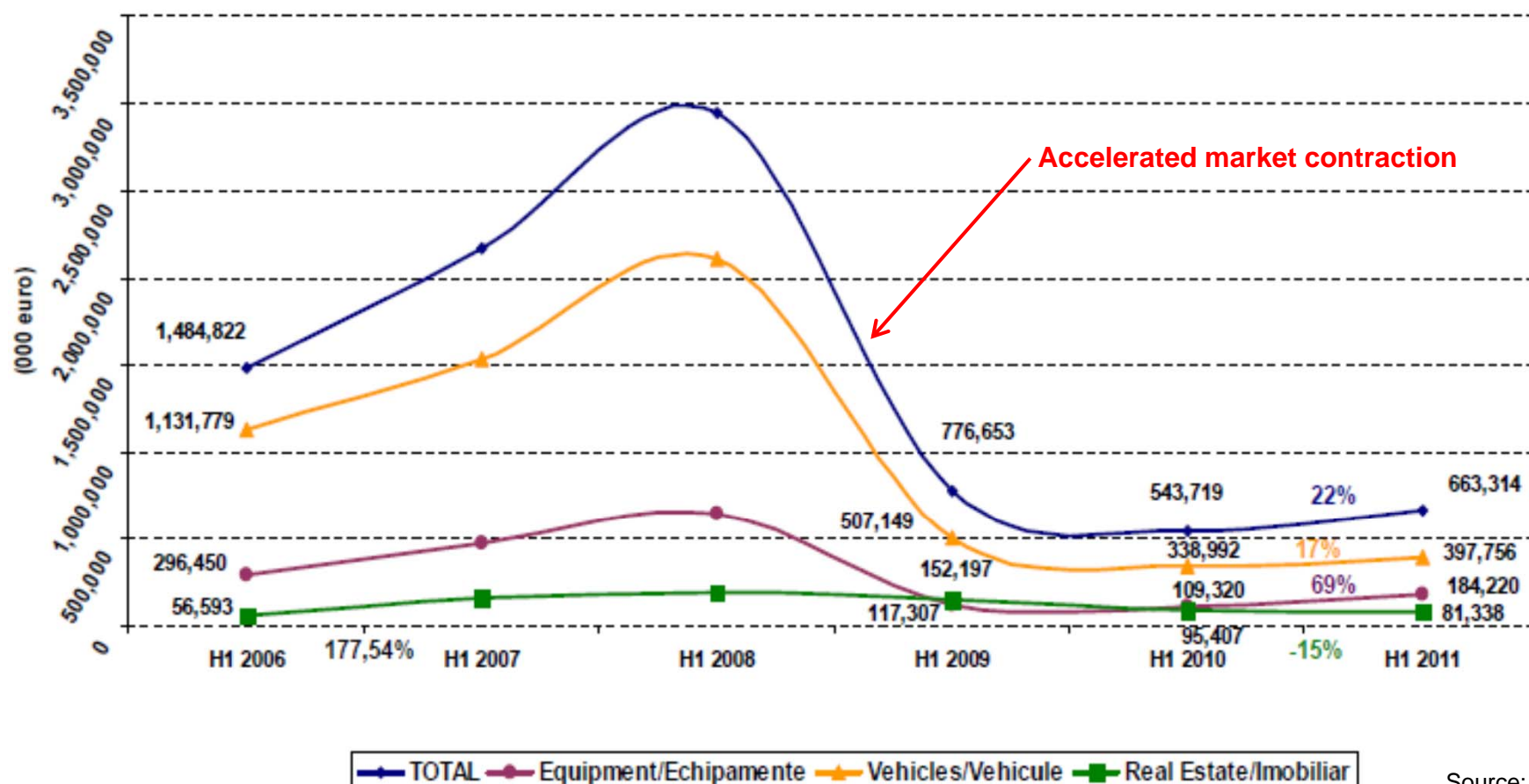


- Short history of international leasing
- Leasing sector synopsis - trends, evolution
- International Leasing within sector trends
- Economic crisis 2008 – 2010
- Restructuring the business
- Implementation of the Restructuring Plan
- Lessons learnt and way forward

## Short History Of International Leasing

- Set-up in 1995 as the first independent leasing company
- Recognized by its competitors as a major trend setter
- Co-founder of the National Union of Romanian Leasing (UNSLR), now divided into ALB and ASRL
- First private company to issue public bonds (2000, 2002 and 2005 – successfully repaid)
- First private leasing company listed on the capital market (RASDAQ)
- 8.000 leasing contracts with over EUR 150 Mio
- Very good reputation in the market
- Specialized automotive and equipment financial leasing, ticket size around EUR 30k

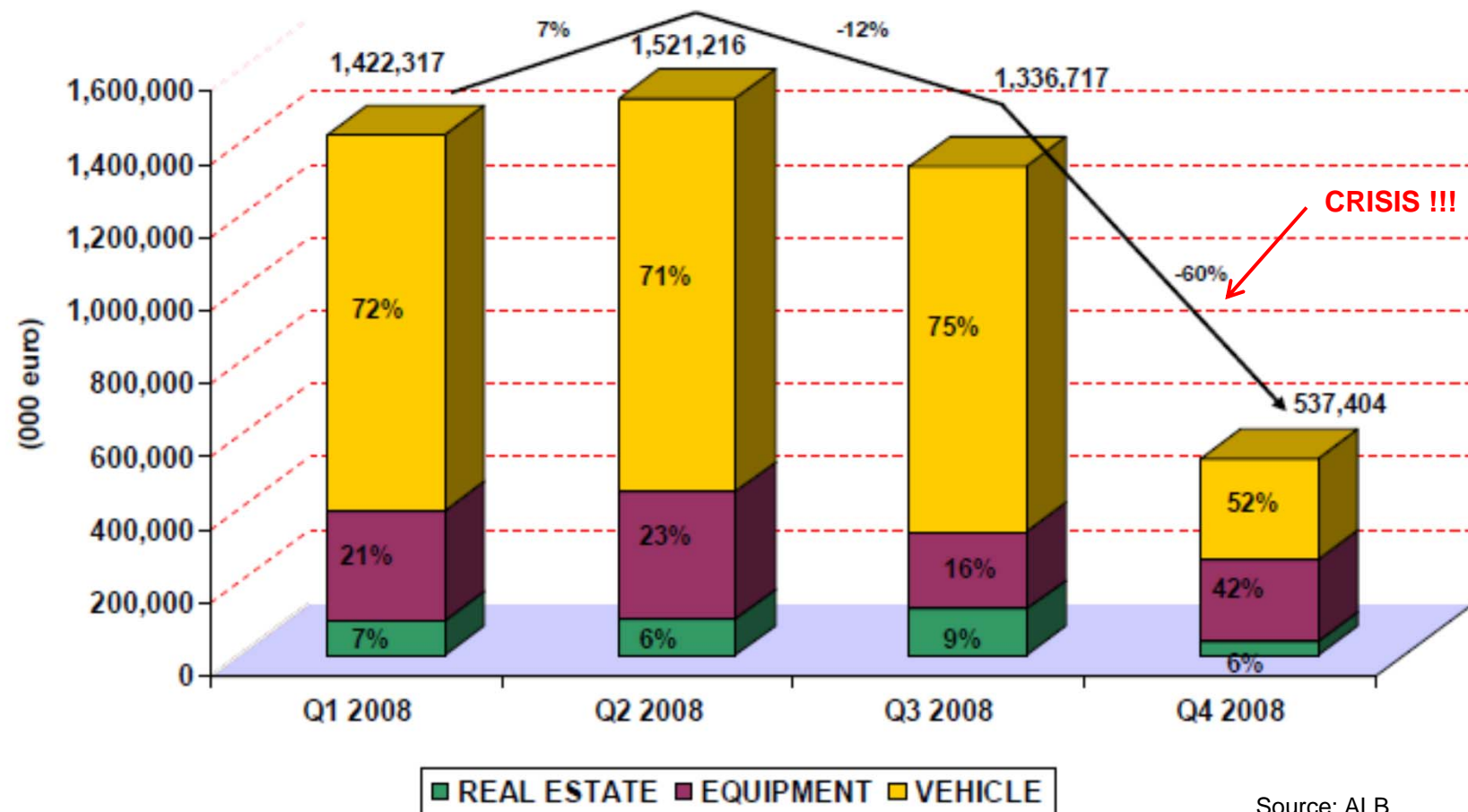
# Leasing Sector Synopsis - Trends, Evolution



Source: ALB

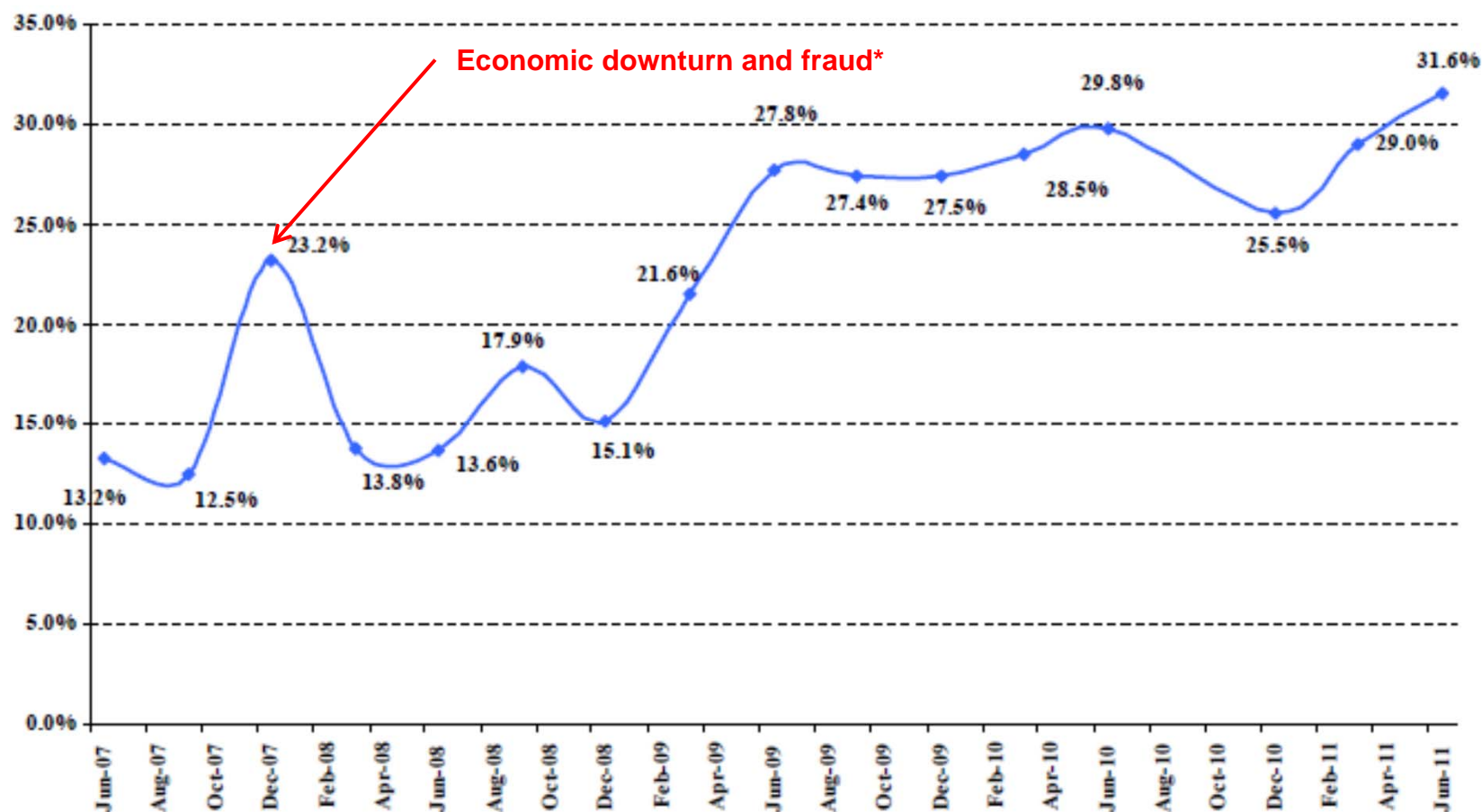
Romanian Leasing Market 2006-2011

# Leasing Sector Synopsis - Trends, Evolution



Romanian Leasing Market 2008

# Leasing Sector Synopsis - Trends, Evolution



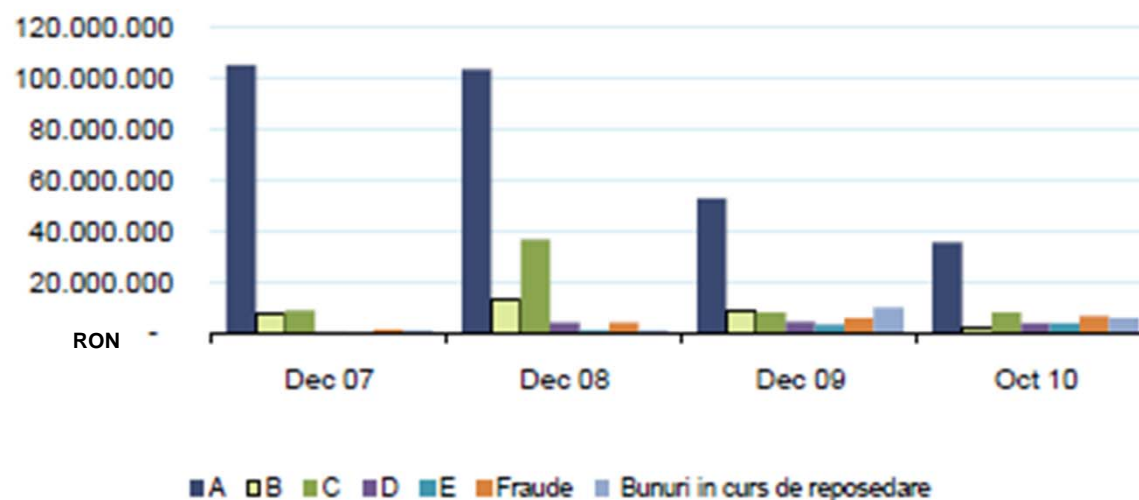
Source: ALB

## Evolution of non performing loans from total granted credit

\* Criminal groups frauded the leasing sector;  
Financial market exposed to fraud lacking real forensic specialists at the time.

## International Leasing Within Sector Trends

- International Leasing = independent leasing company
- Shareholders could not sustain the financial gap
- High sensitivity of the business model to the general economic downturn
- International Leasing's portfolio followed the descending trend of the overall market
- A significant amount of financed contracts defaulted in 2008-2010:



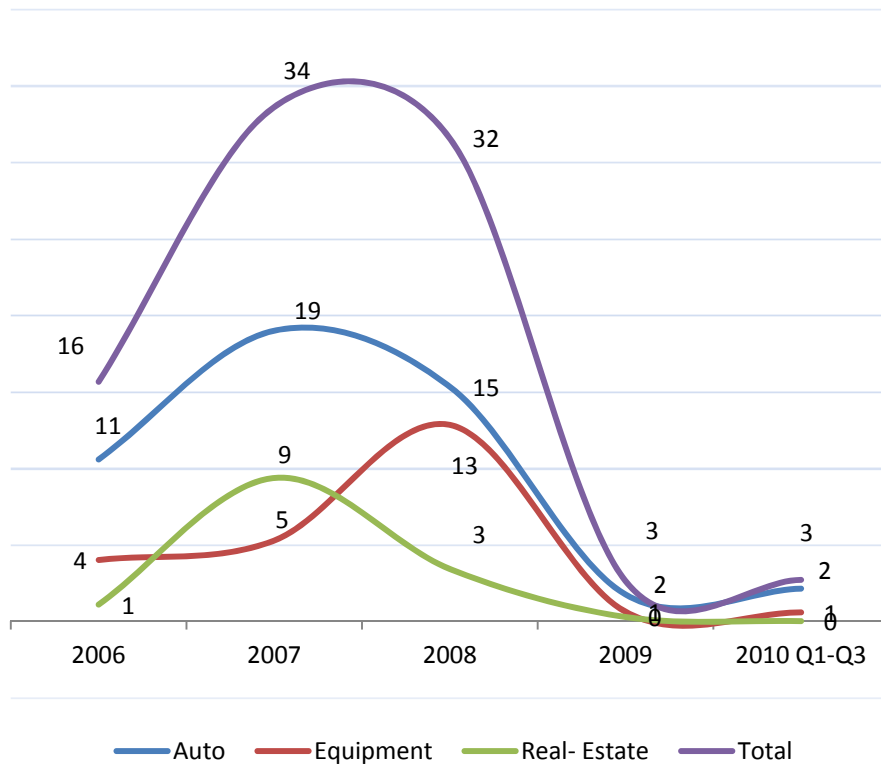


# International Leasing Within Sector Trends

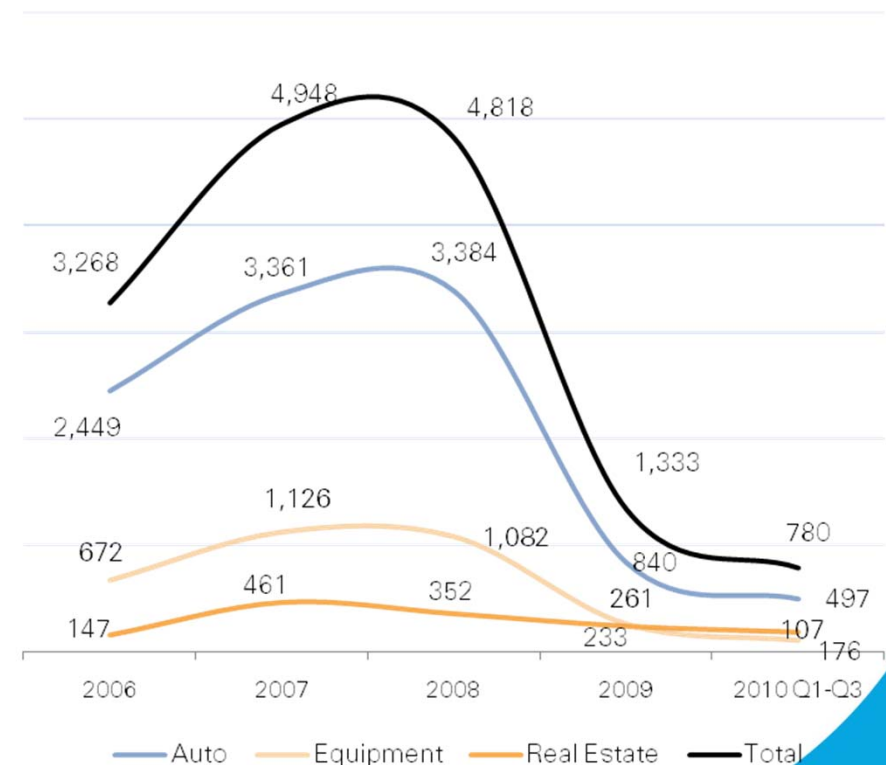


International Leasing's portfolio followed the descending trend of the overall market:

International Leasing portfolio evolution 2007- Q3 2010



Leasing market in Romania 2007- Q3 2010 (EUR mil)



Source: ALB (Financial Companies Association) Report 2010

[www.leasing.ro](http://www.leasing.ro)



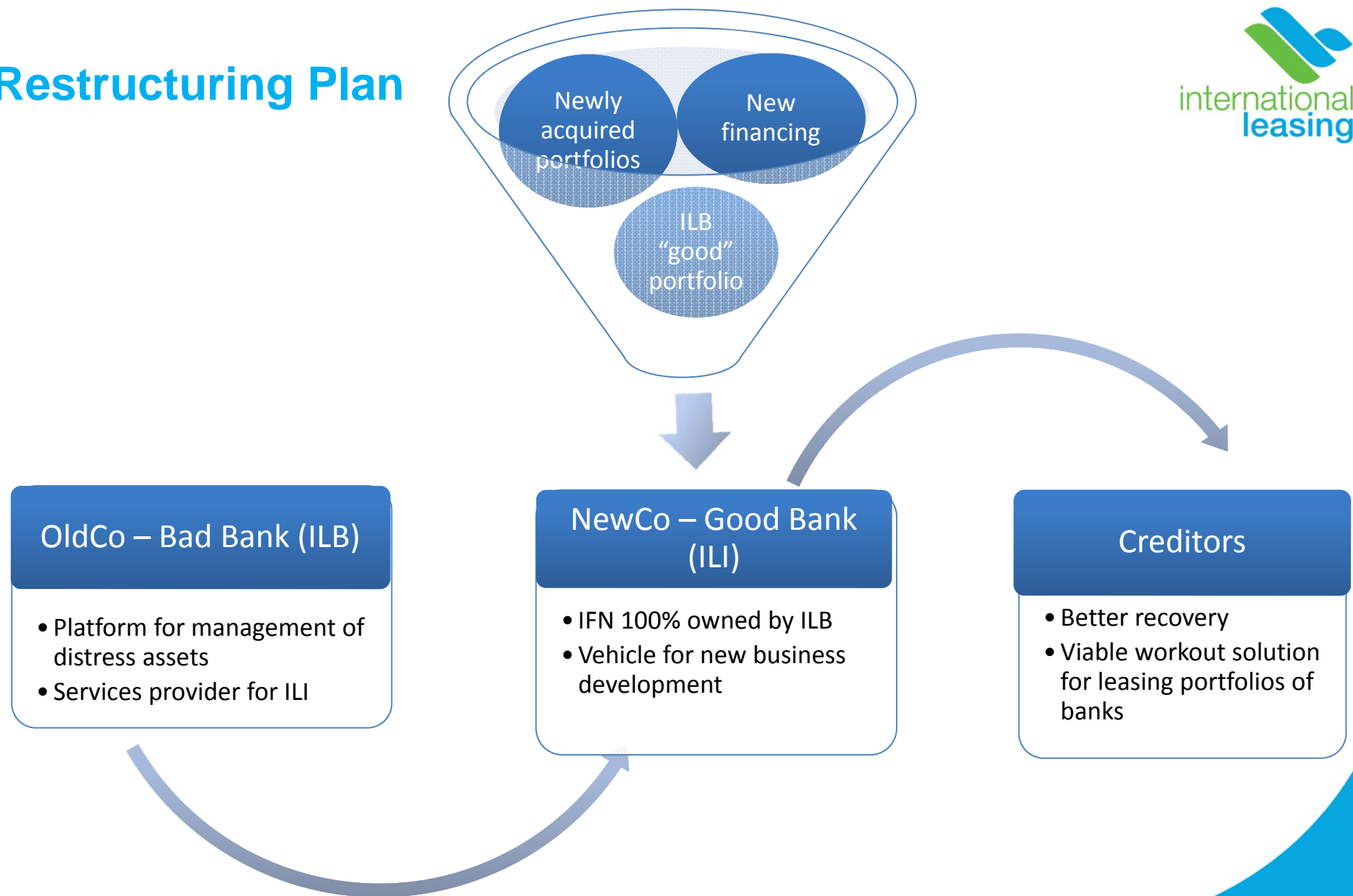
# Economic Crisis 2008 – 2010

- **Banking sector** as a response or cause to the economic crisis
  - **Lack of understanding** of the leasing portfolios in the bank and **no expertise** on handling with these defaults, resulting in the following behavior/actions:
    - **Debt restructuring** started **too late**: clients already in default
    - **Cancelling of undrawn ceilings** and **no new financing** for independent leasing companies. Resulting in limiting any new cash flow to compensate for defaulted contracts
    - This stop was **not correlated** inside the banks **with any judicial measures** (insolvency, bankruptcy, etc)
  - Fraud problems
- **Independent leasing companies**
  - Worst affected
  - Psychological impact on entrepreneurs
  - Struggle to revive the business without having the knowledge how
  - More difficult to take hard decisions
  - Lack of support from the creditors
  - Difficult decisions for small entrepreneurs to look for a consultant
  - Fraud problems

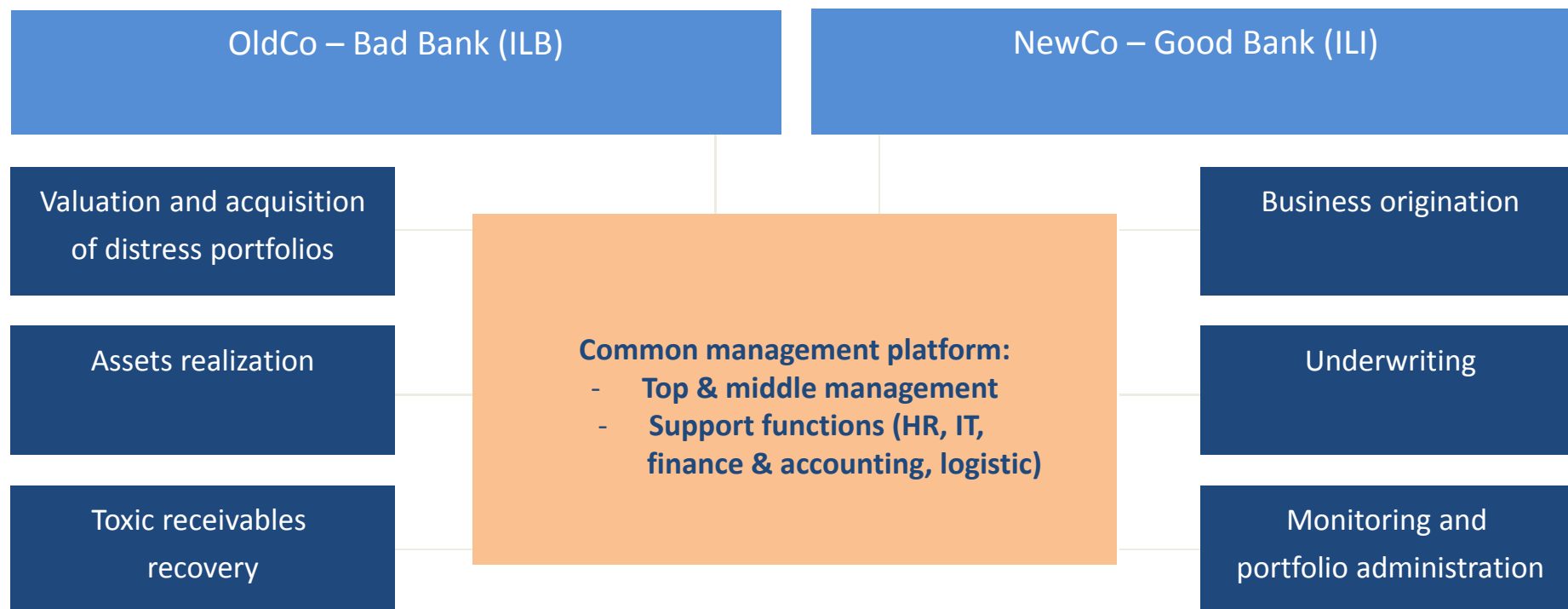
## Restructuring Plan

- **Good bank / bad bank model** was proposed by ITL (first time in **Jan 2009!**)
- Decision to declare insolvency took almost 18 months
- Timing was critical
- Creditors / banks' consensus difficult to obtain
- Insolvency - the only viable solution
- Insolvency protected both the company and secured the creditors assets
- BCR as main creditor – critical role in restructuring International Leasing
- BCR proposed the team of Speranta Munteanu (KPMG) to support this project
- The insolvency procedure started in **Oct 2010 !**

# Restructuring Plan



# Restructuring Plan



Integrated common support platform for two complementary businesses create the synergies for cost segregation and effectiveness.

# Restructuring Plan – implementation

## Key figures:

### + loans' payments status:

Loans principal payments on ILB	Loans paid	Loans assumed to be paid until the end of the January	Loans remained to be paid until 31.01.2012
Type	EUR	EUR	EUR
Type A (guaranteed)	785.530	568.620	-216.910
Type B	1.883.357	1.756.321	-127.036
<b>Grand Total</b>	<b>2.569.610</b>	<b>2.324.941</b>	<b>-244.669</b>

*Figures in red represent the loans' principal paid in advance vs. the payment schedule.*

### + default rate:

Default Rate <i>Realized</i> July 2011 – January 2012	Average (% p.a.)
New Business Organic	0%
New Business Portfolios Acquisitions	0%
Old transferred to ILB	3,7%
<b>Default Rate Assumed</b>	<b>10%</b>

### + portfolio acquisition:

	Debt Value (EUR) To date	Debt Value (EUR) Next quarter	Debt Value (EUR) TOTAL	Recovery Rate (%) Estimated
Portfolio Acquisition	4,734,000	9,000,000	13,734,000	10 - 15%

*Period 2011 – 2012.*

## Restructuring Plan – Implementation

### + threats

- The volume of portfolios estimated to be purchased could not be reached due to the reluctance of owners/banks to sell such portfolios;
- Difficulty in assessing portfolios due to lack of information;
- Long delays from the banks in approving and finalizing the take-over offers.

### + new opportunities

- Together with leasing portfolios we created an opportunity to buy independent assets in distress and restructure for the banks other credits;
- To increase its market-share, ILI developed new leasing products: buy back and lease back, with ILB part of the transaction with valuation and acquisition expertise. Consequently, ILB will also increase its sales volume.
- ILB already agreed partnerships with important auto dealers for buying/ selling used cars and created a full platform for this services

### + strengths:

- Newly financed contracts of higher quality, due to gained experience

## Lessons Learnt And Way Forward

- Creditors support is critical
- Entrepreneurial involvement & commitment leads to success
- Threats can fuel new opportunities:
  - Business was diversified: distressed asset management
  - The management achieved new skills with restructuring
  - New market opportunities
  - **New investment opportunity**



## Contact



***Thank you for your attention!***

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