

VÄRDE

January 2018

Värde Partners Overview

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VÄRDE

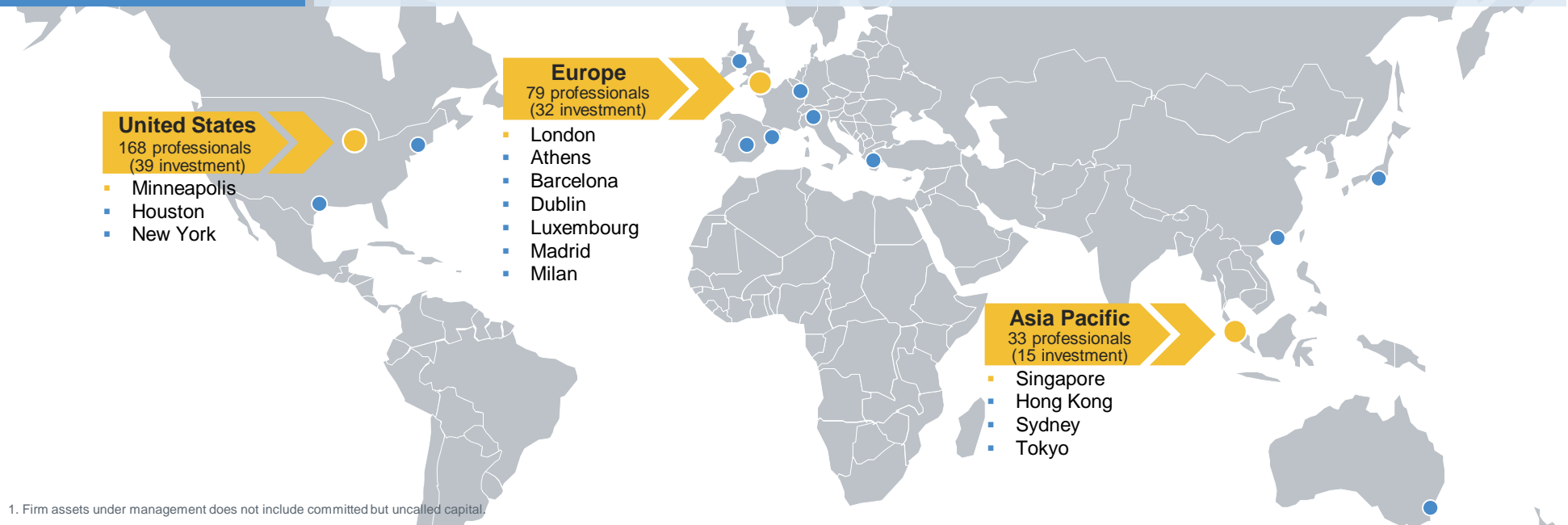
Section 1

General overview

Värde Partners

Värde is a global alternative investment firm with over \$13 billion in assets under management¹

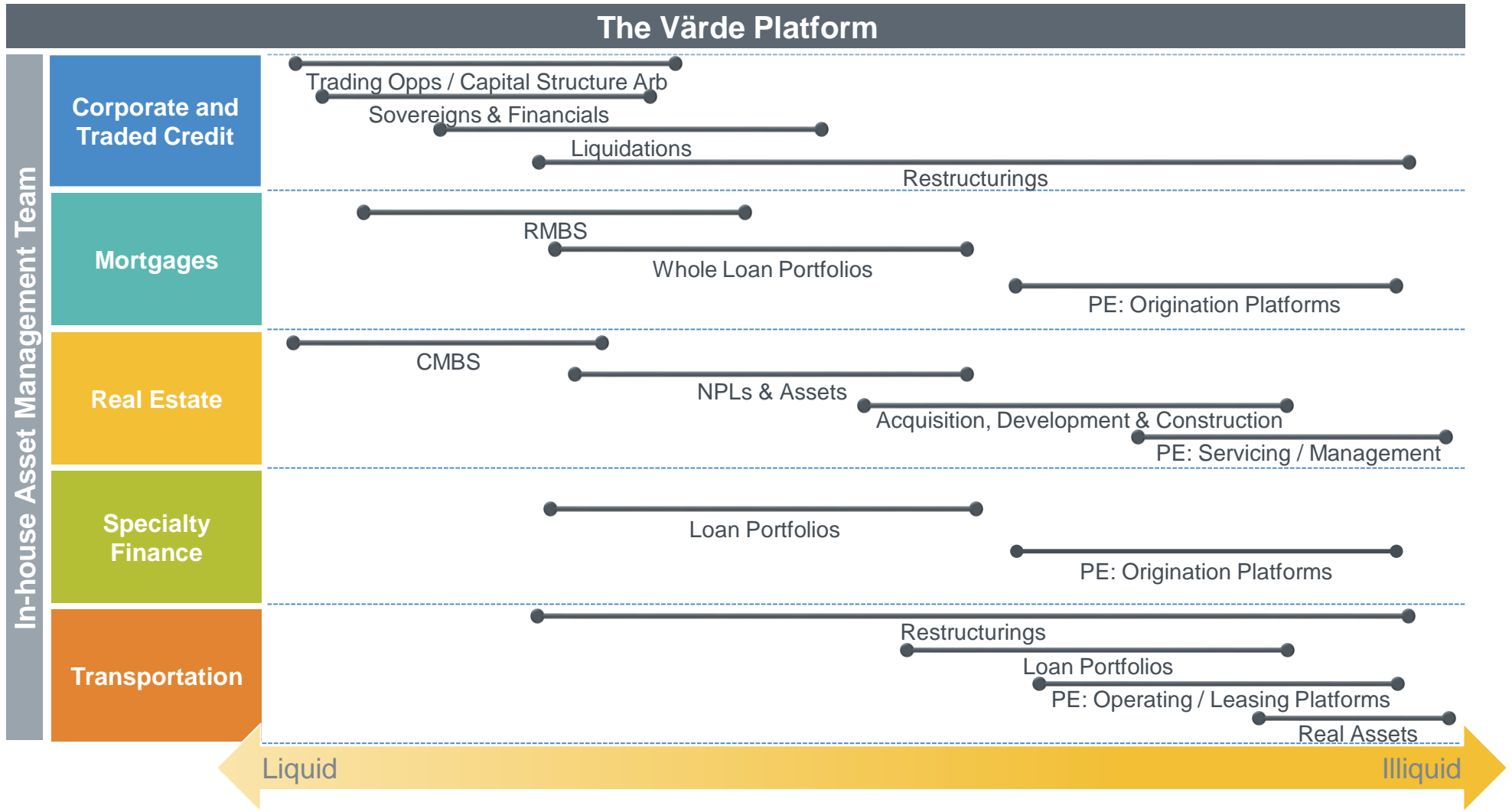
<p>EXPERIENCED</p>	<ul style="list-style-type: none"> Over \$50 billion invested since the firm was founded in 1993 Founding Partners have been investing for over 30 years Led by 13 Partners with an average of 14 years working together
<p>GLOBAL</p>	<ul style="list-style-type: none"> Primary offices in Minneapolis (inception), London (est. 2004) and Singapore (est. 2008) Investments in more than 65 countries since inception International employee base that speaks over 30 languages
<p>ESTABLISHED</p>	<ul style="list-style-type: none"> 280 employees including over 85 investment professionals Infrastructure includes operations, accounting, legal, technology, tax, treasury, investor services SEC registered (1997), FCA registered (2004), MAS licensed (2013)



1. Firm assets under management does not include committed but uncalled capital.

Integrated platform

Värde's platform supports investment across a wide spectrum of asset classes and liquidity profiles



This slide is for illustrative purposes only. The segments are based on Värde's internal classification system. Värde's segments may not align with the categories and definitions applied by other market participants. The segments and assets pursued by Värde may change over time, and the actual liquidity of the segments and assets may be different than the liquidity indicated herein.

Investment philosophy

Värde's investment philosophy rests in applying a core set of principles to opportunities across the Firm's platform

Market inefficiency

We search opportunistically for **complex situations** in less efficient markets where our broad experience, our relentless attention to detail and our willingness to work through complexity drives results.

Intrinsic value

We seek to invest at a price that allows us to **unlock or create value**.

Flexibility

A key tenet of our strategy is a **flexible investment approach** — investing and allocating capital and resources across multiple segments and markets.

Catalysts

We focus on **value drivers**, the path to unlock value and potential exit strategies.

Risk management

We believe our breadth of perspectives across asset classes and markets enhances our ability to price risk and improves the overall construction of our portfolios and their **performance across market cycles**.

VÄRDE

Section 2

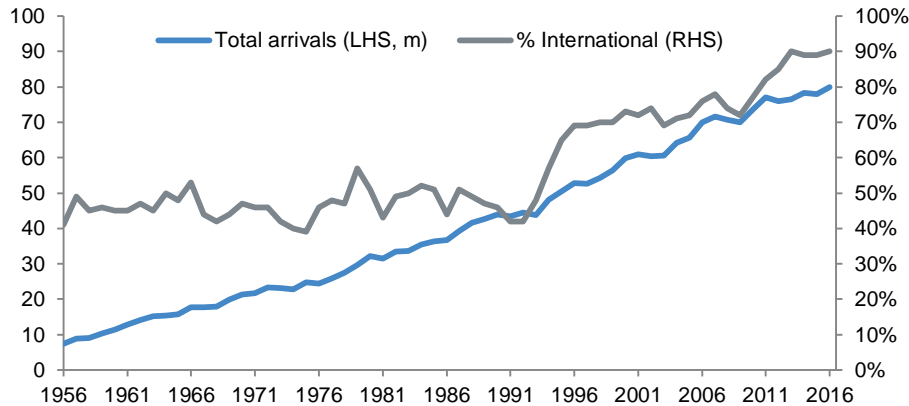
Examples of investments in Italy

Boscolo

Upper upscale Italian hotel company

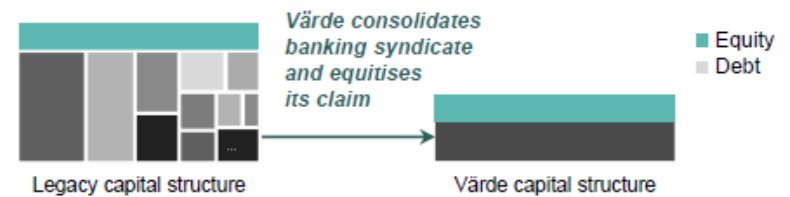
Investment Catalyst

Italy tourist arrivals



Acquisition Path

- Boscolo is a family-owned Italian hotel group which has been in financial distress since 2010 and went through two restructurings
- Värde consolidated the banking syndicate by acquiring the debt from more than 20 different lenders and stroke a deal with the Boscolo family to acquire 100% of the equity
- The business plan foresees the refurbishing and the repositioning of the hotels to create a leading luxury hotel chain in Europe



Real Estate Exposure



Opportunity Set

Branded hotels penetration in Europe



Sources: Howarth HTL, Värde estimates.

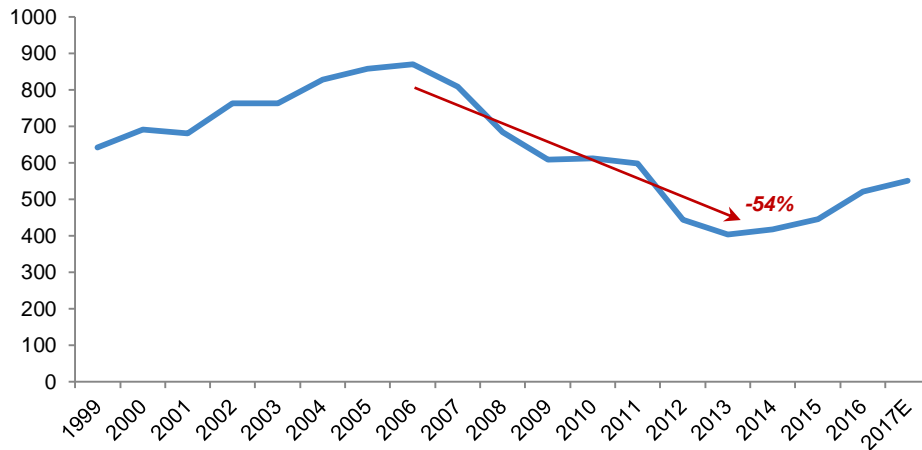
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Mezzaroma

One of the largest privately owned Italian home developers

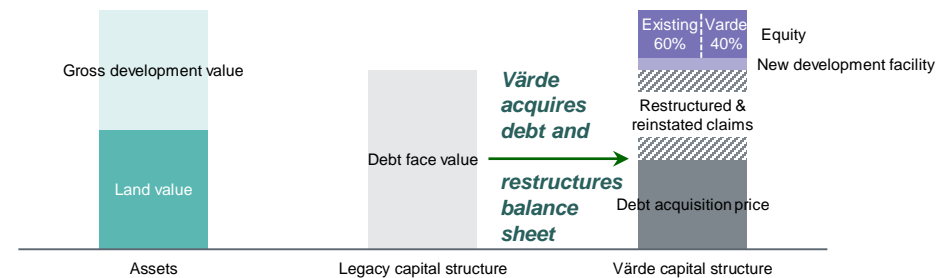
Investment Catalyst

Italy house sales (000's)



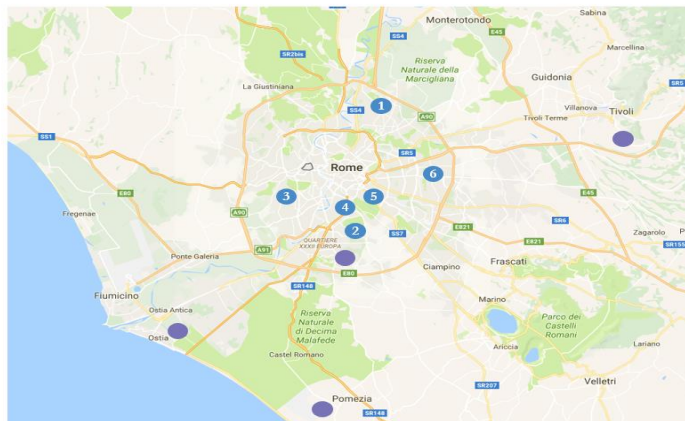
Acquisition Path

- In 2017, Värde purchased the debt of Mezzaroma from 4 Italian banks
- Having effectively become the only lender to the company, Värde negotiated a restructuring plan with the borrower. Once the plan is approved, Värde will obtain a 40% equity stake in the group
- In year 5, the business plan foresees completion and disposal of all key assets of the group, enabling repayment of the debt in 4 years and the distribution of dividends



Real Estate Exposure

Mezzaroma site locations in Rome



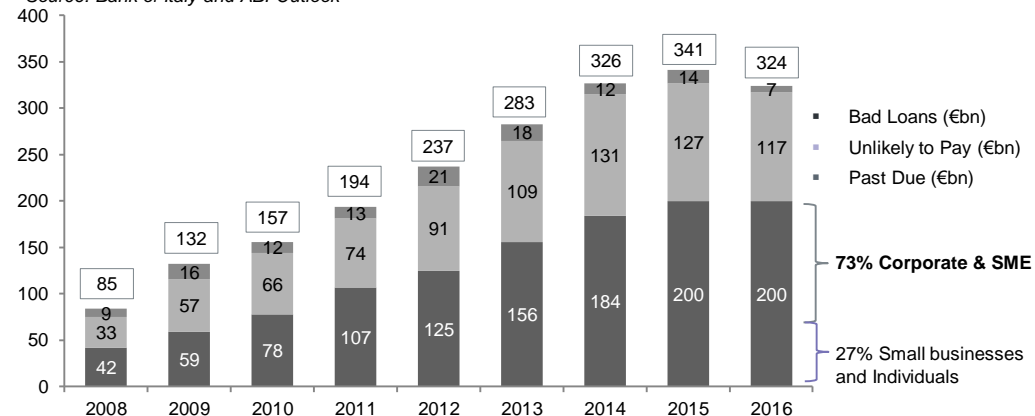
Source: Eurostat, Scenari Immobiliari, OMI, Agenzia delle Entrate

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Opportunity Set

Gross Italian NPL and Bad Loans trend (€bn)

Source: Bank of Italy and ABI Outlook

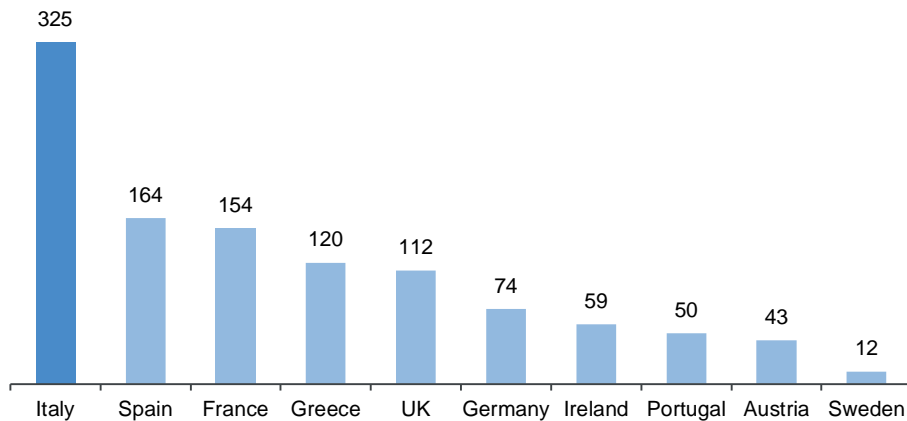


Guber

Leading Italian loan servicer with €7bn AuM

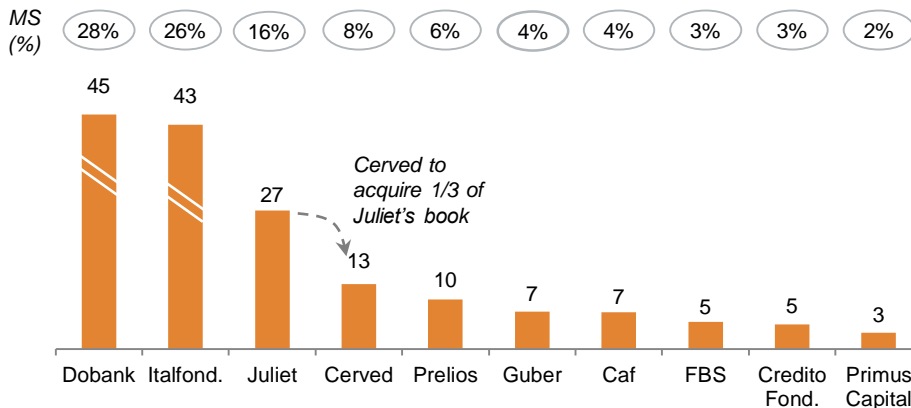
Investment Catalyst

Gross NPLs (€b)



Indicative Real Estate Exposure

Largest 10 Italian servicers by GBV (€bn) YE2015 (including Juliet)

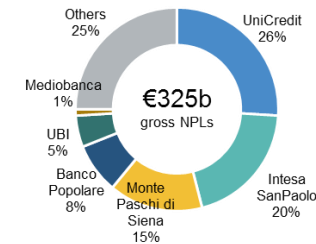


Source: Company information, ECB, Banca d'Italia; (1) This investment has not yet closed; there is no guarantee that the investment will be consummated or, if consummated, will be made on the terms described herein; all projections, targets and estimates are subject to change without notice. (2) based on gross customer loans

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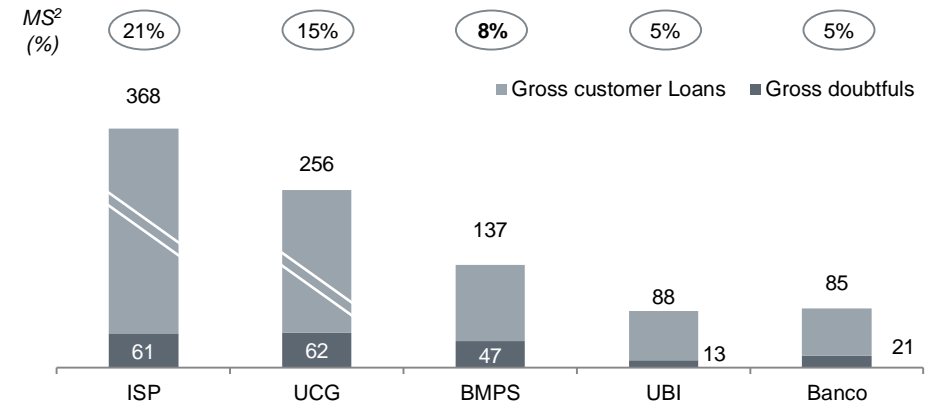
Acquisition Path

- The Italian servicing market is fragmented with a limited number of sizeable players. Banks are now facing pressure to rationalise and shed off non-performing exposures
- Värde is of the view that straight portfolios buys are often problematic as they can involve i) granular SME loans, ii) hard to value industrial collateral and iii) cheap money
- In 2017, Värde acquired a third of the equity of Guber S.p.A to support the grow of the business in the NPL space and its transformation into a bank



Opportunity Set

Top 5 Italian Banks by customer loans (Italian market only, €bn)

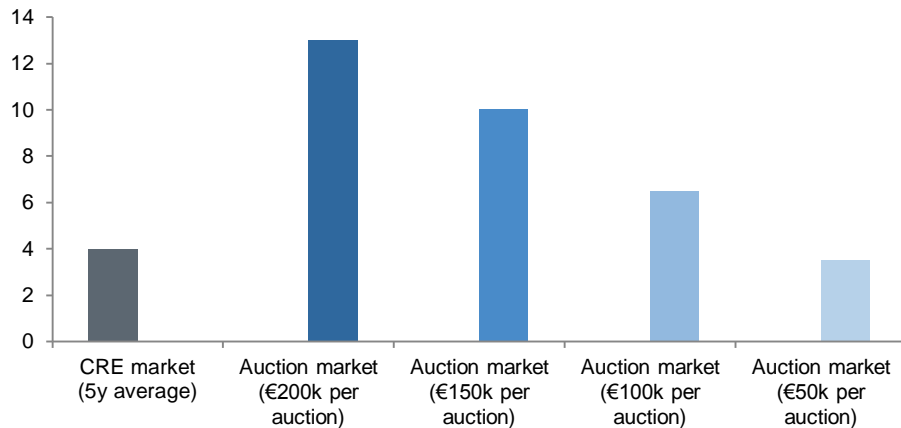


REStar

Platform to acquire real estate assets from auctions or banks

Value Catalyst

Italy – CRE market turnover vs auction market (€b)



Acquisition Path

- Värde created a JV vehicle with Guber to participate in Italian auctions in the context of mortgage enforcement proceedings
- REStar operates as a real estate operating company, acquiring assets from auctions or secured single name loans directly from banks. The aim is to work-out the assets before selling them to third parties
- Through REStar, Värde has invested more than €70m



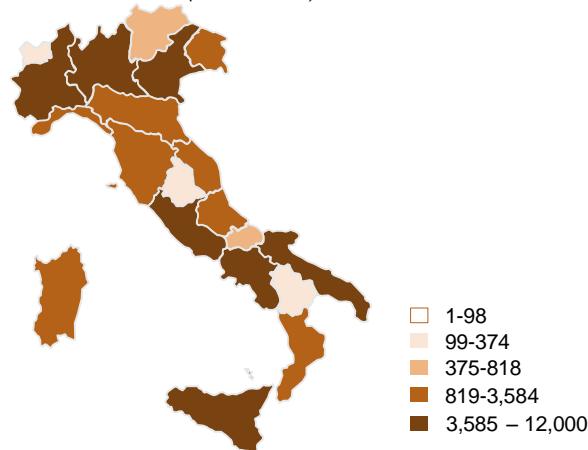
Real Estate Exposure

Auction sales in 2013 (total: 66,000)

Small cap
€50k-€10m
RE positions

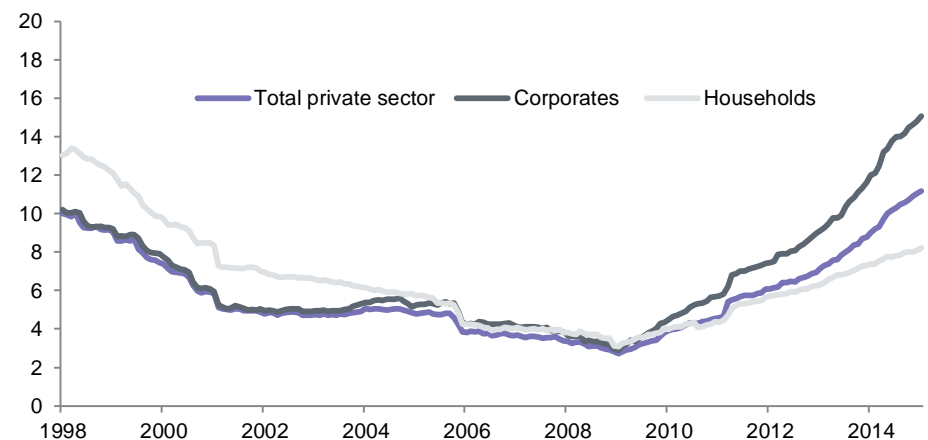
40%+
discount to open
market value

1-3 year(s)
disposal timing



Opportunity Set

Italy – Gross NPL ratio 1998-2015 (%)



Sources: CBRE, Bank of Italy, JPM, Goldman Sachs.

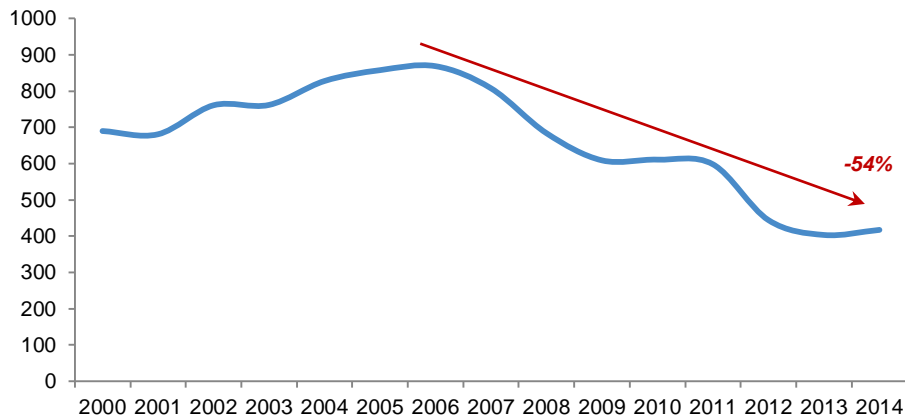
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Panorama

Prime Milan development with local market partners

Investment Catalyst

Italy – housing transaction volumes ('000s)



Real Estate Exposure

Palazzo Litta, Milan

4
prime Milan assets

Pre-refurb

Post-refurb¹



25%
developer's margin

€7,321psm

€10,000psm

€11,000psm

260+
units

Entry point

Underwritten exit²

Median sale comp

Acquisition Path

- The Italian government holds €2 billion of real estate through *Cassa Depositi e Prestiti*, a government-owned bank
- Värde and Beni Stabili (Italy's largest REIT) acquired a portfolio of 6 assets in the country's first RE privatisation since the GFC

CDP's desired outcome



1. Demonstrate foreign capital is active in local market
✓ Värde submits Phase 1 bid for entire portfolio
2. Demonstrate key domestic companies remain attractive
✓ Värde joins forces with Italy's largest REIT in Phase 2, targeting only a portion of the portfolio
3. Demonstrate CDP is helping create local jobs
✓ Värde partners with largest developer in Lombardy to develop assets

Opportunity Set

Italy – main locations of CDP's portfolio



- CDP owns c.€2 billion of real estate inventory across Italy in a variety of funds
- Central to CDP is the concept of rationalisation of its portfolio, through JVs, value-add asset management, repositioning or disposals

Sources: Camera di Commercio di Milano, Värde estimates; (1) Artist rendering; (2) You should not assume that the performance of any specific investment or investment strategy will be profitable or equal to targeted returns. There can be no assurance that any future event will occur or that any projections or targeted returns will be achieved.

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