Crowe Horwath

The Global Corporate Advisor

February 2014

The Corporate Finance newsletter of Crowe Horwath International

Welcome to the February issue of Global Corporate Advisor. I hope that the year has begun well for you and the first quarter of 2014 is fulfilling the promise that was forecast.

I have authored an overview of infrastructure, real estate and public/private partnerships in the BRIC countries, Brazil, Russia, India and China. While the four countries are on their way to becoming the most powerful economies of the world, they are at different stages of development in various sectors.

The issue also contains an article on debt restructuring in Ireland and Spain, presented by Loreta Calero Pérez and Naoise Cosgrove, partners at Crowe Horwath Spain and Ireland respectively. We examine the background and reaction to the banking crises in Ireland and Spain and to the opportunities that now exist to invest in those economies. Crowe Horwath offices have played a central role in assisting financial institutions and borrowers in dealing with financial distress and debt restructuring.

Don't hesitate to get in touch with your local advisor if you need assistance with your corporate finance activities.

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Inside This Issue:

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The GCA team is here to respond to your needs relating to M&A transaction support, valuations and advisory services. If there is a topic you would like us to cover in future issues of the GCA newsletter, don't hesitate to contact Peter Varley, Chairman of GCA, at *peter.varley@crowecw.co.uk.* Alternatively, please contact your local GCA team member to discuss your ideas.

Infrastructure, Real Estate and Public-Private Partnerships in BRIC Countries

By Fabio Farina, Brazil

In economics, BRIC is a grouping acronym that refers to the countries of Brazil, Russia, India and China, which are all deemed to be at a similar stage of newly advanced economic development. It is typically rendered as “the BRICs” or “the BRIC countries” or “the BRIC economies” or alternatively as the “Big Four”.

The acronym was coined by Jim O’Neill, global economist at Goldman Sachs, in a 2001 paper, “Building Better Global Economic BRICs”. The acronym has come into widespread use as a symbol of the apparent shift in global economic power away from the developed G7 economies (USA, Japan, France, Germany, Italy, UK and Canada) towards the developing world.

While some sources suggest that they might overtake the G7 economies by 2027, Goldman Sachs is more modest in its projections. It says that the economies of the four BRIC countries are developing rapidly to eclipse the combined economies of the current richest countries of the world by 2050.

These countries encompass over 25% of the world’s land coverage, 40% of the world’s population and hold a combined Gross Domestic Product (GDP) at Purchasing Power Parity (PPP) of $20 trillion. On almost every scale, they would be the largest entity on the global stage. These four countries are among the biggest and fastest growing emerging markets.

BRIC countries’ path to 2050

A country’s population and demographics, among other factors, directly affect the potential size of its economy and its capacity to function as an engine of global economic growth and development.

As early as 2003, Goldman Sachs forecasted that China and India would become the first and third largest economies by 2050, with Brazil and Russia capturing the fifth and sixth spots. The chart below shows a more recent forecast of the world ranking of the biggest economies in the year 2050.

Infrastructure deficit

The 2012 annual report of the International Finance Corporation (IFC), a member of the World Bank Group, estimates that developing countries will require $1.1 trillion in infrastructure investment annually.

Roads, ports, railways, electricity and information communications technology are all vital enablers of economic growth and better living standards in emerging markets and developing countries around the world.

Between 2003 and 2007 global annual GDP grew by an average of 5%. China, which is adept at reinvesting and developing its infrastructure consistently, surpassed the 10% mark during these years. It is the only BRIC country to do so.

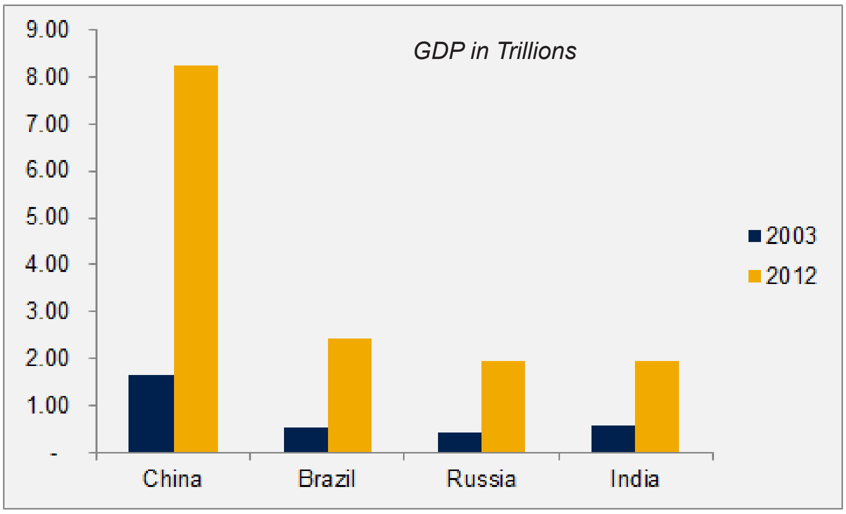

Figure 1: GDP growth in BRIC countries

Source: Statista Inc.

Internal investment in infrastructure was a huge part of China's growth model; between 2003 and 2007 when the country built over 1500 skyscrapers reaching over 30 storeys. Shanghai, a city without a subway system until 1995, now has 454km of underground railways, compared to 402km in London, which has been developing its network for a century. São Paulo in Brazil, Latin America's largest city, by contrast, still only boasts 74km.

Brazil, Russia and India grew rapidly by peddling their rich resources to the rest of the world. Between 1990 and 2002, Brazil exported US$54bn worth of commodities every year on average – between 2005 and 2011 exports tripled to $111bn.

During that period 40 million Brazilians were lifted out of poverty, a further nine million people joined the upper middle classes. Demand for new homes and cars exploded, which influenced prices. Similar developments were seen in all the BRIC countries.

As people made more money and more credit became available to them, soaring housing prices were not a problem for a time. Now BRIC cities such as Rio de Janiero, São Paulo, Shanghai, Moscow and Mumbai are constantly topping lists of cities with the most expensive cost of living.

But the housing boom and soaring cost of living was accompanied by huge infrastructure deficit that some of the BRICs have been building up over the years, exacerbated by the lack of modernization in the industrial sector.

In Brazil and India, for instance, buildings are still constructed with the same basic tools and techniques developed thousands of years ago: brick by brick. Bricks, manufactured out of a variety of clays are cemented together, usually by hand.

In Brazil, it takes 42 months and 1500 workers to build two 35-storey towers, whereas in the US a build of this magnitude takes 30 months and half the workers. In China there are building techniques to erect a 30-storey tower in as little as two weeks. In Europe and North America the pre-fabricated model is predominant, both for its efficiency and its lower costs. This way, a factory will manufacture concrete or ceramic slates and builders simply assemble the structure at the site.

Investment in modernization of the industrial sector, which comprises new plants, new technologies and research and development corresponded to 48% of GDP growth in China in 2012, which means that almost half of what it produces is designed to enable China to produce even more.

On average, emerging markets invest 31% of their GDP on these types of projects. Mongolia, which is experiencing something of a commodities boom, invested 51% of its GDP in 2012 in infrastructure. Brazil invested 19%, marginally behind Russia that invested 20% of its GDP. India invested around 35%.

Low investment rates remain a problem for Brazil and Russia. Their investment levels are on par with developed countries such as Switzerland, Belgium and Finland, whose infrastructure far exceeds that of the two BRICS and thus requires less to keep growing.

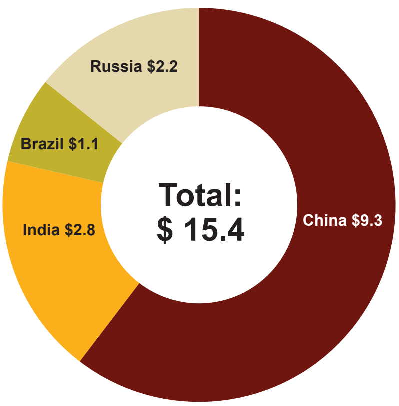

Figure 2: Infrastructure investments in emerging markets

Forecast 2008 - 2017 - $ Tr - Source: Morgan Stanley

Brazil, for instance, currently has 29,800km of railways, which are almost exclusively used for the transport of goods; 10,000km of these were built by the country's last emperor Pedro II at the end of 19th century.

Rails still only transport less than 3% of goods and since 1889, the country's vast resources are transported to the ports by truck. It costs almost five times more to transport a ton of soy in Brazil than in the US. Brazil, though not quite as vast as China or Russia, is a very large country, and one that should not be wasting money on the transport of goods. It can follow the example of China, which has spent considerable resources on modernizing its legacy infrastructure, building over 19,000km of train tracks between 2007 and 2011, and is now considering developing the network into high-speed rail lines. Russia boasts 128,000km of tracks. India has a 63,000 km route, not nearly enough for its needs and new projects are being added constantly.

India, Brazil and China have all announced significant commitments to infrastructure development whether in airports, power or information technology.The success of these efforts will depend on the BRICs capacity to follow through on these commitments and a number of critical project design and implementation issues, including cross-sector cooperation in the form of public-private partnerships.

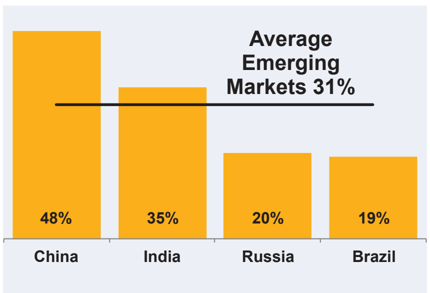

Figure 3: Investments in the modernization of the industrial sector (% of GDP)

Real Estate Opportunities

When the real estate bubble popped in the United States, investors sought better opportunities in the emerging markets across the globe. In the most part the emerging BRIC economics have had sustained growth in real estate values after the financial crisis. The real estate sector in these countries still offers good investment opportunities for foreign investors.

China is leading the pack with a GDP growth rate of just under 8% per year since 2007. Although China's export oriented economy suffered during the world economic downturn since 2008, the rise in middle class and subsequent growing domestic demand amid increasing household incomes has helped sustain growth. Retail and office sectors are performing better than any other segment of the real estate in China. The underlying trend is rather rosy. According to the forecast of the International Monetary Fund (IMF), China should be able to boost the value of investment-grade properties in coming years.

The IMF has forecasted continued Russian GDP growth for the coming years. Despite political risk, evident in several corruption scandals and wars with separatist regions, Russia has enjoyed relative economic stability in last decade. The lack of investment-grade real estate properties in the country is expected to provide support for asset prices. According to a FTI Consulting report from 2012, in the near term, Russia is a favorable destination for real estate investment because of stable price levels as well as demonstrated evidence of abating systematic risks due to strengthening economic and market bases of Russia´s economy.

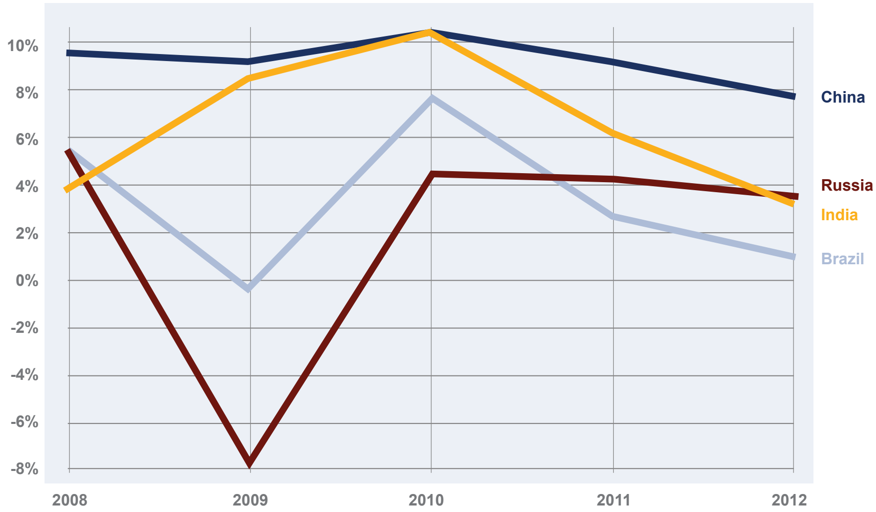

Figure 4: Real State GDP growth

India has observed massive urbanization in recent years and local demand has ensured growth in the strong commercial real estate sector. The non-banking sector has shown tremendous interest in financing real-estate projects as traditional banks lacked the institutional framework to support the thriving growth in this sector. The younger population demographics and growing middle class in India means that the country will require a huge number of family homes in urban areas. As the spending power of the domestic population increases, the appetite for better housing is also increasing. These attributes have attracted huge foreign investments in the Indian real estate sector.

Among the BRIC economies, Brazil's GDP growth is currently at the bottom of the totem pole with only 0.87% in 2013. The dip in investor confidence actually made value investors turn their heads as price levels in real estate became rather attractive. In the recent quarters, Brazil's inflation rate and unemployment came down significantly. Trophy real estate assets in Rio de Janeiro and São Paulo helped drive the average real estate price. Indeed, office and retail properties are currently running at a multi-year high.

Among many developed countries, demographics for real estate investors are alarming as populations are actually declining. However, in emerging economies, younger populations from Generation Y are already looking to start new families which will keep the real estate sector growth on a stable pace for the next 10 to 20 years. BRIC economies offer the perfect match for institutional investors and their appetite for stable risk adjusted returns in the real estate sector.

However, when investing in these emerging markets, it always boils down to the potential of cities instead of whole countries. For example, in upper class neighborhoods in Mumbai real estate prices are closer to posh streets of New York. The prices of trophy apartments in Mumbai, São Paulo and Hong Kong are showing stable growth because the natives believe the growth in their own countries will offer better value for their investment in the long term, compared to say London or New York.

A Public–Private Partnership (PPP)

A public–private partnership (PPP) is a government service or private business venture, which is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP or P3.

PPP involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project.

It is widely agreed that the BRICS (Brazil, Russia, China, India and South Africa) – five of the world's largest emerging economies – have massive growth potential. Under the right conditions, the combined economies of these five could be worth more in US dollar terms than the G6 (Germany, France, Italy, Japan, UK and the US) by 2041. In projects that are aimed at creating public goods and services like in the infrastructure sector, the government may provide a capital subsidy in the form of a one-time grant, to make it more attractive to private investors. In some other cases, the government may support the project by removing revenue subsidies, including tax breaks or by removing guaranteed annual revenues for a fixed time period.

A PPP deal may be in the form of a service contract, management contract, lease, concession, build-operate-transfer (BOT) and divestiture. PPPs may be complex, demanding and time consuming but under the right conditions and the right sectors, they can offer significant benefits to the government, private sector and consumers. They have generally been more successful in sectors such as ports, telecommunications, transport and eco-tourism projects than power and water. For PPPs to be successful, governments need to undertake thorough feasibility studies that address the issues of affordability, value for money and risk transfer.
A PPP may encounter risks such as the risk of cost over-run, exchange risk, force majeure, political risk, operational risk, regulatory risk and market risk. Each country may pose a different risk to the projects undertaken within its boundaries. The success of these projects would largely depend on the country's ability to handle such risks and minimize interruptions to the projects. Moreover, these risks will vary with sectors employed. For example, there may be a high level of market or demand risk associated with a toll highway.

PPP in BRIC Nations

Brazil is abundant with natural resources such as bauxite, iron ore, natural gas and oil. Large government debts and economy deficits in 1990s gave way to private participation in major activities. The Brazilian Privatization Program led to privatization of 33 companies and increment in investment opportunities. Distinction between Brazilian and foreign capital has been blurred to integrate the operations of regional and national players.

Russia provides additional features to project structure. These include open amount contracts under the Russian law and short-term supply contracts instead of the standard long-term ones. Only eight major regions (Moscow, St. Petersburg, Nizhny Novgorod, Tatarstan, Kaluga, Sverdlovsk, Krasnoyarsk and Novosibirsk) in the Russia Federation, are actively exploited by foreign investors. Back in 2003, investment in projects consisted of oil and gas, mining and telecommunication. By 2007, the portfolio expanded to include infrastructure, power, transportation, pulp and paper and industries. A number of these and additional sectors such as pharmaceuticals and waste management require immediate attention.

In India, the PPP model was introduced through telecommunications, followed by ports and roads. However, the flow of foreign funds post liberalizationin the last five years, was largely in the form of short-term portfolio investments rather than long-term foreign direct investments (FDI), required for financing infrastructure projects. Large scale reforms were implemented to attract private players to the infrastructure sectors of power, telecom, roads, oil and shipping.

China saw an influx of foreign investments in the late 90s following Sino-foreign joint ventures. Many of the projects (Laibin B, Meizhouwan and Chengdu Water Treatment, for example) were wholly foreign owned, as opposed to largely Chinese ownership projects developed after this period as a result of renegotiation of contracts. Earlier projects were mostly financed through shareholder loans, unlike the present where special purpose vehicles (SPVs) are forming a part of mainstream projects. However, emphasis on credit and risk assessment changed the scenario for foreign banks, which currently find themselves in a level playing field with the Chinese counterparts when pricing project loans. Currently, China rides on a new wave of urbanization and leaves all nations behind as world's largest construction site.

There are plans to increase spending in power, water and urban transportation. By 2015, more than half of Chinese population will reside in urban areas.

Conclusion

Though there has been a marked slowdown since the bounty years of the early 2000s, there is no question about the BRICs ability to continue growing. These are commodity rich economies and though prices and demand are low, they are still there, generating income. The original members of the club are currently among the top 10 economies in the world, but in many ways, the quality of life and cost of living has not grown in proportion, mainly if you compare with to the Eurozone.

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Investment Opportunities in European Distressed Assets

By Loreta Calero Pérez, Spain and Naoise Cosgrove, Ireland

A number of Crowe Horwath offices have played a central role in assisting financial institutions and borrowers in dealing with financial distress and debt restructuring. In this article we examine the background and reaction to the banking crises in Ireland and Spain and to the opportunities that now exist to invest in those economies. To illustrate the scale of difficulties facing European economies, a recent study reveals that the total of doubtful loans in Europe is €932bn compared with €164bn in the USA.

NAMA – Background and Description of Assets/Loans

In the wake of its financial sector crisis, the Irish Government established the National Asset Management Agency (NAMA) in November 2009 as a measure to provide stability to the banking sector.

NAMA, which commenced operation in March 2010, was created to remove highly problematic land and development loans from the balance sheets of Ireland's leading domestic financial institutions and to provide those banks with liquidity. NAMA acquired €74bn (nominal value) of real estate loans over the following two years from the five Participating Institutions for €32bn – an average discount of 57% to par.

NAMA is currently poised to take on an additional debt portfolio following the liquidation of IBRC (the former Anglo Irish Bank). The transfer of these additional loans will take place in Q1/Q2 2014. The composition of this portfolio is not currently known.

Participating Institutions	Nominal Value	Average Discount	Acquisition Value
Allied Irish Bank	€20.2bn	55%	€9.1bn
Bank of Ireland	€9.9bn	43%	€5.6bn
Anglo Irish Bank (now IBRC)	€34.1bn	61%	€13.3bn
Irish Nationwide Building Society	€8.7bn	61%	€3.4bn
Educational Building Society	€0.9bn	57%	€0.4bn
Total	**€73.8bn**	**57%**	**€31.8bn**

SAREB – Spain's Bad Bank

The Spanish government established SAREB (Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria, S.A.) in August 2012, with similar objectives to NAMA's in addressing the current bank crisis. It aims to achieve its goals by restructuring the Spanish banks' balance sheets, increasing their solvency and providing liquidity to allow new loans to support a recovery in the economy.

The main purpose of SAREB is management and divestment of the loan and real estate assets portfolio, which it has acquired from participating banks, within a temporary deadline not greater than 15 years.

In total, 200,000 assets were transferred at an average discount of 80% on land, 63% on unfinished properties, 54% on finished projects and 46% on real estate development loans. Juridical documents and appraisal reports are currently being prepared by 14 different consultants, coordinated by Clifford Chance and CB Richard Ellis. As the Spanish economy continues to be unstable and residential prices seem not to have reached their bottom yet, setting a realistic price settlement is one of the difficulties and outstanding risks for SAREB.

Average Transfer Discounts	
Development land:	80%
Unfinished projects:	63%
Finished properties:	54%
Development loans:	46%

Participating Institutions	Book Value	Number of Assets
GROUP 1 (NATIONALISED BANKS)		
Bankia	€22.2 bn	89,814
Catalunya Banc	€6.6 bn	29,425
Nova Caixa Galicia	€5.1 bn	17,887
Banco de Valencia	€1.9 bn	6,723
Banco Gallego	€0.6 bn	1,276
GROUP 2 (SEMI NATIONALISED BANKS)		
BMN	€5.8 bn	16,138
CEISS	€3.1 bn	18,115
Liberbank	€2.9 bn	14,120
Caja3	€2.2 bn	3,976
Total	**€50.4 bn**	**197,474**

How NAMA Operates

NAMA's overriding objective is to obtain the best return for taxpayers from the loans it has acquired. In its short existence NAMA has evolved into an organization focused on the intensive management of its loan portfolio. It is working constructively with debtors in about two-thirds of cases. In the remaining cases receivers are in place to manage the assets.

Since inception, NAMA has overseen the sale of €10.6 billion worth of loans, property and other assets held as security, including the sale of over 10,000 individual properties, mainly across Ireland and Britain. It seeks to implement case policies that balance the most profitable and expeditious disposal options. In doing so, it has adopted a strategic and phased approach towards asset disposals, informed by its view of the markets.

NAMA's current asset holding by location and by asset class is shown below:

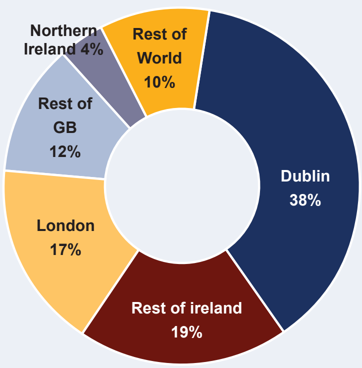

Figure 1: NAMA Assets by Location

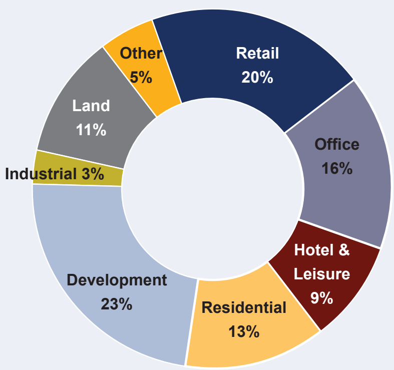

Figure 2: NAMA Assets by Asset Class

SAREB's Portfolio

It is estimated that SAREB will have by the end of this year in its portfolio debts associated with thousands of unpaid loans related to property developers, all of which will have to be sold. It will have an interest in:

- 89,000 apartments and
- 13 million square meters of land.

Geographically, SAREB's assets are diversified with 59% being in the Madrid province, Barcelona and Levante locations.

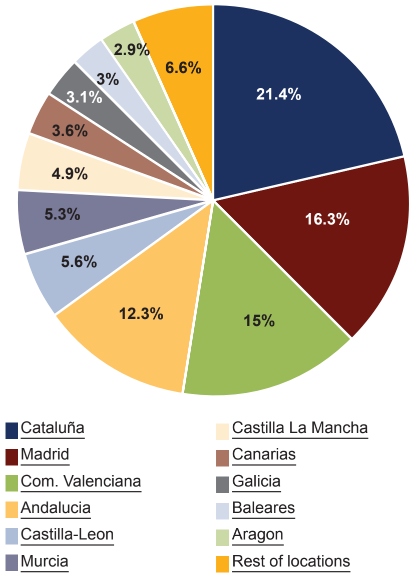

Figure 3: SAREB Assets by location

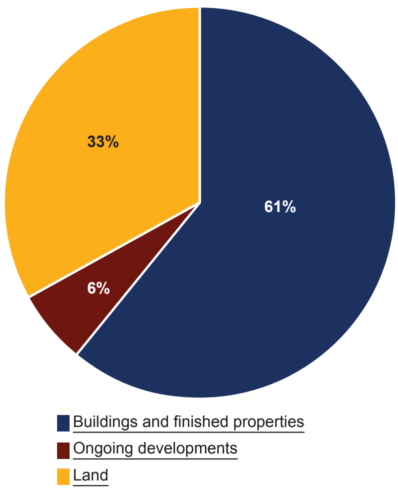

Figure 4: SAREB Assets by class

While the banks may wish to keep these assets on their balance sheets pending market recovery, this is not possible. They have been forced to make impairment provisions quickly, to straighten their financial structure, so they can start granting fresh loans. This has become more urgent because of the stress tests that the European Central Bank (ECB) president, Mario Draghi, has announced. This will force the banks to get rid of all toxic assets in order to pass the solvency tests by October 2014.

According to the forecast included in its business plan year 2014-2015, SAREB will manage loans of between €50bn and €55bn. It is estimated that the average transfer price will represent a discount of approximately 63% compared to the book value of the loans.

Irish Economy Overview

The Irish economy emerged from one of the deepest recessions in the eurozone on 15 December 2013, having sought an EU-IMF bailout in November 2010.

After a severe decline in economic output, the Irish economy has witnessed moderate growth since 2011. While GDP for 2013 was relatively flat, most commentators are forecasting an increase in the pace of growth in 2014. Encouragingly, the domestic economy is beginning to grow and the external environment is continuing to provide a stimulus for the export sector. The conditions provide a platform for strong growth. The positive signs for the Irish economy are reflected by:

- Continued growth in exports
- Improvements in the labor market, with unemployment levels down 1.2 points in 2013 to 13.5% from 2012
- Increased consumer confidence with spending gaining momentum
- Recovery in the residential property market, which had fallen by over 50% from its peak in 2007
- Recovery in commercial real estate rents and capital values.

Spanish Economic Outlook

Similar to the Irish economy, the Spanish economy is gradually starting to experience slight recovery. Improving growth in export markets, gains in market share and the stabilization of private domestic demand will help foster recovery in 2014 and 2015.

Standard & Poor's has estimated that the housing market in Spain will stabilize in 2015 due to improved economic conditions and increased demand from foreign investors. S&P is predicting a decline of 2% this year, in comparison to the 5% originally estimated, and is projecting that the market will even out in 2015. S&P also notes that the correction in the construction sector seems to have come to an end.

The market is noting this trend and more and more foreign investors are focusing on Spain.

With a recovery in sight the government needs to:

- Culminate its structural fiscal consolidation path
- Improve the economic environment and stimulate growth with an incentive approached regulation
- Continue implementing the reform of the Spanish REIT Regime.

Investment Activity and Opportunities in Ireland

The level of investment activity has gained significant momentum in 2013 and this is set to continue in 2014.

During the past year, NAMA completed the sale of its first major Irish loan portfolio to Starwood Capital Group and Catalyst Capital. This portfolio, secured entirely on Irish commercial property, sold for €200m, compared with the nominal value of €810m (a discount of 75%).

Buoyed by the international interest in this portfolio, NAMA brought two other Irish non-performing loan portfolios to the market. In December CarVal Investors completed the purchase of a €250m (nominal) portfolio for around €70m (a discount of 72%). In January, it was reported that Texas-based Lone Star has been nominated preferred bidder to acquire a portfolio for around €220m, reflecting a 41% discount on the €373m nominal debt.

In July 2013, NAMA announced a joint-venture with Oaktree Capital Management and Irish based property and construction group, Bennett, to develop potentially up to 50,000 sqm in Dublin's South Docks. The investment is structured through a new Qualifying Investor Fund (QIF) that was authorized by the Central Bank of Ireland.

Private equity players from around the globe have been actively acquiring assets in Ireland. Leading the way has been Californian investor Kennedy Wilson who has invested over €1.5bn in Irish commercial real estate since 2010. Other active participants in the market include Blackstone, Apollo Global Management and Patron Capital, which have all acquired loans or properties. Private investors from all major markets have also demonstrated strong appetite to acquire Irish assets.

The deleveraging process is not just confined to NAMA and commercial real estate. US hedge fund, Canyon Capital Advisors, acquired debts related to Moran/Bewleys Hotel Group from Lloyds (€150m nominal value) and Ulster Bank (€120m nominal value). Blue Bay Asset Management acquired debts related to Doyle Shipping from Lloyds (€70m nominal value). US investment house, KKR, in partnership with QED Equity, acquired debts of near €60m related to the Football Association of Ireland from Danske Bank.

Investment Activity and Opportunities in Spain

Spain has become a major global market for distressed non-performing real estate assets. This has attracted international funds, such as Lone Star, Burlington, Green Oak, Colony, Fortress and H.I.G. The arrival of these distressed funds started in Spain in 2008 but it has been accelerated towards the end of 2013. Spain is perceived as an attractive market to acquire assets at very low prices, with the prospect of capital growth in the future, as its economy recovers. In order to acquire these assets, SAREB created a new financial asset fund (FAB), allowing for its assets to be transferred achieving off balance sheet treatments.

Recent transactions include the purchase of EVO by Apollo, Bankia Habitat by Cerberus, the SAREB Bull portfolio by HIG Capital, the Colonial loan portfolio by Burlington and Lico by Fortress. H.I.G. has completed two large loan purchases since its arrival to Spain in 2012. It purchased 100% of Vertice 360, and SAREB's Bull and Teide portfolios, a property portfolio valued at €100m. It also acquired the Walls portfolio, which gathers loans from different companies, for a value of up to €146m.

Similar to the approach of SAREB in managing its distressed assets, other Spanish banks have also looked to offload their non-performing portfolios, residential mortgages, consumer credit, properties, branch companies and office networks.

In order to make the investment in the real estate market more attractive to investors, the Spanish Government has undertaken deep reform of its REIT regime (called SOCIMI), that includes significant changes to the tax regime, making it attractive to non-Spanish investors. Any Spanish corporation whose primary corporate purpose consists of acquiring or developing urban real estate to lease and holding shares in certain entities, can qualify as a SOCIMI and therefore choose to apply the special tax regime (as long as it complies with certain requirements relating to investment, listing, capital stock, profit distribution and borrowing requirements).

Conclusions

We are predicting further investment opportunities in Ireland for 2014 and beyond, as NAMA seeks to realize its loan portfolio. With strong international investor demand and rising asset values, foreign banks are also likely to step up their efforts to offload assets. The fundamentals of the economy are improving, which should support a sustained recovery in business and real estate markets.

Property values are still considerably below peak values and replacement costs. While it is currently uneconomic to develop new supply, prices are rising as available stocks diminish – particularly of prime offices and Dublin housing.

The legal and political frameworks are very supportive of international investment. The government has introduced favorable tax regimes to facilitate investment, such as the launch of REIT legislation along with capital gains tax exemptions and reduced stamp duty.

A better economic environment along with a favorable tax treatment in the real estate market is positioning Spain as a primary focus for foreign investors.

Apart from the portfolios that are directly managed by SAREB, banks still have significant amount of distressed assets that are available to potential investors. Recent comments by European Central Bank's President Mario Draghi on the good performance of Spanish economy will hopefully accelerate the process.

Crowe Horwath's Role

Crowe Horwath provides ongoing advice to European banks in relation to loan and asset disposal strategies, in addition to acting as receivers to certain portfolios. In performing our role, we provide strategic advice on asset disposal plans. Working closely with borrowers, we have overseen a number of sizeable portfolio and asset disposals. We have also provided transaction support, taxation and strategic advice to a number of purchasers of NAMA and other bank assets.

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