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Turning risk into opportunity
Austria & CEE distressed debt overview 2014

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Foreword

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Dear reader,

it is a great pleasure to present you our 4th edition of the Austria & CEE distressed debt market update.

The past year or so has been a very busy one across the region, with numerous transactions coming to market. We expect the disposal trend to continue and substantially accelerate, as CEE strengthens its appeal to investors while sellers and regulators alike get more comfortable with NPL disposals.

Markets wise, we continue to see a climb in NPL volumes, albeit at a slower pace. Most importantly, we now see in premiere the positive effects of deleveraging, with NPL ratios dropping substantially in countries once considered to have critical levels, such as Romania, Hungary or Slovenia. We anticipate a similar path for the other SEE countries still battling high NPL levels such as Serbia or Bulgaria, provided continued regulatory support and sellers commitment.

For top Austrian banks present in CEE, the past period was one of stabilization, with provisioning level increases and strengthening of their capital base. Moving forward, we expect them to continue being some of the most active sellers in the market.

I hope you'll find this update informative and insightful in your assessment of the region's current and future potential. In the meantime, enjoy reading and looking forward to discussing more in our next meeting.

With best regards,

Bernhard

In a nutshell

CEE economy gains strength, continuing to surpass the Eurozone. In particular, South East Europe is expected to outperform in terms of GPD growth, while inflation remains comparatively low across Central Europe.

Distressed loans volume growth rhythm has been slightly declining, with volume expected to reach EUR 176b at the end of 2015 for the Austria & CEE region, driven mainly by economic slowdown and turbulences in Turkey, Russia and Ukraine.

NPL ratios remain high in most of the region's territories due to a combination of subdued lending and aging stock, but there is ***stabilization in sight***, with some countries showing significant decrease (Romania, Hungary, Slovenia).

Bad debt provisioning has decreased, with CEE's Net NPL volume climbing to approx. ¼ of the region's regulatory capital at the end of 2014.

Top Austrian banks with CEE presence hold around EUR 40b of NPL volume out of EUR 300+b total loan book. Although the size of the loan book has decreased year-on-year, this was combined with lower NPL volumes and ratio, in parallel to increasing coverage ratios triggered by restructuring measures.

Market disposals accelerated - with NPL portfolio transactions of approx. EUR 3b face value brought to market in 2014. Increasing seller commitment to balance sheet clean-up, growing investor confidence in the region and advancing support from the regulators played a key role.

Servicing capabilities are being developed swiftly across the region, with South East Europe seeing most new set-up activity by the major players.

Transactional activity to further increase, with approx. EUR6b expected to be brought to market across CEE in 2015. Romania, Croatia and Slovenia enjoy a strengthening track record while Hungary, Serbia and Bulgaria are expected to follow.

Macroeconomic overview

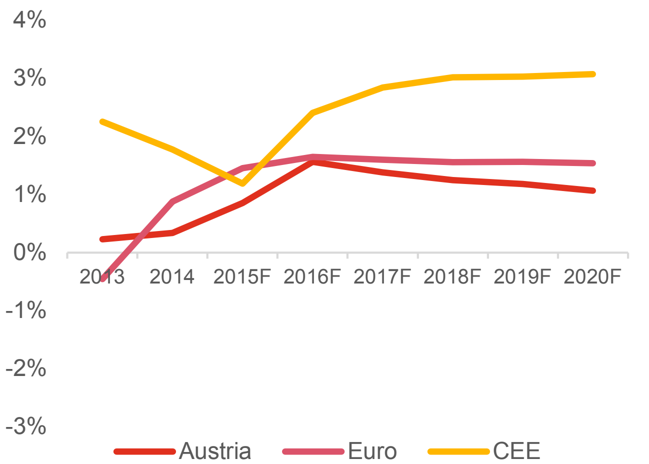
Macro economic overview
CEE, Austria and the Eurozone

The Eurozone continues to show low growth, while the CEE economy gains strength, with the improving economic situation continuing to attract distressed debt investors.

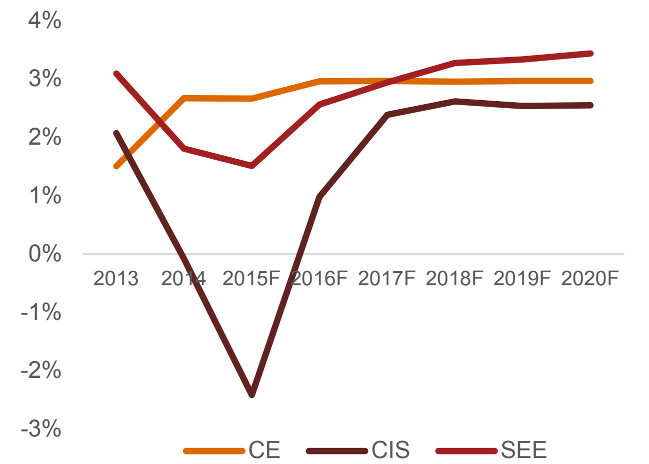
CEE optimism while disappointing growth outlook in the Eurozone

Despite some progress, uncertainty regarding the Eurozone's resolution to address its economic challenges remains. Modest growth is expected for Austria and the Euro area, with about 1.5% advance expected post 2015. Within the CEE, 2014 was a challenging year due to the tensions between Russia and Ukraine and the oil price decline have led to an economic downturn for the CIS sub-region, with ripples across the SEE as well. On the long term though, SEE is expected to continue its catching up race and outperform other regions in terms of GDP growth, with CE countries registering moderate GDP growth rates.

GDP growth per region (%yoy, 2013-2020F)



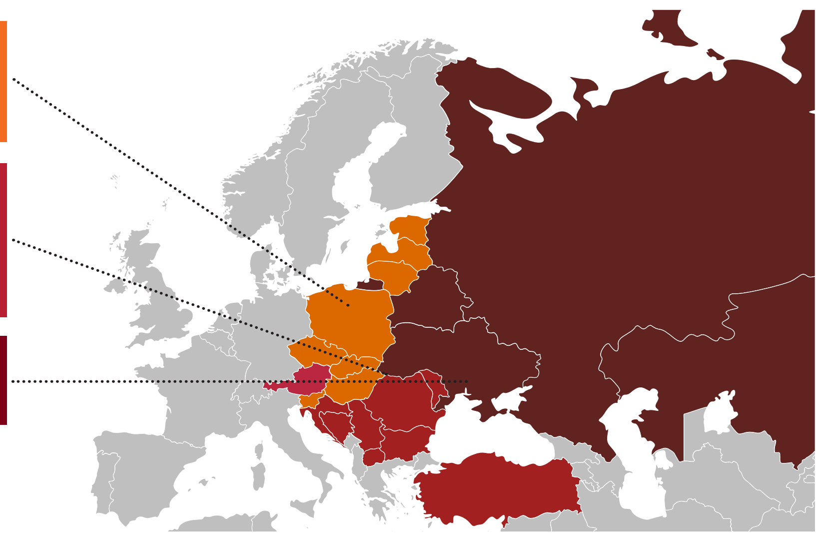
CEE breakdown of GDP growth (%yoy, 2013-2020F)



CE countries include:
Czech Republic, Estonia, Hungary, Latvia, Lithuania,Slovakia, Slovenia

SEE countries include:
Bosnia and Hercegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, Serbia, Turkey

CIS countries include:
Belarus, Kazakhstan, Ukraine, Russia



For the purpose of our current analysis, ***CEE countries*** include all the above mentioned ones

Source: IMF, PwC Analysis

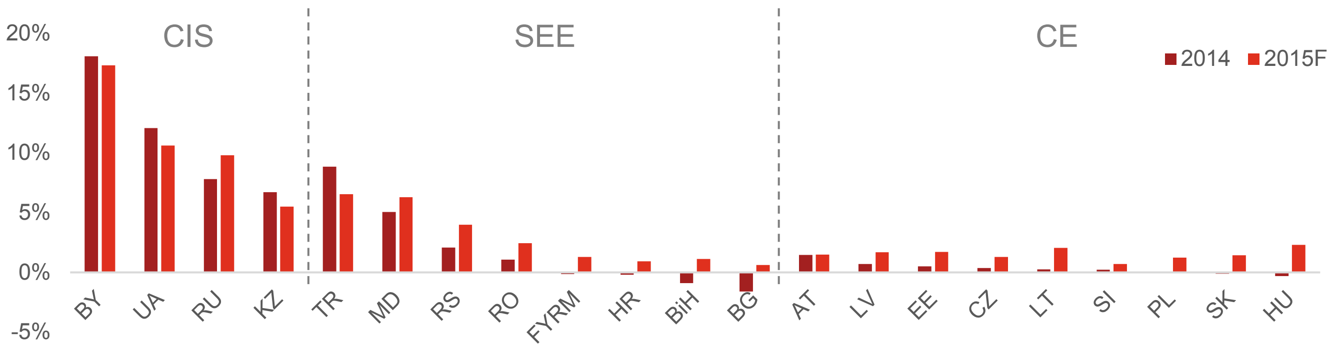
Macro economic overview
CEE, Austria and the Eurozone

Low inflation and unemployment are unsupportive of growth in most of CEE's countries, pressuring down on new lending and existing loan stock.

Inflation rate

Persistently low inflation is problematic for the economic recovery in SEE and CE, with the prospect of deflation lingering at the horizon. Inflation is expected to remain below the OECD's medium-term price stability objective (2%) further weighting on growth; within the region, CIS countries have significantly higher inflation rates.

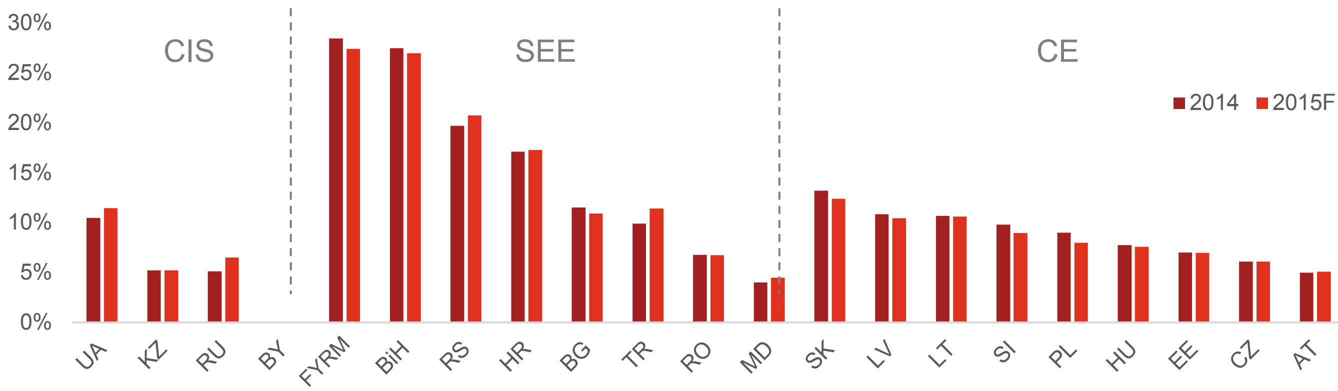
Inflation rate (%, average consumer prices, 2014-2015F)



Unemployment rate

With significant variation cross the region, high unemployment remains a concern of some SEE countries, putting pressure on growth recovery (including lending) while negatively impacting the existing loan stock.

Unemployment rate (%, 2014-2015F)

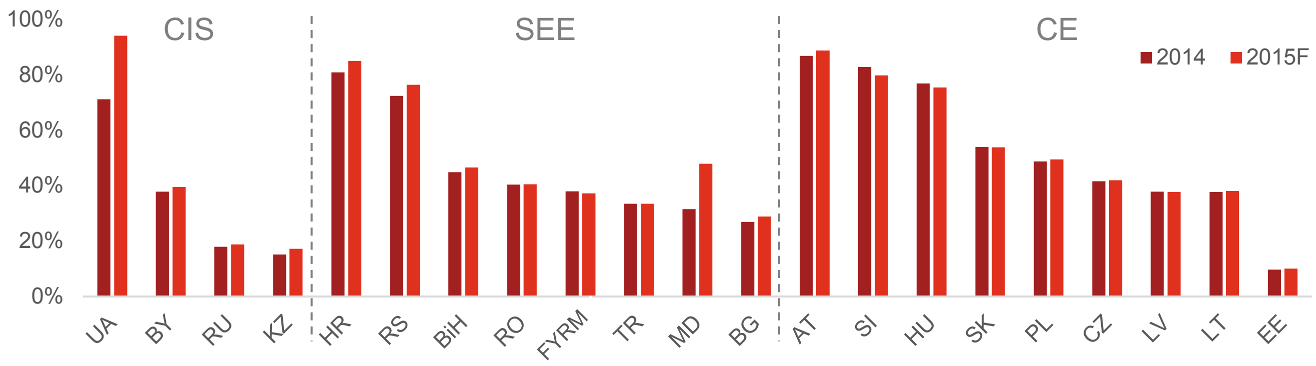


Source: IMF, PwC Analysis

Macro economic overview
CEE, Austria and the Eurozone

Gross government debt
CEE continues to have moderate to high government debt burdens, challenging to state investments and growth.

Gross government debt / GDP (%, 2014-2015F)



Source: IMF, PwC Analysis

Distressed debt markets overview

Distressed debt markets overview

Evolution of key NPL related metrics

Austria & CEE continue to show increasing NPL volumes, with rising stocks of non-core assets remaining a challenge across many of the region's territories. However, stabilization is in sight, with an observable decrease in NPL ratio in some territories, driven by disposal market development and economic recovery.

NPL volumes stabilizing

NPL volume appears to be stabilizing, with approx. EUR 145b of NPLs recorded as at Q4 2014, representing an increase of (only) 4% yoy, driven primarily by increases in Ukraine and Turkey.

For the same period, Romania experienced the highest yoy NPL volume decrease, due to accelerated write-offs on a background of supportive provisioning and fast developing NPLs disposals market. Further signs of stabilization are in sight, with additional countries (e.g. Hungary, Slovenia, Bulgaria, Kazakhstan) showing decreasing ratios, driven by sprawling deleveraging markets, AMCs transfers or write-offs.

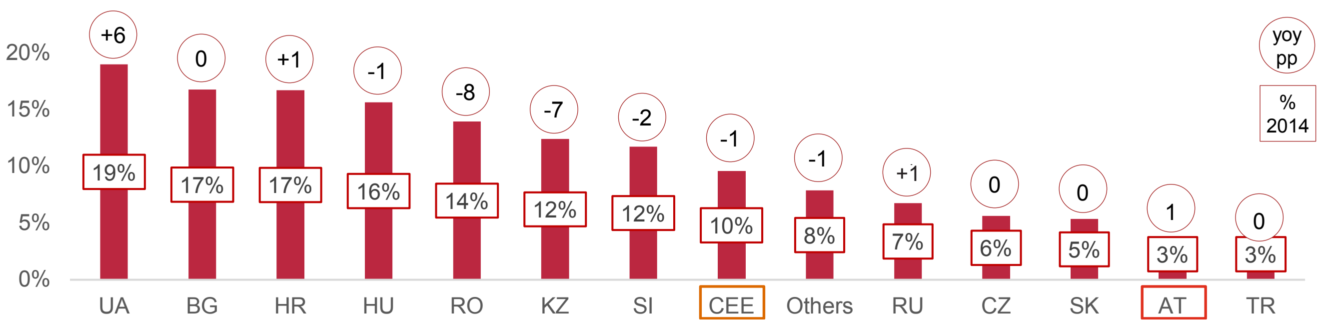
On the growth side, Ukraine registered the highest yoy NPL volume increase lead by the unstable political situation and its economic aftermath. For Austria level[1], there was a 15% increase in loan volumes accompanied by a similar movement in NPL ratios (1% increase).

1) 2015F calculated without 2014 effect
2) Countries (Belarus, Bosnia and Hercegovina, Lithuania, Latvia, FYRM, Moldova and Estonia) with less than 1.2% individual share in AT & CEE regional NPL volume at eoy 2014. Poland and Serbia not included due to lack of data.

NPL volume (EURb)

Territory	2013	2014	Δ '13 – '14		2015F	CEE share eoy 2014
Total	**159.9**	**168.5**	**+5%**	▲	**176.7**	**100%**
Austria	19.9	22.9	+15%	▲	23.6	14%
CEE	**140.0**	**145.6**	**+4%**	▲	**153.1**	**-**
Russia[1)]	55.6	59.9	+8%	▲	64.1	36%
Ukraine[1)]	13.5	22.0	+63%	▲	23.4	13%
Turkey	10.8	12.9	+19%	▲	15.2	8%
Hungary	9.1	7.8	-14%	▼	7.6	5%
Kazakhstan	11.1	7.7	-30%	▼	7.5	5%
Romania	9.6	6.5	-32%	▼	6.4	4%
Czech Rep.	6.1	6.3	+4%	▲	6.6	4%
Croatia	5.9	6.2	+5%	▲	6.6	4%
Bulgaria	4.9	4.7	-6%	▼	4.6	3%
Slovenia	4.9	3.9	-21%	▼	3.6	2%
Slovakia	2.1	2.3	+11%	▲	2.4	1%
Others[2)]	6.4	5.3	-18%	▼	5.1	3%

NPL ratio (% in eoy 2014, Δpp yoy 2014)



Poland and Serbia excluded due to lack of data
"Others" includes Belarus, Bosnia and Hercegovina, Lithuania, Latvia, FYRM, Moldova and Estonia

Source: IMF, PwC Analysis

Distressed debt markets overview

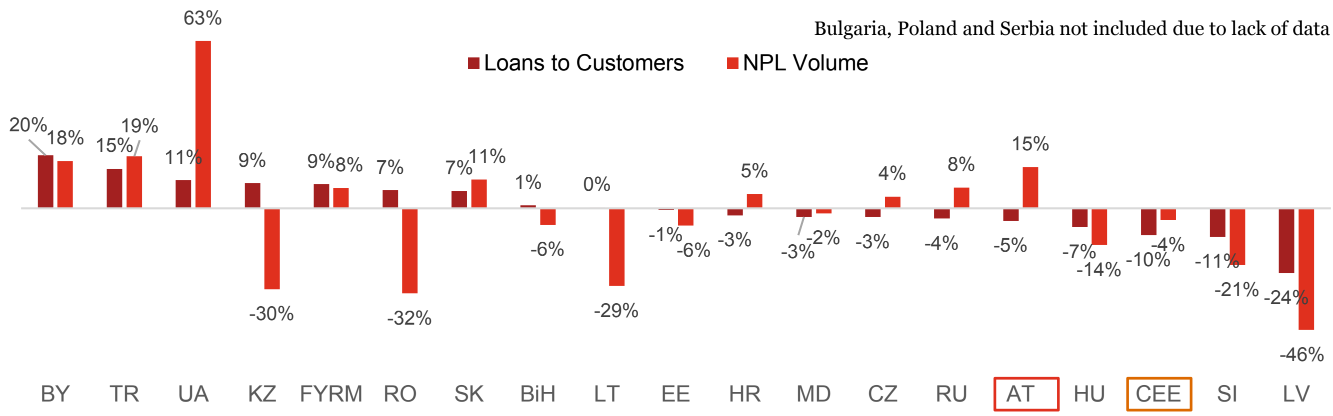
Evolution of key NPL related metrics

Subdued lending remained a key NPL ratio growth driver, on a background of an accelerated decrease in NPL provisioning. End of year 2014 saw CEE's Net NPL volume climbing to approx. ¼ of the region's regulatory capital.

Subdued lending growth in Austria & CEE

Slow growth in new lending remains a key feature of the Austria & CEE debt markets with -10% CEE's LtC volume growth yoy at 2014's end for CEE and -5% for Austria. However, Romania, Hungary and Slovenia seem to be "healing", with LtC volume dynamic registering positive advances against the NPL volume.
On the less positive side of the spectrum, we find Ukraine, Turkey and Austria showing (much) faster dynamics of NPL volume growth compared to LtC, reflected in increasing NPL ratios.

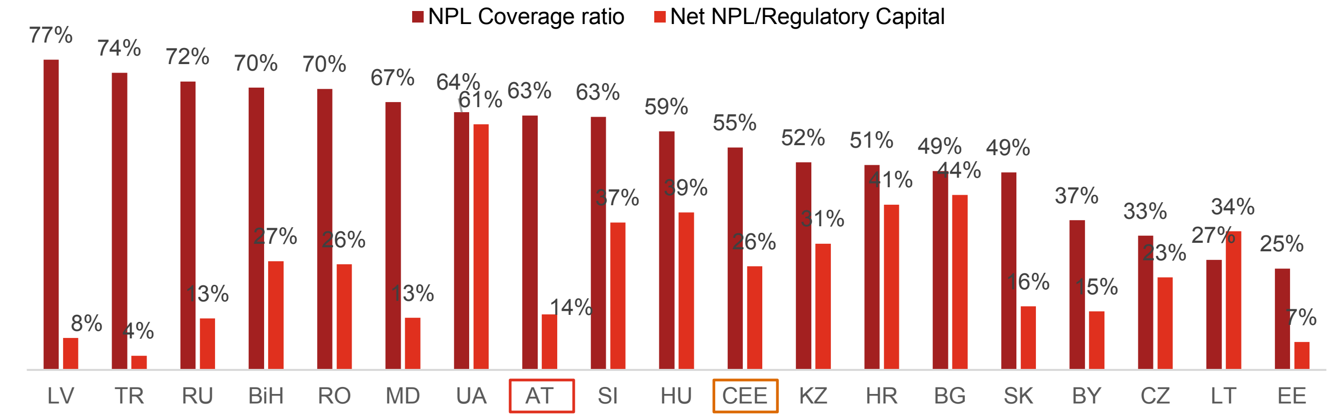
Yearly growth NPL Volume vs. Loans to Customers (%, 2013/14)



Decreasing NPL coverage ratios

The CEE average NPL coverage ratio dropped from 67% to 55% at the end of 2014 compared to the previous year, mainly due to write-offs, AQR and NPL disposals. In parallel, the ratio of Net NPL / Regulatory Capital doubled from 13% to 26%, signifying that the current regional stock of Net NPL (i.e. non performing loans' net book value) represents about ¼ of the region's held Regulatory Capital.

NPL Coverage ratio vs Net NPL to Regulatory Capital (%, eoy 2014)



Source for all above graphics: IMF, PwC Analysis.

Distressed debt markets overview

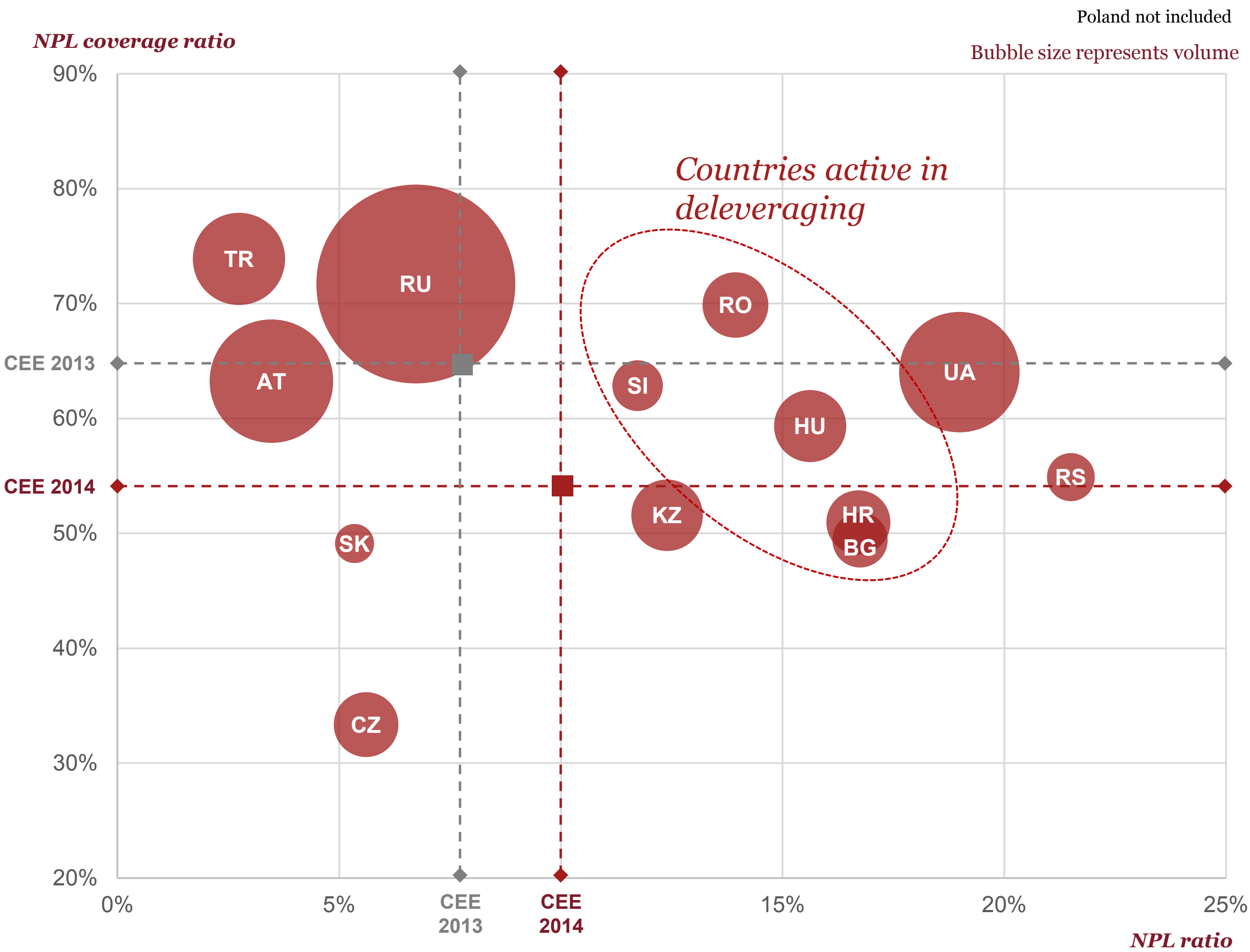
Evolution of key NPL metrics

High NPL ratio with sizeable provisions coverage and sufficient stock volume seem to provide the right quantitative mix for deleveraging via disposals: Romania, Croatia, Hungary and Slovenia lead the platoon of the most active NPL disposal markets in the Austria & CEE region.

Deleveraging via disposals to continue and accelerate

Deleveraging is expected to continue and accelerate in those countries showing a combination of high NPL ration mixed with sufficient provisioning coverage and stock. With some of SEE countries already engaged in various transaction as at 2014 (e.g. Romania, Slovenia), further markets are expected to follow (e.g. Croatia, Hungary, Bulgaria).

NPL ratio, coverage ratio and volume (%, EURb, eoy 2014)



Source: IMF, PwC Analysis.

Top 6 Austrian banking franchises in CEE

Top 6 Austrian banking franchises in CEE in 2014

CEE represents around 78% of the gross loans of the top 6 Austrian banking franchises in the region. While the NPL ratio hovered at 12% for the 6 bank groups – 2 pp above wider CEE's 10% average - the average NPL coverage ratio stood at 55%.

Close to EUR 350b of loans are held by Austria's 6 largest banks with a presence in CEE (CEE-6)

- Erste Group Bank AG (EG) and Bank Austria (BA) lead the CEE-6 group with approx. EUR 121bn loans to customers on their books, closely followed by Raiffeisen Bank International AG (RBI). Sberbank Europe AG (SBEU) and Hypo Alpe Adria AG (HAA), come further on the list. Due to its CEE exposure, HETA was included in the analysis, but because of its wind-down status cannot be compared to the other banks and was not included in the average calculation.
- In terms of CEE concentration, the highest volume is held by EG with around EUR 77b loans in the region, while proportionally, HAA takes the lead with 93% of its loan book stemming from CEE.

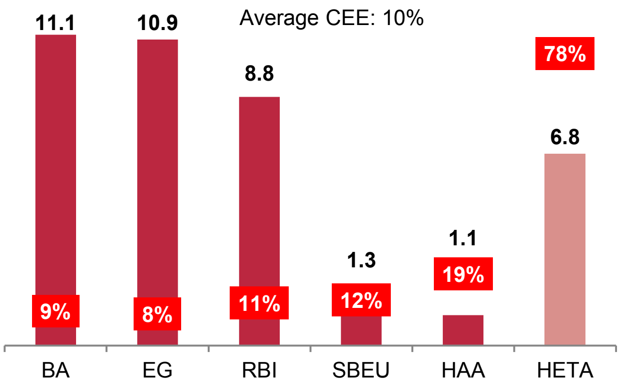
CEE-6 hold around EUR 40b of NPL volume, with an average NPL coverage ratio of ca. 65%

- Together, EG and BA hold more than half of the CEE-6 NPL volume.
- HETA has the highest NPL ratio with 78%.
- The Austrian banking groups except of BA and EG show NPL ratios above CEE's average NPL ratio of 10%. CEE-6 show an average NPL ratio of 11.3%.

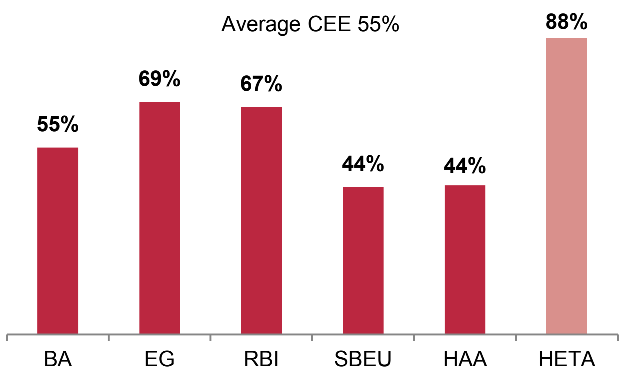
NPL coverage ratios reveal differences

- HETA shows a NPL coverage ratio of 88% and therefore leads the CEE-6 group.
- EG, BA and RBI are above CEE regional average NPL coverage ratio of 55% while SBEU and HAA show a lower ratio of around 44%.
- CEE-6 (excluding HETA) shows an average NPL coverage ratio of ca. 55%.

NPL volume and ratio (EURb, %, eoy 2014)



NPL coverage ratio (%, eoy 2014)



Source: Annual Reports 2013 / 2014, PwC Analysis.

[1] Hypo Group Alpe Adria AG was formed through an "Asset Liability Transfer" from HETA, operates as an Austrian banking holding with a banking network in CEE and represents the performing part of the former Hypo Alpe-Adria-Bank International AG (HBInt).

[2] Operated under HBInt until 2014; since October 2014 HETA operates as wind-down entity without a banking licence.

[3] RBI's NPL coverage ratio does not include loans to banks.

[4] The NPL coverage ratios for BA, EG, RBI and HAA as per published annual reports. NPL coverage ratio for HETA was calculated as risk provisions to customers divided by NPLs to customers according to the annual report. NPL coverage ratio for SBEU was calculated as risk provisions divided by NPLs according to the annual report.

Top 6 Austrian banking franchises in CEE in 2014

Decreasing loan books yoy combined with lower NPL volumes and decrease in NPL ratio, on a background of increasing coverage ratios for CEE-6 triggered by restructuring measures.

Bank Austria

Bank Austria
UniCredit Group

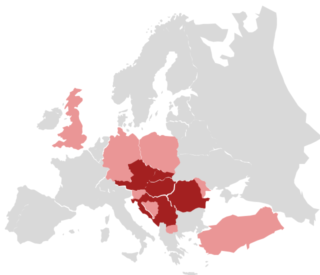
Δ LTC	Δ NPL Vol.	Δ NPL %	Δ NPL CR
-11%	-3%	+0.8pp	+0.5pp

- The larger decrease in the loan book compared to the NPL volume decrease led to an increase in the NPL ratio of 0.8pp.
- In the same period the NPL coverage ratio increased by 0.5pp to 55.4%.
- In 2014 68% of BA's NPLs were located in CEE, while the remaining 32% were based in Austria.

Erste Group

ERSTE

Δ LTC	Δ NPL Vol.	Δ NPL %	Δ NPL CR
+1%	-12%	-1.2pp	+5.8pp



- The 12% decrease in the NPL volume lead to a positive development of both NPL ratio and NPL coverage ratio.
- 26% of the NPLs are retail loans, 33% corporate and SME loans while the remaining 41% are mainly loans to savings banks and real estate business.

Raiffeisen Bank International

Raiffeisen Bank International

Δ LTC	Δ NPL Vol.	Δ NPL %	Δ NPL CR
-3%	+2%	+0.6pp	+4.3pp

- The 0.6pp increase in the NPL ratio is based on a 3% decline in loans to customers and a simultaneous increase in NPL volume.
- The rise in provisioning levels increased the NPL coverage ratio to 67%,well above the CEE-6 median.
- In 2014 69% of the NPLs are corporate loans and 29% retail loans.

Source: Annual Reports 2013 / 2014, PwC Analysis.

Heta Asset Resolution[1)]

HETA ASSET RESOLUTION

Δ LTC	Δ NPL Vol.	Δ NPL %	Δ NPL CR
n.a.	n.a.	n.a.	n.a.

- Due to the ongoing restructuring measures it is not possible to compare HETA's annual reports 2013 and 2014.

Sberbank Europe

SBERBANK

Δ LTC	Δ NPL Vol.	Δ NPL %	Δ NPL CR
+20%	+/-0%	-3.0pp	-0.1pp

- The large increase in SBEU's loan book and the stable development of the NPL volume are responsible for the 3pp drop in the NPL ratio down to the CEE-6 median level.
- In 2014 53% of SBEU's NPLs were secured loans, while 47% were unsecured loans.

Hypo-Alpe-Adria Group[2)]

HYPO GROUP ALPE ADRIA

Δ LTC	Δ NPL Vol.	Δ NPL %	Δ NPL CR
-10%	-4%	+1.1pp	+2.0pp

- Compared to the previous year, the loan book and the NPL volume both decreased due to NPL portfolio transfers to HETA combined with NPL portfolio sales leading to a slight increase of the NPL ratio of 1.1pp.
- Restructuring efforts, especially in Bosnia and Herzegovina ("Brush" activities), lead to an increase in the NPL coverage ratio by 2.0pp in the same period of time.

Source: Annual Reports 2013 / 2014, PwC Analysis.

[1)] Known as Hypo Alpe-Adria-Bank International AG until 2014

[2)] Hypo Group Alpe Adria AG represents an Austrian Holding with a banking network in Slovenia, Croatia, Serbia, Bosnia and Herzegovina and Montenegro

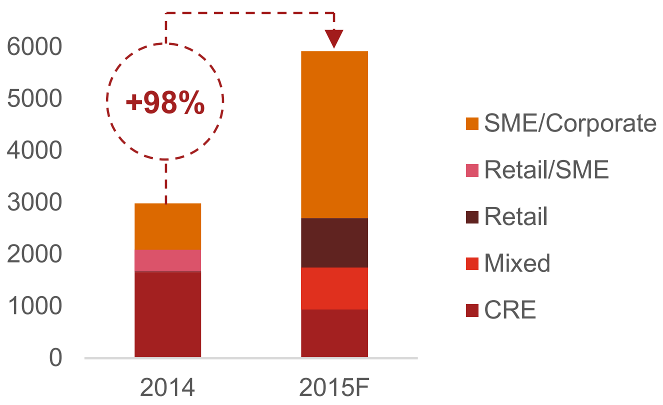
Transactional activity

Transactional activity
Austria & CEE region

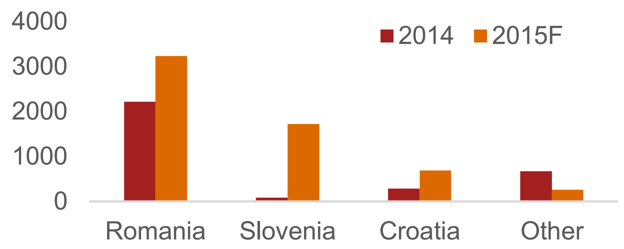
Increasing NPL transactional activity

- In 2014, the Austria & CEE NPL portfolio sales market significantly picked-up, with 11 loan portfolios of above EUR 100m brought to market[1]) totalling nearly EUR 3b in face value. For 2015, we expect the trend to continue, with close to EUR 6b brought to market until year's end, a +98% yoy.
- Commercial Real Estate (CRE) backed loans represented the lion's share with more than 50% of face value (in line with Western European trends) in 2014. In 2015, Retail mortgages loans are expected to gain a larger share.
- At country level, Romania remains the most active market by volume and number of portfolios brought to market. Significant activity is picking-up or is expected in Croatia & Slovenia, while Hungary, Serbia and Bulgaria are warming-up.
- PwC has maintained its leading role in the region by supporting transactions principals as advisor for more than 80% of the face value brought to market.

NPL volume brought to market by asset type (EURm)



NPL volume brought to market by country (EURm)

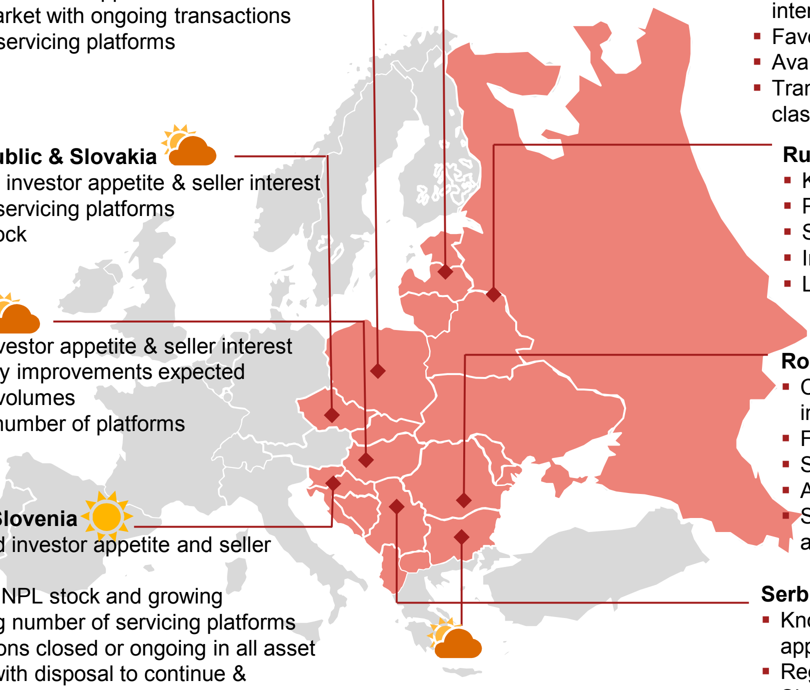


[1] Not an exhaustive assessment.

Source: PwC Analysis

Transactional activity

Austria & CEE region – country watch



Poland
- Confirmed investor appetite & seller interest
- Mature market with ongoing transactions
- Available servicing platforms

Czech Republic & Slovakia
- Confirmed investor appetite & seller interest
- Available servicing platforms
- Limited stock

Hungary
- Known investor appetite & seller interest
- Regulatory improvements expected
- Sizeable volumes
- Growing number of platforms

Croatia & Slovenia
- Confirmed investor appetite and seller interest
- Sufficient NPL stock and growing
- Increasing number of servicing platforms
- Transactions closed or ongoing in all asset classes, with disposal to continue & accelerate

Baltics
- Confirmed investor appetite and seller interest
- Favourable regulatory regime
- Available servicing
- Transactions track record with all asset classes

Russia and Ukraine
- Known seller interest
- Political uncertainty
- Sizeable NPL stocks
- Improving regulatory regime
- Limited servicing platforms availability

Romania
- Confirmed investor appetite & seller interest
- Favourable regulatory regime
- Sizeable NPL stock
- Available servicing platforms
- Significant transactions track record in all asset classes

Serbia
- Known investor appetite & seller interest appetite and seller interest
- Regulatory improvements expected
- Sizeable NPL stock
- Limited servicing platforms availability

Key trends in the region

- Deleveraging via portfolio disposals to accelerate: various portfolio to be brought to market in 2nd half of 2015, across the region as sellers gain confidence and experience
- Increasing Regulators' support for disposals expected: faced with positive regional experience, regulators are poised to support portfolio sales
- Investor appetite to futher support continues to increase: we are seeing a steady increase in investor appetite across all asset classes with large international names coming to the region.
- Rise of the servicer-investor: as they accumulate more transactional experience, (regional) servicers will appear more often as principals in deals

Source: Press releases, Servicers, PwC analysis

Annex: Distressed debt markets overview – focus on key CEE markets

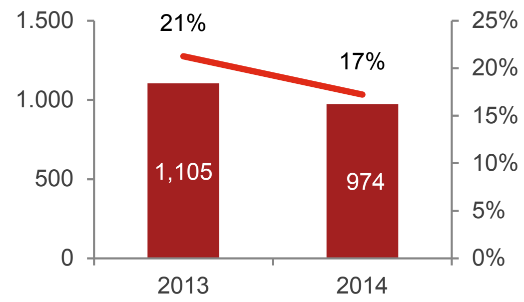
Distressed debt markets overview

Focus on key CEE markets

Hungary

- In 2014, the Hungarian banking sector recorded its biggest loss ever due to extraordinary provisioning related to the comprehensive settlement of consumer loans and the conversion to forint.
- The share of retail NPLs increased to around 20% mainly due to the denominator effect, while the NPL ratio for corporate loans reached 19%. The coverage ratio increased to 72% in the same period.
- NPL volume[1)] among the seven largest Hungarian banks, representing 60% of the Hungarian banking market, declined by 12% to EUR 974m in 2014. Accordingly, the NPL ratio[2)] dropped by 4% in the same period.

Top 7 largest banks by assets
Ø NPL volume (EURm) and Ø NPL ratio (%)

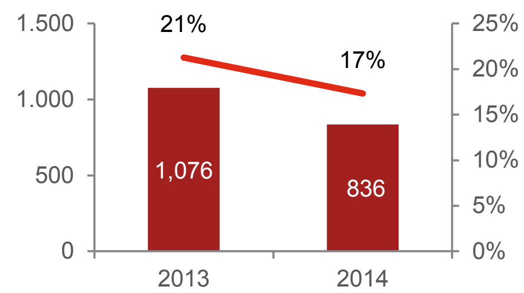


Banks in scope: OTP Bank Rt., MKB Bank Zrt., K&H Bank Zrt., Erste Bank Hungary Zrt., CIB Bank Zrt., Raiffeisen Bank Zrt., UniCredit Bank Hungary Zrt

Romania

- The Romanian economy was characterized by a significant easing of the monetary policy coupled with a very low inflation in 2014.
- Retail loans in RON accelerated to double-digit annual levels while FX loans contracted sharply by 10.5% due to restrictions by the national bank. The decision of the national bank to accelerate the clean-up of balance sheets and the sale of NPL stocks by the banks resulted in a rapid decline of the NPL ratio from around 20.4% at the beginning of 2014 to 13.9% in December 2014.
- Among the country's seven largest banks NPL volume (for the entire market) were reduced by EUR 240m or 22% and the banks were able to lower their NPL ratios to a mean of 17% in 2014 from 21% in 2013.

Top 7 largest banks by assets
Ø NPL volume (EURm) and Ø NPL ratio (%)

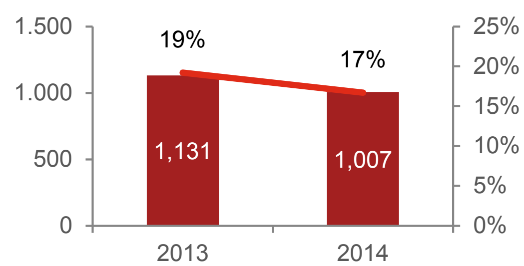


Banks in scope: BRD - Groupe Societe Generale S.A., Banca Comerciala Romana S.A., Raiffeisen Bank S.A., Banca Transilvania S.A., CEC Bank S.A., Volksbank Romania S.A., UniCredit Tiriac Bank S.A.

Bulgaria

- In 2014, the Bulgarian banking sector faced a liquidity crisis and the loss of depositor's confidence resulting in the withdrawal of a banking license of one bank. Furthermore, the demand for loans remained subdued.
- The share of NPLs amounted to 18%, including 18% in the household sector and 19% in the corporate sector. Banks continued to form high levels of provisions and the NPL stock was adequately covered by impairments and additionally accumulated buffers.
- While 70% of the Bulgarian market represented by seven Bulgarian banks included in this study were able to reduce their NPL volume by EUR 125m or 11%, they still show the highest NPL volumes of all six observed markets.

Top 7 largest banks by assets
Ø NPL volume (EURm) and Ø NPL ratio (%)



Banks in scope: Unicredit Bulbank AD, DSK Bank EAD, First Investment Bank AD, United Bulgarian Bank AD, Eurobank Bulgaria AD (Postbank), Raiffeisenbank Bulgaria EAD, Societe Generale Expressbank AD

1) NPL volume is calculated as the arithmetic mean of NPL volumes of the five to seven largest banks (by total assets) in the respective country.
2) NPL ratio represents the weighted (by gross loans to customers) average of NPL ratios of the five to seven largest banks (by total assets) in the respective country.

Source: Annual Reports 2013 / 2014, PwC Analysis.

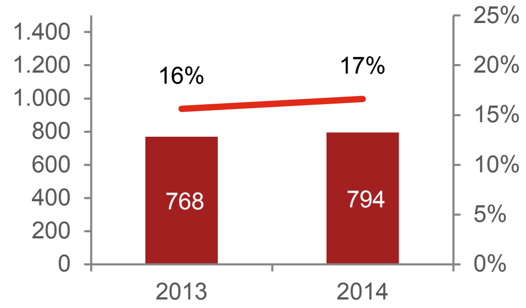
Distressed debt markets overview

Focus on key CEE markets

Slovenia

- The Slovenian economy rebounded in 2014, thus ending years of recession and returning to economic growth. However, this trend may not be sustainable and permanent.
- A stress test performed in late 2013 revealed under-capitalization and high bad-loan exposure in the banking sector, leading to the full nationalization of the three largest domestic banks in 2014 and the transfer of bad debts to the Bank Asset Management Company. The NPL clean-up will continue, however with a slower pace as expected.
- The five largest Slovenian banks used in this analysis were able to reduce their NPL volume by 33% which represents the steepest decline among the six countries examined. Similarly, the NPL ratio declined by 5%.

Top 7 largest banks by assets
Ø NPL volume (EURm) and Ø NPL ratio (%)



Banks in scope: Nova Ljubljanska banka d.d., SKB banka d.d., UniCredit Banka Slovenija d.d., Raiffeisenbank d.d., Abanka Vipa d.d.

Croatia

- The performance of the Croatian banks continues to be highly impacted by the recessionary environment. Lending activity has declined in the retail and corporate sector for several years. The proportion of NPLs increased by over 1.2%. The increasing trend will continue in 2015 due to continued deleveraging of households, on-going corporate sector restructuring and the absence of investment activity.
- In 2014, corporate NPLs were significantly higher than retail NPLs (30.5 % vs. 12 %).
- In the Croatian market a slight increase in both, average NPL volume (+ EUR 26m) as well as NPL ratio (+1%) has been monitored between 2013 and 2014 taking into consideration the seven largest banks (80% of the market).

Top 7 largest banks by assets
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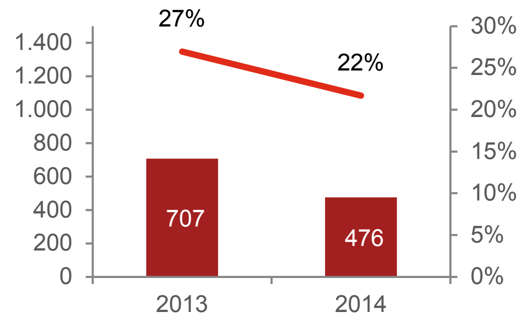
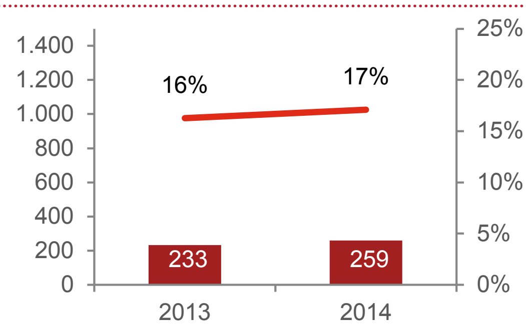


Banks in scope: Erste & Steiermärkische Bank d.d., Zagrebacka banka d.d., Raiffeisenbank Austria d.d., Hypo Alpe-Adria-Bank d.d., Privredna banka Zagreb d. d., Hrvatska poštanska banka d.d., Sberbank d.d.

Serbia

- The credit activity of the banking sector continued its negative trend due to economic recession, generally great illiquidity of the manufacturing industry and overall limited debt repayment capacity of customers. This resulted in a continuing growth of NPLs to a level of 23%. The NPL ratio of corporate customers peaked at 24.6% while the NPL ratio of the household sector remained at 10.3% in 2014.
- The Serbian banking market recorded an increase in the NPL volumes as well as increase of the the NPL ratio.

NPL volume (EURm) and NPL ratio (%) of the top 7 largest banks by total assets



Banks in scope: Banca Intesa a.d., Komercijalna banka a.d., UniCredit Bank Srbija a.d., Raiffeisen banka a.d., Societe Generale Banka Srbija a.d., ProCredit Bank a.d.

Source: Annual Reports 2013 / 2014, PwC Analysis

Distressed debt markets overview
Focus on key CEE markets

Turkey. Having enjoyed remarkable growth for the last decade, Turkey's economy shows signs of a slow down. While NPL are not an issue yet, accelerated NPL volume increase combined with weakling growth and rising unemployment could bring more stock into the market.

Growth slowing down on a background of NPL volume increase

Turkey has experienced a slow down in its economic growth pace, with GDP forecasted to decline to ca. 3% at the end of 2015, on a background of a high unemployment rate (9.6% in April 2015) and accelerated depreciation of the Turkish Lira against the US dollar.

In terms of distressed debt, Turkey's NPL volume has been steadily increasing, reaching nearly EUR 14b at the beginning of 2015. This was trailed by a similar acceleration in Loans to Customers, resulting in a fairly steady NPL ratio in the in the recent years (hovering around 3%, still modest when compared to regional standards).

However, the combination of weakening macroeconomics and fast loan growth could bring about a decrease in the loan repayment capacity of both the general population as well as corporations.

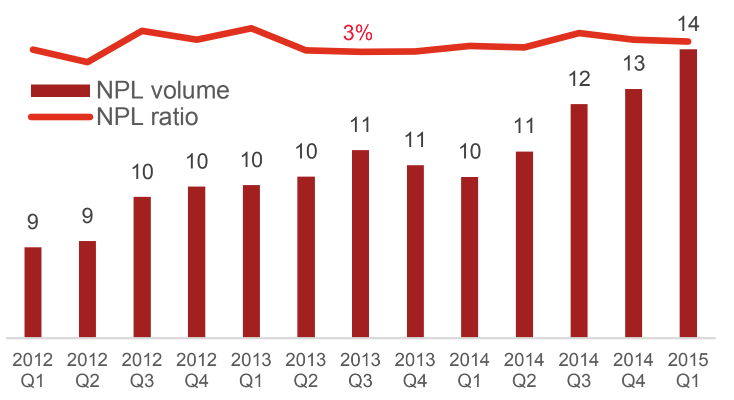
To date, Retail NPL ratio (around 2.75%) stands higher than in the Corporate environment. Notwithstanding, Construction and Real Estate Investment sector show already increasing NPL volume and, as many loans in this sector are foreign currency denominated (usually USD) and closely dependent to continuous economic growth, it is foreseeable that the increase in NPL will continue and even accelerate.

Distress debt sale market

NPL disposals have been a regular occurrence of the Turkish market, with many banks conducting NPL sale transactions, mostly of retail receivables. Ca. 70% of NPLs written off since Q2 2014 have been sold to asset management companies in return for an average of ca. 13% of balance sheet value.

Notable transactions have been performed by Sberbank (TRY 209m for TRY 15m), Alternatifbank (TRY 116m for TRY 4.7m) and Garanti (TRY 29m for TRY 14.5m). Akbank, YKB and ING have also made disposals of smaller value.

NPL ratio (%) and NPL volume (EURb) (2012Q1-2015Q1)



Source: PwC Analysis, transaction fromTürkiye Garanti Bankasi A.S. / Garanti Investor Relations

Annex:
Servicing in the Austria & CEE region

Distressed debt servicing in Austria & CEE*

- Total assets under management exceed EUR 14b.
- Focus markets include Romania, Hungary, the Balkans, Russia and Poland, with the ability to cover the entire CEE region.
- Strong capabilities in Retail, they have expanded across the entire assets scale, with strong SME and Corporate.
- For 2016, over EUR 650m investments are expected, with a focus on the South East Europe, Poland and Russia.

Kredyt Inkaso

KREDYT INKASO

- Kredyt Inkaso is a Poland based servicer, active in the market since 2001, specializing in debt portfolios.
- The total assets managed amounts to approx. EUR 2b spread across Poland, Romania, Bulgaria and Russia. Thereof approx. 75% are owned by the company itself, whereas the rest from external parties.
- Largest share of its assets is allocated to the retail debt segment (more than 50%), followed by the corporate debt segment, telecommunications and mortgages.
- Poland and Romania are highlighted as core markets for the future investments.
- The company plans to substantially expand its operations, with significant resources allocated for growth.

APS Holding

APS HOLDING
FINANCIAL SERVICES

- APS is headquartered in the Czech Republic. It provides servicing, underwriting and asset management services across CEE.
- Its assets under managed amounted to approx. EUR 2.9b as of August 2015, with retail, SME and Corporate accounting for 42%, 31% and 28%, respectively.
- The company closed a total of 15 deals in 2014 with a nominal value corresponding to approx. EUR 1.6b. Romania accounted for approx. 90% of the deals closed.
- APS envisages further expansion of its portfolio and has an investment budget of EUR 200m prepared for the year 2016 with expected transactions across the region of up to EUR 1.5b face value.
- It is interested in investing in secured & unsecured domains of retail and corporate segments as well as in real estate.

* Not an exhaustive listing; Names included based on availability of data.

Source: company provided data, public sources, PwC analysis

Distressed debt servicing in Austria & CEE*

B2HOLDING

- B2HOLDING is a financial services provider headquartered in Norway, specialized in the investment and workout of non-performing loans as well as providing third party debt collection solutions on behalf of clients.
- The face value of its acquired portfolios amounts to approx. EUR 3b.
- The company is present and / or has portfolios in Sweden, Finland, Estonia, Norway, Latvia, the Balkans, Poland, Italy, Lithuania, Denmark and Romania.
- The company intends to focus on continued growth in existing markets, especially in the Balkan region where it has a strong portfolio pipeline.

DDM

- DDM is a Switzerland based specialist acquirer & manager of distressed asset portfolio in Eastern Europe.
- Its assets under management totalled to more than EUR 1.7b as of end 2014, spread across more tan 2.2m cases.
- The company's key markets are Romania and Russia, followed by other CEE countries.
- It is mainly active in the retail segment (approx. 80%), both secured & unsecured, but also has capabilities in the SME and corporate segment.
- It has an investment budget exceeding EUR 100m prepared for the year 2016. Its goal is to increase its market share in the CEE market.

KRUK

- KRUK is a bulk debt company headquartered in Poland whose core business is collection of retail unsecured receivables.
- As at the end of 2014, KRUK held 370 debt portfolios with a total nominal value of EUR 5.1b.
- Its key markets are Poland, Romania, Czech Republic and Slovakia, but in 2014, the company also entered German debt collection market.
- In 2014, nominal value of the portfolios purchased amounted to approx. EUR 900m. The intention for 2016 is to expand active operations and to enter new markets (e.g. Western Europe)

*Not a comprehensive listing. Names included based on availability of data.

Source: company provided data, public sources, PwC analysis

Our specialists are fully conversant with the Austrian & CEE non-core & non-performing markets

Deep technical know-how, regional understanding coupled with strong transactional experience enable us to accompany our clients, advising and providing them with active support across the full value chain of non-performing / non-core assets value extraction.

1. Options analysis

Comprehensive impact analysis of various NPL management solutions on financial, accounting, legal, regulatory and tax levels

2. Work-out optimization

Defining non-performing asset portfolios work-out and capital optimization strategies

3. Dedicated structures

Channels for restructuring, run-off or disposal of non-performing / non-core assets such as SPVs, external / internal bad-banks NPL platforms

4. Transactions advice

Investor sounding, accounting, financial, tax, legal and regulatory structuring, valuation, negotiation and closing support

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Annex
Definition, glossary, disclaimer

Term	*Definition*
Net NPL to Regulatory capital	Net NPL divided by Regulatory capital.
NPL according to IMF	A loan is nonperforming when payments of interest and principal are past due by 90 days or more, or at least 90 days of interest payments have been capitalized, refinanced or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons to doubt that payments will be made in full. After a loan is classified as non-performing, it (and/or any replacement loans) should remain classified as such until written off or payments of interest and/or principal are received on this or subsequent loans that replace the original.
NPL according to Erste Group	One or more of the default criteria under Basel III are met: full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realization of a loan loss, or initiation of bankruptcy proceedings.
NPL according to Bank Austria	Formally impaired loans, being exposure to insolvent borrowers, even if the insolvency has not been recognised in a court of law, or borrowers in a similar situation.
NPL according to RBI	Event where a specific debtor is unlikely to pay its credit obligations to the bank in full, or the debtor is overdue more than 90 days on any material credit obligation.
NPL according to HAA	Loans assigned to risk category 5 based on the reason for default, namely borrowers are past due by more than 90 days.
NPL according to HETA	Exposures classified with internal rating grades 5A-5E.
NPL coverage ratio	Risk provisions for loans and advances to customers as a percentage of non-performing loans and advances to customers.
NPL ratio	Non-performing loans divided by total gross loan.

Abbrev.	Description
AT	Austria
BA	Bosnia and Herzegovina
BAG	Bank Austria Group
BG	Bulgaria
b	Billion
BY	Belarus
CAGR	Compound annual growth rate
CE	Central Europe: CZ, HU, LV, LT, PL, SI, SK
CEE	Central and Eastern Europe
CR	Coverage Ratio
CIS	Commonwealth of Independent States: KZ, RU, UA
CZ	Czech Republic
EE	Estonia
EG	Erste Group
EUR	Euro
eoy	End of Year
F	Forecast
FYRM	Former Yugoslav Republic of Mazedonia
GDP	Gross Domestic Product
HAA	Hypo-Alpe-Adria Group
HBA	Hypo Alpe-Adria-Bank AG
HR	Croatia
HU	Hungary
IMF	International Monetary Found
KZ	Kazakhstan

Abbrev.	Description
LTC	Loan to Costumer
LV	Latvia
LT	Lithuania
m	Million
MD	Moldova
NPL	Non-performing loan
PL	Poland
PLN	Polish Zloty
pp	Percentage points
Q	Quarter
qoq	quarter-on-quarter
RBI	Raiffeisen Bank International
RO	Romania
RON	Romanian New Leu
RS	Serbia
RU	Russia
RWA	Risk-weighted assets
SEE	South Eastern Europe: BG, HR, RO, RS, TR
SI	Slovenia
SK	Slovakia
TCR	Total Capital Ratio
TGL	Total gross loans
tn	Trillion
TR	Turkey
TRY	Turkish Lira
UA	Ukraine
VBAG	Österreichische Volksbanken-AG
yoy	year-on-year

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