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Redefining the non-core

European Portfolio
Advisory Group

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PwC Europe's distressed debt market overview



pwc

Foreword



Bernhard Engel

Partner, Leader FS Deals
PwC Europe
bernhard.engel@pwc.com

Dear reader,

It is with great pleasure that we invite you to discover the 6th edition of our annual report dedicated to the distressed debt market.

This year we're covering new important markets from both Western Europe (Germany, The Netherlands and Belgium) and the Central-Eastern part of the continent (Poland, Russia, Ukraine).

Under the theme “Innovation as growth engine”, we're highlighting the major forces and trends driving the non-core space while also stepping into a country level distressed debt deals environment and major market transactions.

With 2017 coming soon to an end, we look back to yet another active year in distressed debt across the region, including continued deleveraging from banks on a background of macroeconomic upturn combined with increasing investor appetite.

Marketwise, on the Western Europe side, Germany – although Europe's largest economy – has experienced a limited distressed debt deal flow, given its growth momentum. The Netherlands have seen a relatively slow year following 2016's Propertize deal, while Belgium is steadily spawning its market wings. In CEE, last year's trend has consolidated, with South-East Europe continuing to lead the transactions volume, while CIS (Russia, Ukraine) and Turkey remain largely untapped markets that provide material opportunities and observe increasing international investors' interest.

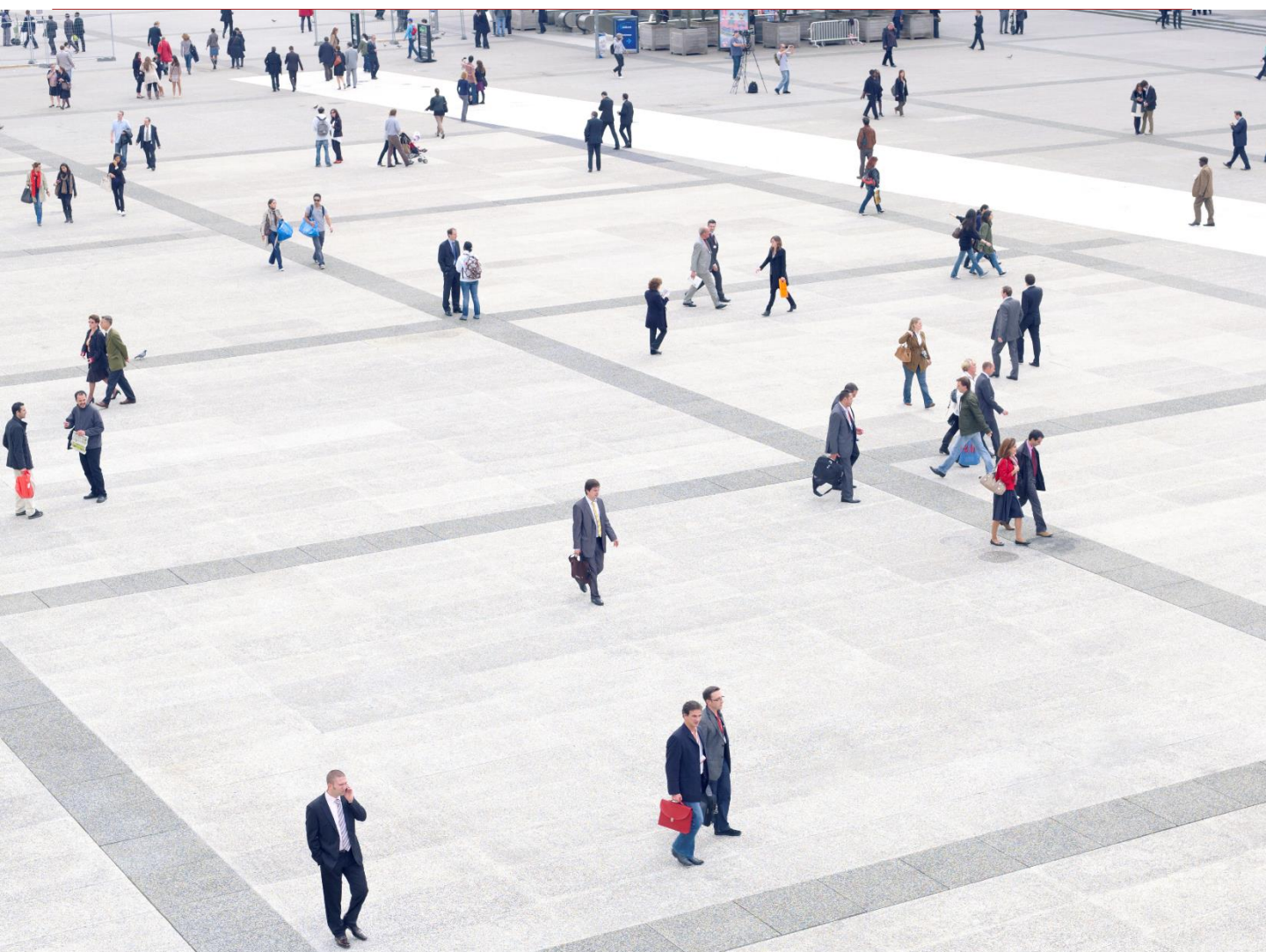
Looking ahead, we expect the deal flow to continue given the regulatory changes (IFRS 9, ECB's NPL guideline) and availability of cheap funding, albeit deals will tend to become more compact in size and diverse in their underlying assets, pushing principals to look for more efficient sale processes with the help of technology.

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 we look forward to discussing more in our next meeting.

*With best regards,
Bernhard*

Contents

1.	Macroeconomic environment	4
2.	European distressed debt markets overview	8
3.	Deals landscape	12
4.	Established markets focus	16
5.	Developed markets focus	21
6.	Upcoming markets focus	29
	Annex	32



01

- *Moderate economic growth, fuelled by a strong labour market and signs of picking up inflation*
- *Monetary policy still supportive, enabling future new lending*

Macroeconomic environment

Macroeconomic environment

CEE and the Eurozone

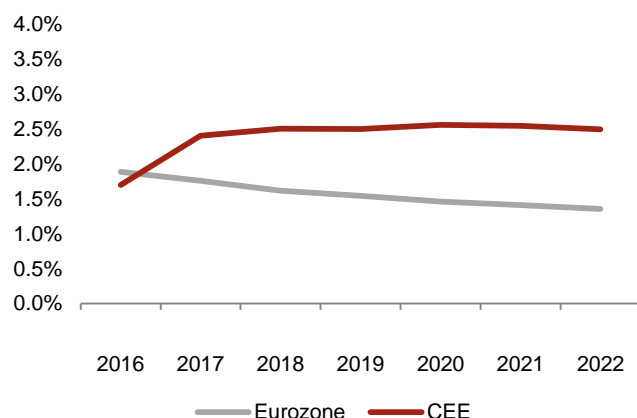
- ✓ **Eurozone's GDP follows a lingering moderate growth path** supported by labour market and private consumption, outweighing current political uncertainties
- ✓ **Continued CEE GDP growth**, with 2017 momentum driven by CIS
- ✓ **Bank lending still low, but with positive outlook** due to improved capital position of banks' balance sheets

The Eurozone's economy is on a **continued track of moderate GDP growth** despite the omnipresent political uncertainties surrounding US trade policies and BREXIT consequences. However, the solid GDP figures are mainly backed by **strong private consumption** which goes hand in hand with steadily **growing employment** figures. The relatively low EUR exchange rate, as well as trending up world trade bolster European GDP further.

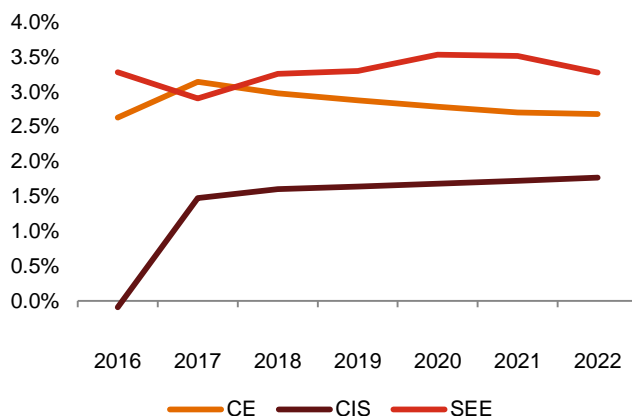
On a long term basis, Eurozone's growth is not expected to outperform much further due to the aftermaths' of last decades financial crisis still reflecting on the banking sector and governments high indebtedness.

With the CIS region leaving recessionary territory, overall CEE is expected to **outperform the Eurozone** in terms of growth again.

Regional breakdown of GDP growth (%yoy, 2016-2022F)



CEE breakdown of GDP growth (%yoy, 2016-2022F)



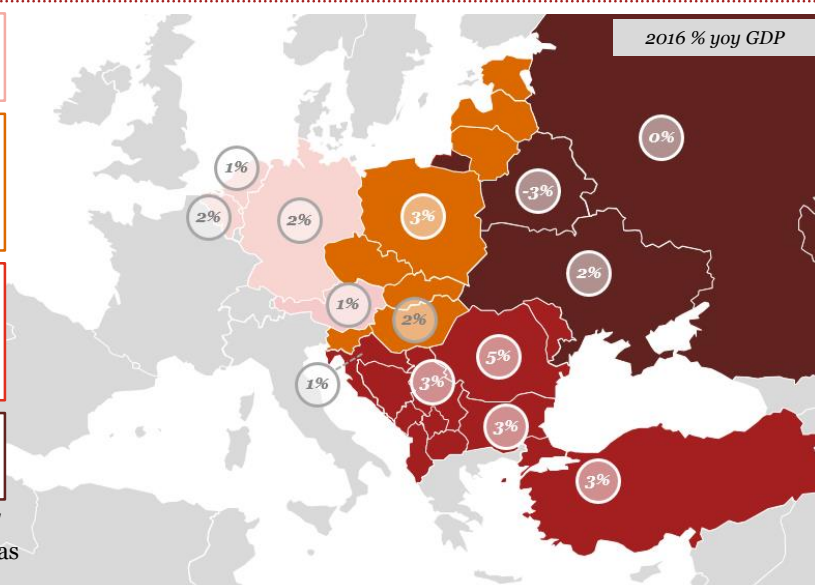
Europe focus countries include:
Austria, Belgium, Germany, Netherlands

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

SEE countries include:
Bosnia and Herzegovina, Bulgaria,
Croatia, Macedonia, Moldavia, Romania,
Serbia, Turkey

CIS countries include:
Belarus, Kazakhstan, Russia, Ukraine

For the purpose of our current analysis, **CEE countries** include all the countries marked as **CE, SEE and CIS**.



Macroeconomic environment

Eurozone

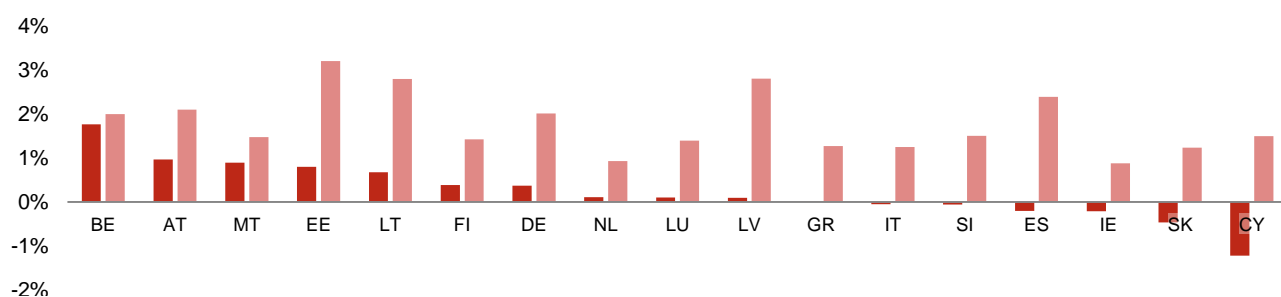


- ✓ **Picking up of headline inflation rates**
- ✓ **Strong labour market bolstered by job creation through strong domestic demand**
- ✓ **Deleveraging of governments' debt due to favourable macroeconomic conditions**

Inflation rate (% , average consumer prices method, 2016-2017F)

The **increase in Eurozone's' headline inflation** is mainly attributable to the reverting of energy prices from low levels. Core inflation remains still below the ECBs 2% target, although **labour market is tightening** and **wages pick up only gradually**. The outlook for inflation on services and non-energy goods is expected to stay at current levels.

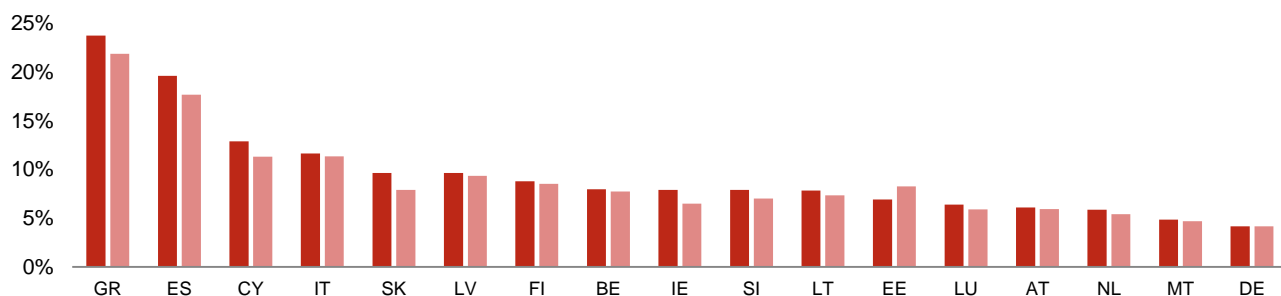
■ 2016 ■ 2017F



Unemployment rate (% , 2016-2017F)

The Eurozone is experiencing a **period of continuing employment growth**. Since yearly job creation is outperforming labour force growth, unemployment rate is declining to its lowest level since 2008. However **wages do not increase to the same extent**, among others hindered by an increase in temporary work contracts.

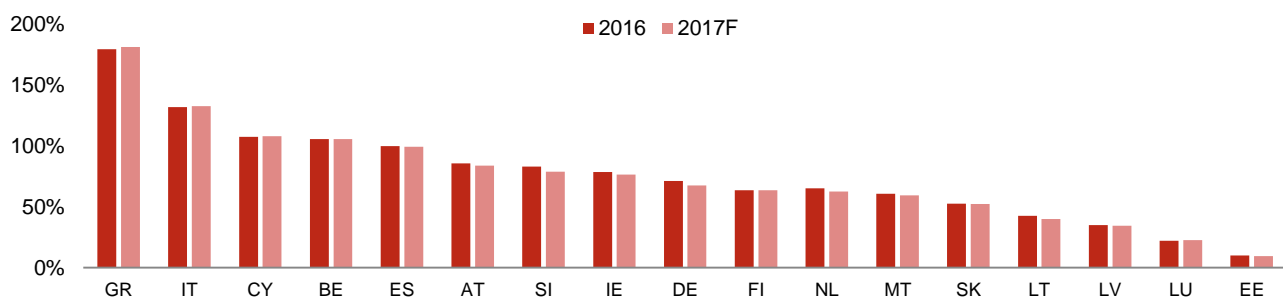
■ 2016 ■ 2017F



Gross government debt / GDP (% , 2016-2017F)

The **indebtedness of Eurozone's economies is about to decrease**. The **prevailing low interest rate** environment, **reduced social transfers** for unemployment and higher inflation, all have a positive impact on the governments' balance sheets.

■ 2016 ■ 2017F



Source: IMF, European Commission, PwC Analysis, European Central Bank, PwC Analysis

Macroeconomic environment

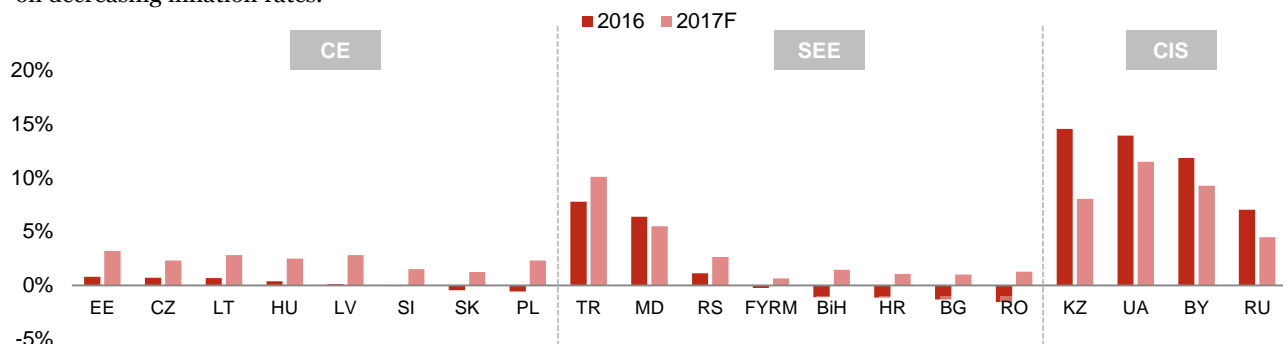
CEE



- ✓ **Rising inflation expected within CE & SEE regions**, driven by monetary policy
- ✓ **Strong labour market supported by foreign demand from the Eurozone**
- ✓ **Moderate to high indebtedness of CEE economy**

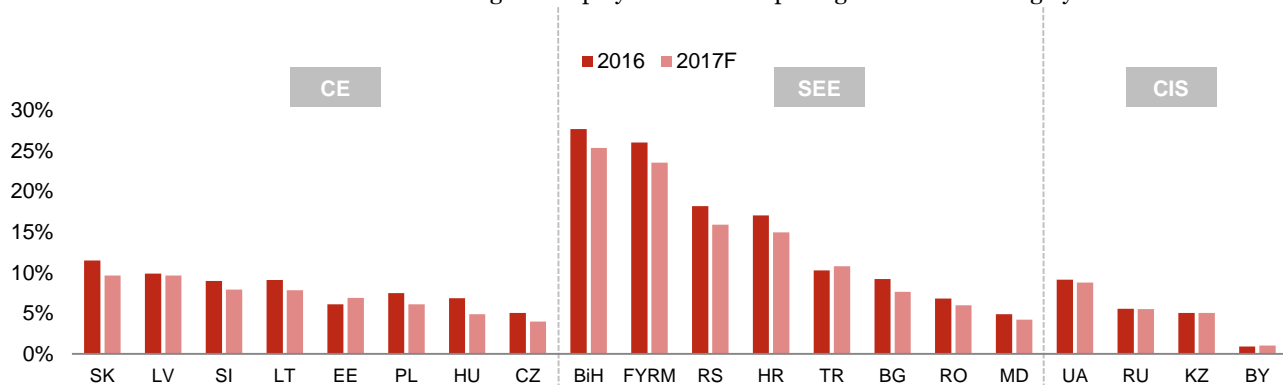
Inflation rate (% , average consumer prices method, 2016-2017F)

CEE inflation shows a mixed picture across its sub-regions. An **increase in inflation** can be expected in most **CE & SEE economies**, boosted by still **ultra loose monetary policy** and **rising energy prices**. CIS economies operate on decreasing inflation rates.



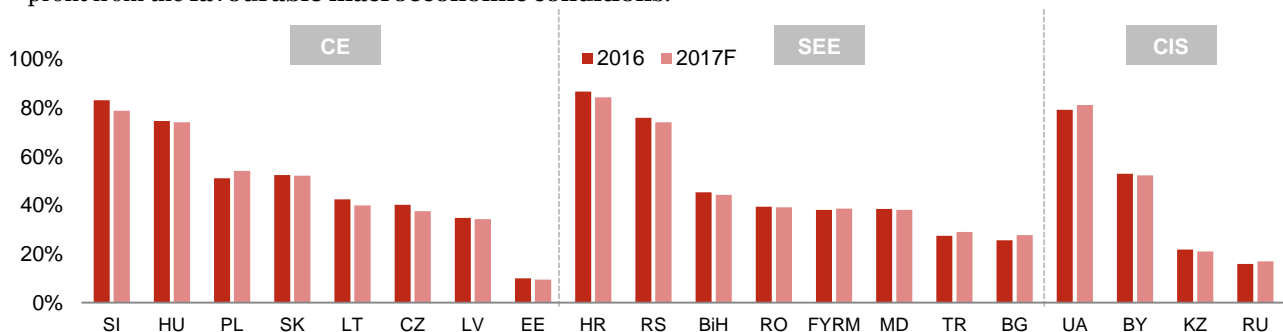
Unemployment rate (% , 2016-2017F)

Strong foreign demand, especially coming from the Eurozone also **supports the CEE labour market**. Still many economies within SEE deal with exorbitant high unemployment rates impeding new retail lending by banks.



Gross government debt / GDP (% , 2016-2017F)

CEE countries currently have moderate to high debt burdens. The **indebtedness of CEE economies** however should profit from the **favourable macroeconomic conditions**.



Source: IMF, European Commission, European Central Bank, PwC Analysis



- CIS region NPL stock continues to increase, flanked by improved provisioning
- SEE & CE countries continue their accelerated deleveraging path, with large volumes already disposed
- Western Europe moderate NPL volume decrease to an overall low ratio

European distressed debt markets overview

Distressed debt market overview

NPL stock and ratio

- ✓ **Western Europe countries show a moderate NPL stock decrease, on a background of low ratios**
- ✓ **Russia, Ukraine and Turkey remain drivers of NPL volume increase in the CEE region**
- ✓ **CE and SEE economies continue to deleveraging thus exhibiting declining NPL volumes and ratios**

Decline in NPL volume for analysed Western Europe countries

Germany, having the largest NPL stock, is deleveraging at an accelerated pace, expected to continue in 2017. While Belgium steadily reduces the NPL volume, the Netherlands are expected to accelerate the deleveraging in 2017.

Contrary, CEE NPL volume continues its increase, albeit slowing down

CEE NPL volume increased ca. 7% yoy in 2016, whereas selected Western European economies exhibit the opposite trend.

Countries driving volume growth in the CEE region remain to be **Russia** (+30%yoy 2016), **Turkey** (+5%yoy 2016) and **Ukraine** (+2%yoy 2016).

These increases outweigh the deleveraging tendencies in other CEE economies, where already "mature" NPL markets such as **Romania** (-29% yoy 2016), **Croatia** (-20% yoy 2016) and **Hungary** (-31% yoy 2016) have experienced a vibrant NPL sale activity in the past years thus were able to reduce their NPL stock significantly.

NPL ratio continues to be trailing high with still room for deleveraging

Although most of the surveyed markets have reduced their NPL ratio through 2016, ca. half of them are still above the 10% mark, most of them from the SEE region with CIS (Ukraine) leading the pack.

Source: IMF, PwC Analysis

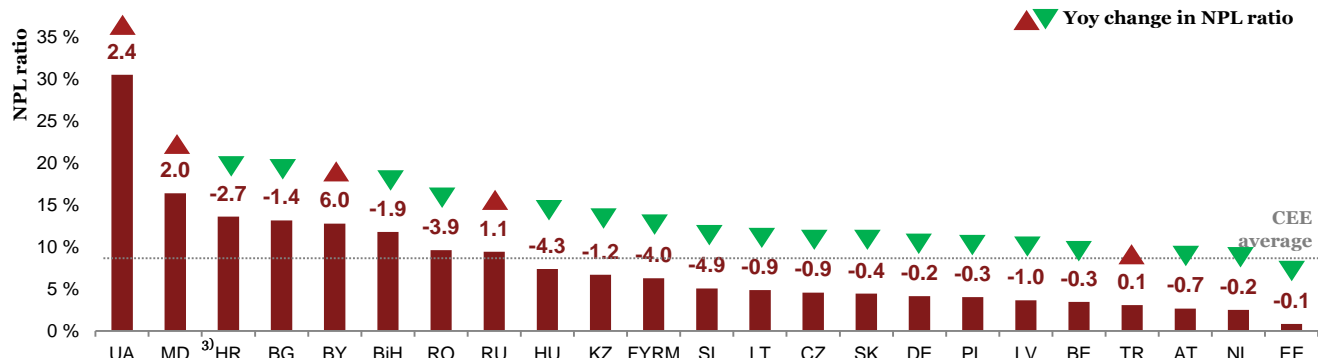
NPL volume (EURb)

Country	'13 - '16	2015	2016	Yoy '15 - '16	2017F	% of Total
Total		385.3	373.3	-3%	373.3	100%
AT		21.8	16.9	-23%	16.0	5%
BE		24.4	23.3	-5%	22.1	6%
DE		149.0	135.0	-9%	130.6	36%
NL		45.9	43.8	-5%	40.8	12%
CEE		144.2	154.3	7%	163.9	41%
RU		61.5	79.7	30%	90.6	21%
TR		15.0	15.7	5%	18.2	4%
UA		14.2	14.4	2%	14.7	4%
PL		12.1	11.4	-5%	11.1	3%
CZ		6.4	5.7	-12%	5.6	2%
RO		7.9	5.6	-29%	4.7	2%
BG		5.5	5.1	-7%	5.1	1%
HR		6.0	4.8	-20%	4.5	1%
HU		5.1	3.5	-31%	2.5	1%
KZ		3.3	3.0	-11%	2.0	1%
SK		2.3	2.3	0%	2.3	1%
SI		3.0	1.5	-52%	1.0	0%
Other		1.9	1.7	-10%	1.6	0%

General notes:

- Others include BiH, FYRM, MD, EE, BY, RKS
- Eoy 2016 data for BE & LT not available. 2016 Q3 figures reported.
- Eoy 2015 data for MD not available. 2015 Q2 figures reported.

NPL ratio (% eoy 2016, App yoy 2016)



Source: IMF, PwC Analysis

* CEE average is equally weighted based on the following countries: BY, BiH, BG, HR, CZ, EE, HU, KZ, LT, LV, MD, FYRM, PL, RO, RU, SI, SK, TR, UA

Distressed debt market overview

Lending and NPL coverage

- ✓ **Lending** continues to be **subdued** across the region
- ✓ Further increase in **NPL provisioning levels**, especially in **CIS**
- ✓ Overall decrease of **NPL volume to regulatory capital ratio**

Subdued lending growth

Although the European banking sector is showing signs of improved capital positions under accommodating monetary policy, new lending in CEE remains subdued. The increase in average loans to customers is driven mainly by Russia (+15% yoy).

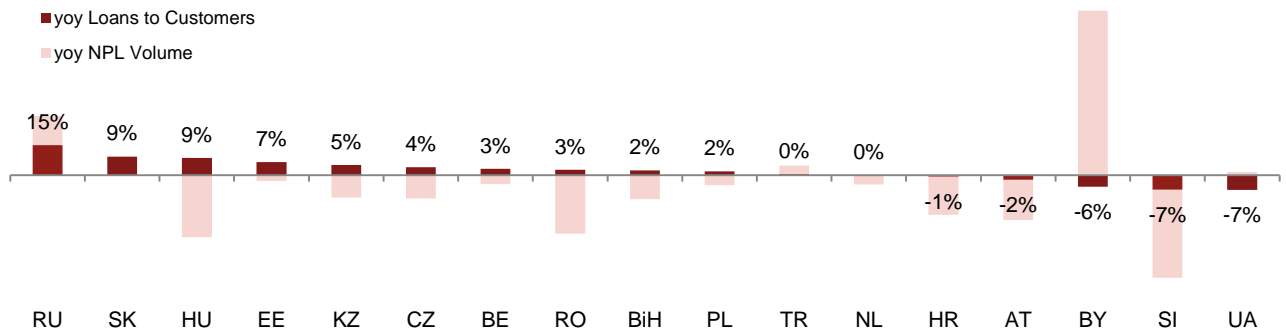
Many of the **CE & SEE economies** (e.g. SK, HU, EE, CZ) were able to recognize a **slight increase in new lending**. Combined with a larger reduction in NPL volumes, these markets show continue deleveraging.

On the other hand economies like **BY and UA** had to deal with a **reduction in loans to customers**.

From the surveyed markets, granted **loans to customers decreased for Austria** slightly (-2% yoy).

However, **Netherlands and Belgium** are following their trend in gently inclining loans to customers volumes. Both economies were able to reduce their already low NPL ratios even further.

NPL volume yearly growth vs. Loans to Customers yearly growth (% Δyoy 2016)



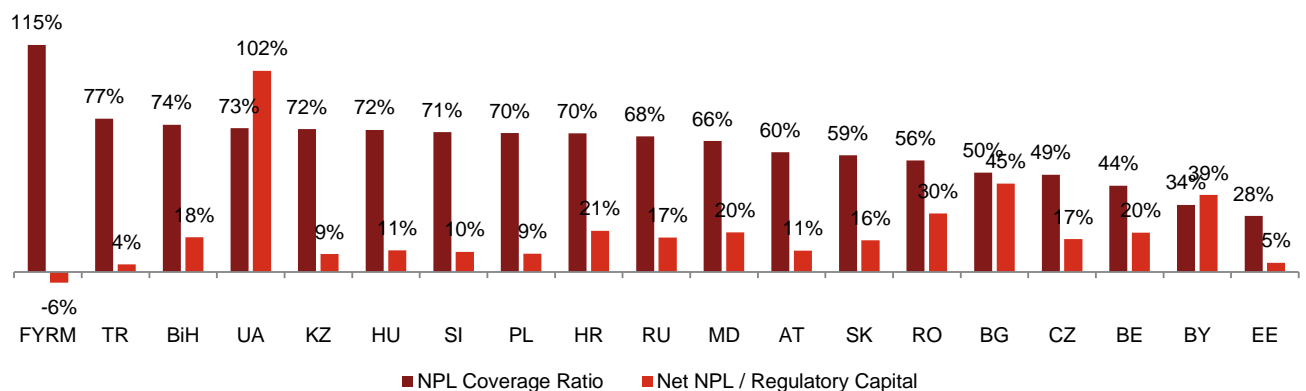
Source: IMF, PwC Analysis

Increasing NPL coverage ratio

The **NPL coverage ratio** (i.e. loans provisioning to NPL volume), reached **68% on average within the CEE region**. This marks a further increase compared to the previous years. CIS region economies like **Russia, Ukraine and Kazakhstan** improved their coverage ratios by more than 5%, signalling a **potential for**

future transactions. On the other hand, **Belarus and Estonia**, faced a further decrease in coverage ratios, from already significantly low levels. At the same time almost every economy shows a **decrease in Net NPL to Regulatory Capital ratio**.

NPL Coverage ratio vs Net NPL / Regulatory Capital (% eoy 2016)



Source: IMF, PwC Analysis
PwC

Distressed debt market overview

Evolution of key NPL metrics

- ✓ High NPL ratios, sizeable provisioning & material stock provide the right mix for deleveraging via NPL disposals
- ✓ With SEE & CE countries benefiting from past deals, **Russia and Ukraine** walk the path towards ripening deal conditions

Deleveraging via disposals is expected to continue and accelerate

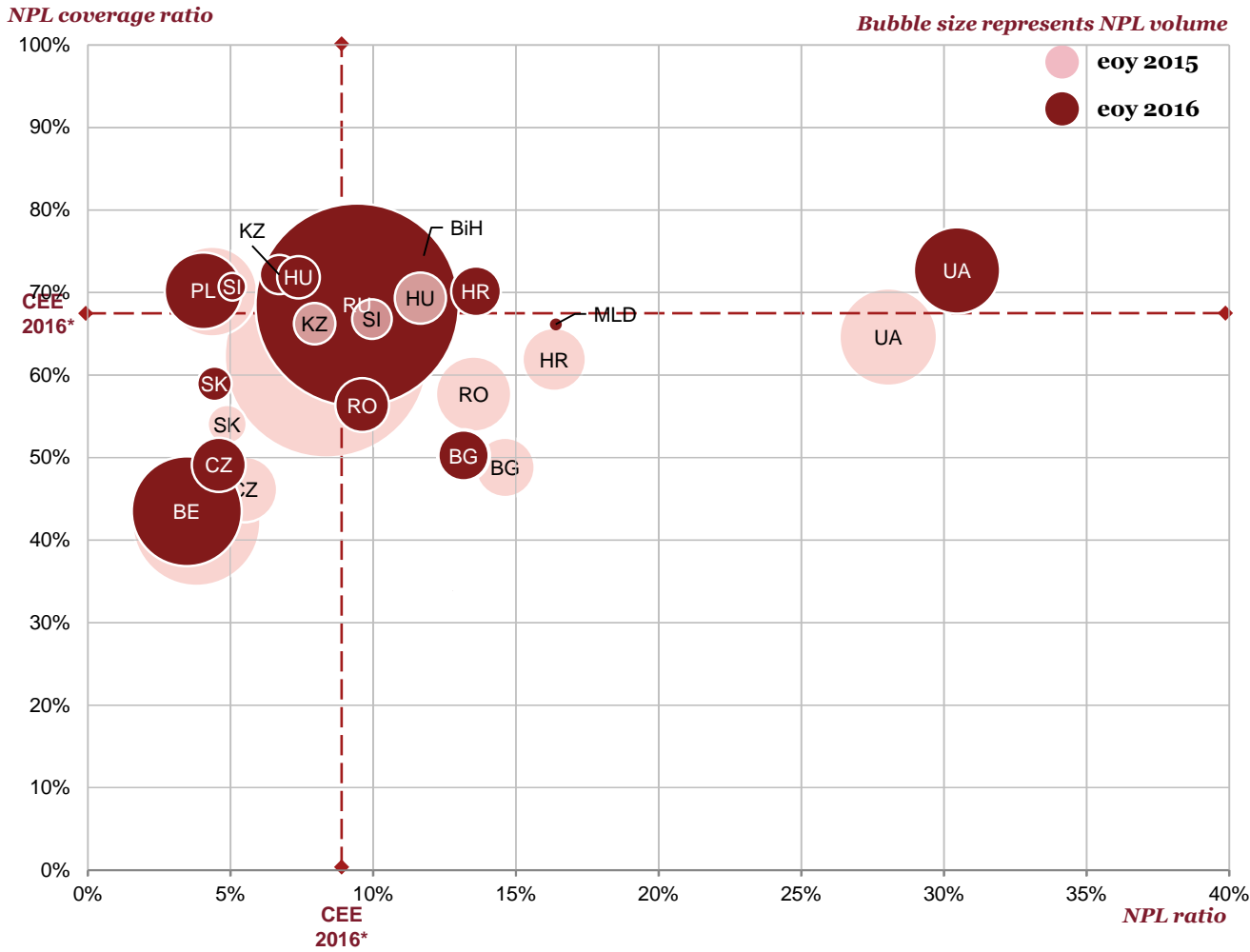
Markets exhibiting pressure to deleverage with **NPL ratios above average**, and coverage ratios high enough to allow banks to sell without material negative P&L effect offer the ideal landscape for sizeable NPL deals within an economy.

Active NPL markets like Romania, Bulgaria and Croatia, are still exposed to NPL ratios above average, but

are clearly converging towards the CEE average, reflecting past transactions.

Markets like **Russia and Ukraine** show **increased provisioning levels** as well as a **ramping up NPL ratio**. They are thus seen as interesting targets for future NPL deals, especially in terms of volume.

NPL ratio, coverage ratio and volume (% EURb, eoy 2016)



* CEE average is equally weighted based on the following countries: BY, BiH, BG, HR, CZ, EE, HU, KZ, LT, LV, MD, FYRM, PL, RO, RU, SI, SK, TR, UA
 Source: IMF, National Bank of Serbia, PwC Analysis
 PwC



03

- *Vibrant deal space driven by a virtuous circle of macro, industry and deal drivers*
- *Non-core category is quickly expanding beyond NPL*
- *NPL deals are slowly moving eastwards*

Deals landscape

Deals landscape: changing the “core” of non-core



Bogdan Popa

Senior Manager,
PwC Europe
Portfolio Advisory Group Leader
Austria

With the equilibrium on banks' balance sheets not yet reached, the non-core market remains an attractive investment.

Following a slower start, 2017 is set to close strong, with more than EUR 6b GBV of non-core deals currently ongoing or announced across the CEE region. Having been kept busy during the first half of the year by anticipating the upcoming regulatory and accounting changes, banks have placed a number of non-core deals in the market during the second half of 2017. This intense environment is expected to continue well beyond 2017, driven by a number of macro, industry and deal specific factors.

On the Macro side, key drivers are the ongoing upturn in the economy across the continent, in the light of low inflation and cheap money. With equity having become almost as affordable as debt, there is a **constant pressure on buyers' side to invest and deploy their capital**.

Looking at industry specific drivers, regulatory changes hold the spotlight, with IFRS 9, EBA's NDD (new default definition) and ECB's NPL guideline making it expensive for banks to hold on to non- or sub-performing exposures. Alternatively, **upward pressure on equity return** and cost reduction expectations from shareholders, together with (still) **subdued lending** also leave banks wanting to drive more value out of their hard worked client relationships (or acquire readily available portfolios).

Lastly, on a **deal level**, the **need for more efficient M&A processes** is increasing, as opportunity costs rise for buyers and sellers alike. Additionally, with the largest NPL deals in the region now completed or about to, **buyers face more compact deals**, potentially yielding lower benefits but still sizeable effort and time investments.

Looking ahead – our top predictions

Resurgence of capital relief (i.e. risk transfer) deals. Securitization, synthetic sales, portfolio insurance – we expect all this to be heard more and more in the vocabulary of C-suite members, as they look for solutions to transferring risk without (necessarily) losing client relationship and potential for further growth.

Underlying asset diversifications. As NPL stock steadily dries up and with little chance that (at least in the near future) new massive buckets will form given the various regulatory measures in place and banks' recent experience, we expect seller and buyers alike to turn their view to other, more benign asset classes labelled as non-core. Be it, performing debt which doesn't fit current strategy or entire units previously in charge of managing real estate, leasing or loans, the non-core space is about to get enlarged and more difficult to define as NPL only, with sellers and buyers looking to increase their balance sheets.

NPL deal volume moving East. Having **Russia and Ukraine** with sizeable stock, improving provisioning and timid but increasing deal activity, we expect these markets to potentially become (albeit slowly and pending improving political stability) the darlings of the distressed debt industry, as deal and recovery conditions improve. Additionally, **Turkey remains one of the most interesting markets** to follow, given its unique mix of sizeable NPL volume, relatively low complex asset deal flow and already existing AMC infrastructure.

Technology to play an increasing role in deal making. Automated data readiness tools, pricing engines and trading platforms will become part of every day deal business, replacing repetitive or data intensive deal tasks, and helping on key deal issues such as data quality and price benchmarking.

Lastly, the need to “be earlier in the deal” will intensify. With availability of “off the shelf assets” coming to an end, buyers and seller will need to come closer, to generate opportunities and help optimize their positions, by planning their deals strategically as source of both, relief and incipient of growth.

CEE distressed debt transactions

Market perspective



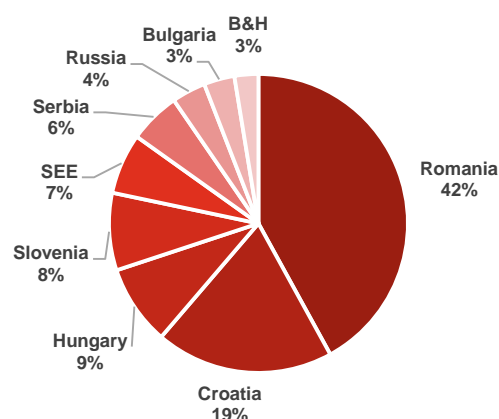
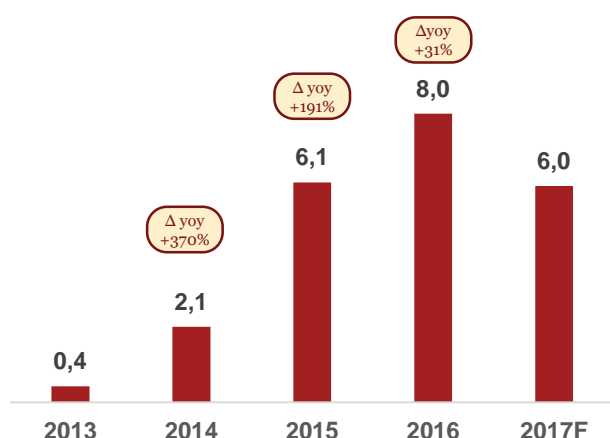
- ✓ **Ca. EUR 20b distressed debt GBV brought to market during the past 5 years:** South East Europe countries account for more than half of the traded GBV.
- ✓ With (most) large deals behind, the distressed debt market is now trading on an **average GBV deal volume of ca. EUR 150m**, approx.. half from the 2014-2016 average deal size.
- ✓ **Most sell-side volume driven by Austrian banks**, with Greek banks following closely.
- ✓ **Buy-side activity driven by regional (CEE based or focused) servicer-investors**, working together with established Western Europe funds. However, the latter find it more difficult to compete as...
- ✓ **... distressed debt prices have continued to increase**, especially across the SEE markets, positive macro perspectives and relative scarcity of (large) deals, combined with appetite from “new” Western Europe buyers and market entry of large European level servicers.
- ✓ **A few more bundle deals (platform & portfolio) expected:** encouraged by recent successful deals, more platform deals are currently being prepared, with debt and REO assets.
- ✓ **Increasing supply and appetite for (sub)performing assets:** Poland and Romania leading the way, as international and local banks look to reshape their portfolios.
- ✓ **“3rd wave” of new markets underway:** both small (Albania, Bosnia & Herzegovina) and (really) big (Russia and Ukraine), these markets are becoming more sought-after by (mostly regional) investors looking to expand their operations and establish themselves in still untapped territories.

More than EUR 20b GBV brought to market in the past 5 years. Following three consecutive years of exponential increase, 2017 market volume is expected to slightly fall behind 2016 levels.

Romania and Croatia make-up ca. 60% of the GBV volume brought to market. Hungary and Slovenia coming in approx. equally in 3rd place. Activity growth observed in Bulgaria and Serbia.

Distressed debt GBV brought to market **yearly** (EURb)

Distressed debt GBV brought to market by **country** (%)



CEE distressed debt transactions

Countries overview



- ✓ **Poland and Romania as mature markets**, with both experienced sellers, diversified buyers and servicing available across all asset classes. Similar is also true for **Croatia and Slovenia** where few sizeable NPL disposals are expected. **However secondary sales are expected to grow**, intensified by a consolidation trend among local servicers, as well as potential **single-ticket** transactions.
- ✓ **Hungary, Serbia and Bulgaria have shown strong NPL activities over the past 18 months**, with potential in still untapped asset classes (e.g. retail in Serbia with pending regulatory changes) as well as available stock. Strong investors interest driven by improved market confidence, established track record, fast growing servicing platforms and the improving regulatory environment.
- ✓ **Russia and Ukraine still seen as sizeable future opportunities**, with both large NPL stocks and ratios putting pressure on sellers, coupled with a modest deals track record outside retail unsecured. Potential has also been identified in smaller markets such as **Albania or Bosnia & Herzegovina**, where initial transactions are being observed as well as recent concrete steps towards improvement regulatory environment.
- ✓ **Turkey is in a category of its own**, with sizeable NPL volumes expected to further increase, but still modest ratios, prompting sellers to a prudent approach. Locked-in servicing, is shared among local AMCs, mostly focused on retail assets. However, secured assets together with AMCs investment, could provide plentiful growth opportunities, pending further macro and political stability.

Country watch

Poland



- Confirmed investor appetite & seller interest
- Ongoing transactions, especially in the retail unsecured segment
- Available servicing platforms

Czech Republic & Slovakia



- Confirmed investor appetite & seller interest
- Available servicing platforms
- Limited stock for portfolio disposals

Hungary



- Known investor appetite & seller interest
- Improved regulatory environment
- Growing number of servicing platforms
- Several transactions already on the market, with disposal to continue and accelerate

Croatia & Slovenia

- Strong transaction track record, with declining available NPL stock
- Available and growing servicing platforms
- **Transactions closed or ongoing in all asset classes**

Bulgaria



- Confirmed seller & increased buyer interest
- Favourable regulatory regime
- Sufficient NPL stock offering deal pipeline
- Servicing platforms quickly developing

Baltics



- Confirmed investor appetite & seller interest
- Favourable regulatory regime
- Available servicing capabilities
- Transactions track record in all asset classes

Russia and Ukraine



- Known seller interest
- Political uncertainty, but improving regulatory regime
- Sizeable NPL stocks, initial transactions observed
- 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
- Regulatory improvements ongoing
- Sufficient, but declining NPL stock
- Limited servicing platforms availability

Turkey



- Confirmed seller interest, with buyers selectively looking at opportunities
- Sizeable NPL stock
- Concentrated servicing market



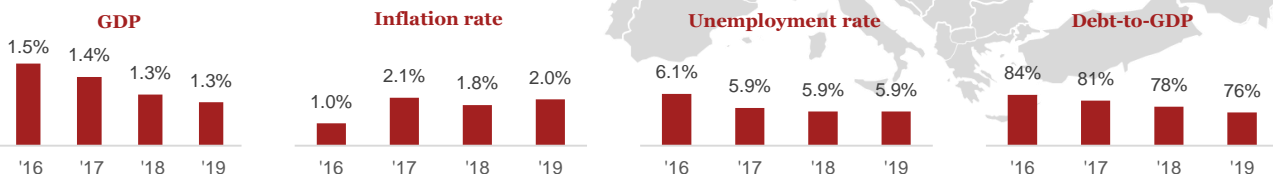
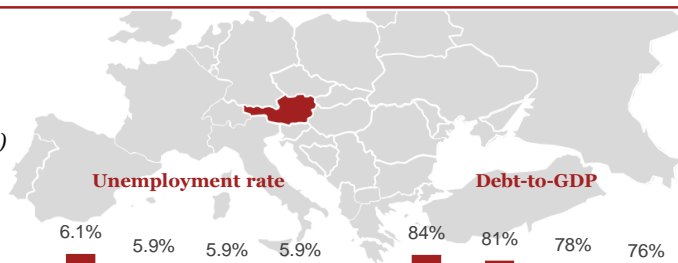
04

- *Sizable NPL volume available; regulatory changes expected to trigger increased disposal interest*
- *Strong investors appetite based on strong market trust and economic power of the country*
- *Stable and experienced regulators & sellers*

Established markets focus

Austria

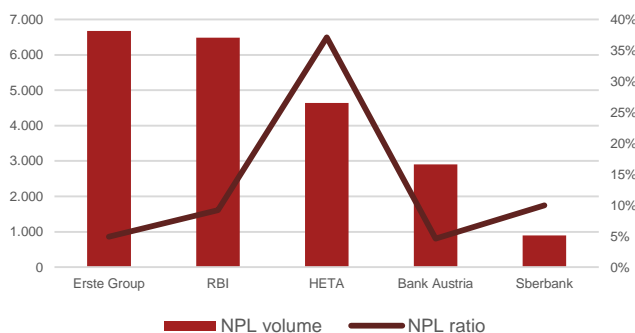
2016 NPL%: 2.7% (Δ yoy - 0.7pp), vol. EUR 16.9b (Δ yoy - 4.9b)



- ✓ Top 5 banks record ca. EUR 21.6b NPL on their consolidated balance sheet; claims against CEESEE account for vast majority of this exposure
- ✓ Austrian Banks' (incl. country's bad bank HETA Asset Resolution) have strong transaction track record with **regards to its NPL exposure booked in the CEE region**; activity with relation to Austrian booked exposure still limited
- ✓ **Stable legal and regulatory environment**

NPL volume & ratio largest banks (eoy 2016, EURm)

Consolidated group reports



- Banks in Austrian hold about two-thirds of their consolidated foreign claims against CEE / SEE.
- On account of the restructuring of UniCredit Bank Austria the aggregate total assets of Austrian banking subsidiaries in CE / SEE went down by almost 40% and their geographical risk profile changed notably.
- The largest NPL stock is recorded by Erste Group and Raiffeisen Bank International, the countries' market leaders in term of size.

Legal & regulatory environment

- **No banking license** is required for the acquisition of performing and non-performing claims, however **banking secrecy is to be considered**.
- In general there is no (legal) difference in treatment of transfer of performing and non-performing claims. However, in practice, the courts show the tendency to treat non-performing claims as less "in need of protection" than performing.
- The sale of non-performing loans is **generally VAT exempt**. The VAT exemption might not apply if a whole portfolio of contracts is transferred (ECJ 22.10.2009, C-242/08, Swiss Re). Factoring would be subject to an analysis on a case-by-case basis.
- If a profit is generated from the disposal of loans, **that profit would be taxable at the standard CIT**. At the same time, losses may be fully deductible from the CIT base of the seller. Condition is that the parties involved (buyer and seller) are unrelated parties and that no transfer pricing issues arise in this respect.

Servicing

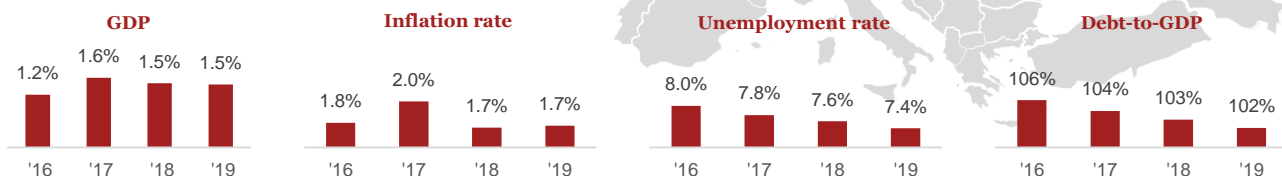
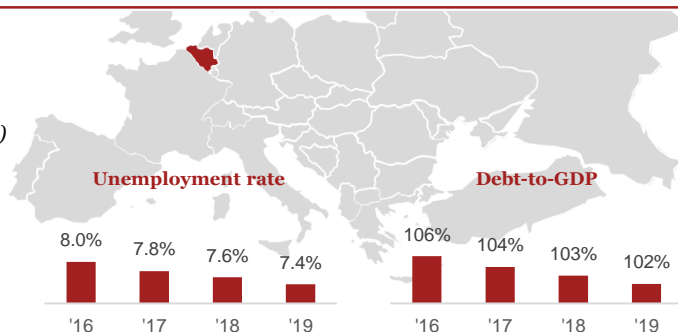
- Servicing is developed across all asset classes. Locally present names include Intrum Justitia, Hoist Finance, Converta as well as other players.

Selected transactions 2016

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
Glan	HETA	NPL - Leasing	110	2016	Late stage	n/a	Sell-side advisor

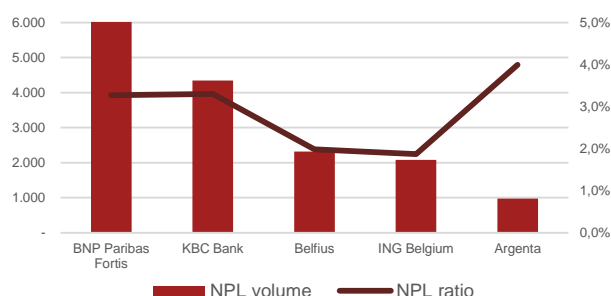
Belgium

2016 NPL: 3.5% ($\Delta yoy - 0.3$ pp), vol. EUR 24.8b ($\Delta yoy + 1.0$ b)



- ✓ As of end 2016, top 3 largest banks in the country held ca. 50% of the NPL stock
- ✓ Strong investors interest, but limited incentive to sell due to high quality of banks' assets and low NPL ratios
- ✓ Stable legal and regulatory environment; no formalities or license are required for claims assignment

NPL volume & ratio largest banks (eoy 2016, EURm)



- At eoy 2016, largest NPL stock was held by BNP Paribas Fortis (ca. EUR 6.1b) and by KBC Bank (ca. EUR 4.3b).
- Highest NPL ratio level was registered by Argenta (ca. 4%), followed by BNP and KBC (both at ca. 3%).
- Stable NPL ratio (below ECB recommended threshold) with increasing absolute value based on strong economic activity and increased lending.

Legal & regulatory environment

- **No formalities or licenses are required for a valid assignment of receivables** under the Belgium law. Some types of receivables may be subject to specific formalities which might include licensing requirements (e.g.: mortgage receivables, consumer credit receivables and receivables arising out of public procurement contracts). In 2012 Belgian law was changed to facilitate the mobilization of receivables in the financial sector, softening the formalities applicable to transferring credit receivables and / or related security interests.
- Even though the current NPL environment seems favourable overall, some features in the framework could represent potential challenges to NPL workout in Belgium.
- **Indicators such as NPLs and payment arrears of households tend to confirm the relatively high quality of bank assets in Belgium** while these have been on the rise since the financial crisis, coinciding with the increases in the private debt ratio.
- The transfer of NPL is in general VAT exempt. In case a loan portfolio relates to mortgages, stamp duties could be due. Capital losses / gains (as calculated on the net tax value) on NPL transfers are in principle tax deductible / taxable at the general corporate tax rate. Impairments on NPL can be tax deductible if certain conditions are met (a.o. individualization, proof of loss).

Servicing

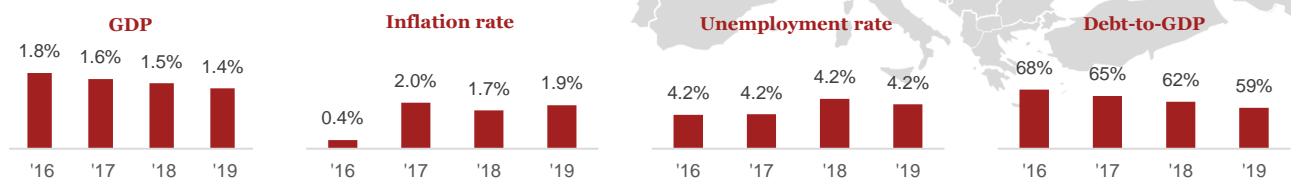
- Locally present names include Stater, Cedar and Intrum Justitia.

Selected transactions 2016 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	AXA Bank Europe NV	Branch	633	2017	Ongoing	OTP Bank	n/a
n/a	Van Lanschot	NPL, PL	220	2017	Closed	CKV	n/a
n/a	ABN Amro Bank NV	Ptf pensioen fund	n/a	2017	Closed	Record Bank	n/a
n/a	Optima	NPL, PL	120	2016	Closed	Delta Lloyd	n/a
n/a	Krefima	NPL, PL	47	2016	Closed	bpost	Buy-side advisor
n/a	Optima / Arcole	NPL - Mortgages	28	2016	Closed	CKV	n/a

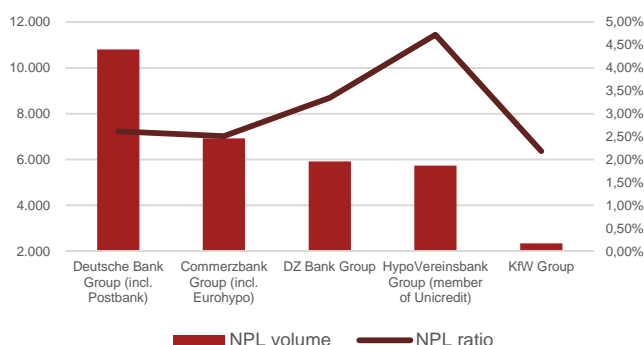
Germany

2016 NPL%: 4.2% (Δ yoy - 0.2 pp), vol. EUR 135.0b (Δ yoy - 14.0b)



- ✓ **Top 5 banks account for ca. 20% of country's NPL stock; Strong decline in overall NPL volume observed**, driven among other by improved market and economic conditions
- ✓ **Strong investors interest and stock available, however still limited incentive to sell due to low NPL ratios**
- ✓ **Stable legal and regulatory environment** as well as available servicing capabilities

NPL volume & ratio largest banks (eoy 2016, EURm)



- At eoy 2016, largest NPL stock was held by Deutsche Bank (ca. EUR 10.8b), followed by Commerzbank (ca. EUR 6.9b) and DZ Bank Group (ca. EUR 5.0b).
- Highest NPL ratio level was registered by HypoVereinsbank Group, member of Unicredit Group, (ca. 4.7%), followed by DZ Bank (ca. 3%).
- Improved market and economic conditions were observed to increase the pace of deleveraging for German banks.

Legal & regulatory environment

- Normally **no approval of Central Bank** is required for transfer of receivable.
- Debtor consent is required for transfer of performing loan receivables, while it is not needed for non-performing exposures.
- **Loan servicers are not regulated directly by the German banking supervision (BaFin)**, but they have to comply with the same standards as the outsourcing partner itself.
- Debt collection companies may be excluded from any regulation depending on the specifics of their services. Many debt collectors offer services that exceed debt collection, e.g. receivables management, which is regulated.
- Servicers, who provide financial services on a commercial basis (e.g. Factoring), need the permission/license from the German banking supervisor (BaFin) as stated in § 32 Abs. 1 KWG (German Banking Act).
- The transfer of NPL is in general exempt from VAT.

Servicing

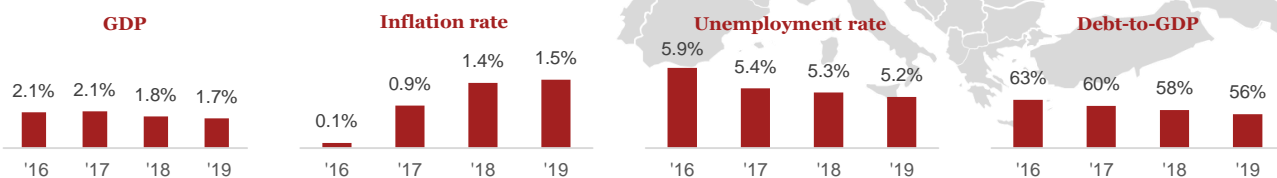
- Servicing is developed across all asset classes. Locally present names include Intrum Justitia (who recently merged with Lindorff), LOANCOS, EOS, GFKL and others.

Selected transactions 2017

Project name	Country	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	Germany	Various DCAs	NPL - Retail	Up to 100	2017	Ongoing	n/a	Buy-side
Neptun	Germany	HSH Nordbank	Corporate, RE, shipping	10,000	2017	Ongoing	n/a	Buy-side
Collection	Germany	Burda Group	NPL - Retail	50	2017	Ongoing	n/a	Buy-side
Sky	Germany	n/a	NPL - Retail	50	2017	Ongoing	n/a	Buy-side
Glan	Austria/Germany	HETA	NPL - Leasing unsecured	110	2016	Late stage	n/a	Sell-side advisor
Air	Germany	HSH Nordbank	CRE	200	2017	Signed	Cerberus	n/a
Deep Sea	Germany	Nord LB	Shipping	1,500	2017	Closed	KKR	Buy-side

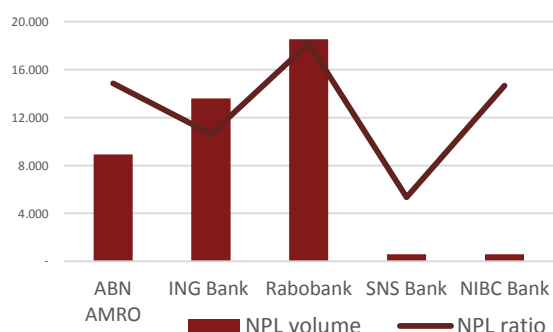
Netherlands

2016 NPL%: 2.5% (Δyoy - 0.2 pp), vol. EUR 43.8b (Δyoy - 2.1b)



- ✓ **Major Dutch banks** are observing organic NPL decline in 2017 on the back of **economic recovery** and **increased special servicing** efforts.
- ✓ **Real estate secured portfolios** account for most loan portfolio brought to market; key buyers are observed to be foreign investor groups.
- ✓ **NPL specialty servicers** appear to be **seeking expansion** into other **asset classes** as the third party specialty servicing market tightens.

NPL volume & ratio largest banks (eoy 2016, EURm)



- At eoy 2016, Netherlands' three largest banks (ING, ABN AMRO, Rabobank) hold >95% of the total NPL stock.
- NPL volume shows positive correlation with the economic cycle, whilst there is a negative correlation between the NPL rate and GDP growth.
- Relatively low NPL ratios based on a strong insolvency framework.
- One sizeable NPL portfolio transaction observed in 2017.

Legal & regulatory environment

- In one of the past CRE transactions, the treatment of borrowers by the financial buyer led to several law suits against the Vendor, however only one of the lawsuits resulted in a successful claim.
- Cost and duration of settling insolvency cases is relatively low** compared to Europe, whereas **recovery rates are among the highest**.
- Strict bankruptcy law provisions** allow lenders to **foreclose** a mortgage loan even during bankruptcy proceedings. Nevertheless, voluntary sales are observed to be more common resolution strategies.
- Lenders can repossess without court order with the mortgage tails remaining enforceable, however **personal insolvencies are still rare**, as there is a cultural adversity to excessive debt and to bankruptcy.

Servicing

- Specialty servicing is a relatively small part of the Dutch market in terms of volume, as the share of non-performing loans is limited. The competitive set in specialty servicing is broad and consists **mainly of licensed bailiffs who offer loss mitigation services**.
- Dutch servicing market shows moderate levels of M&A activity, with two major deals made recently being Lindorff / Intrum Justitia and Arrow / Vesting.
- Potential growth** in servicing market is mainly driven by **higher stake alternative financing** parties, such as (foreign) private equity houses.
- Known names with local capabilities include Capita, CMIS, Lindorff, Situs and Vesting Finance.

Selected transactions 2016 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
Stack	ABN AMRO	CRE NPL	220	2017	Closed	Attestor Capital	Buy-side M&A
Swan	Propertize	CRE PL/NPL	5,500	2016	Closed	Lone star, JPM, Goldman Sachs	Buy-side M&A
Hieronimus	FMS	CRE PL/NPL	580	2016	Closed	Goldman Sachs	Buy-side M&A
Orange	Rabobank	CRE NPL	350	2016	Aborted	n.a	Buy-side DD



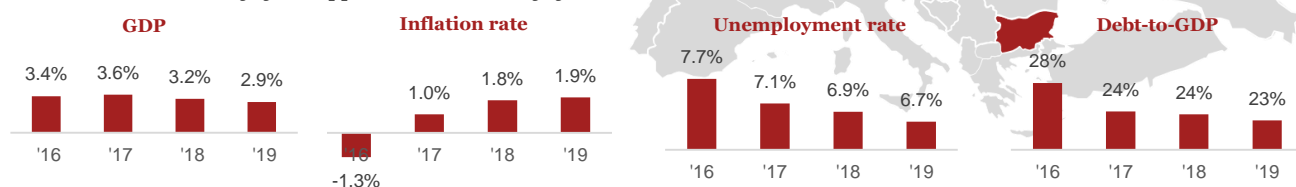
05

- **Strong transactions** activity across most assets classes
- **Buyer appetite** driven by available stock, transaction track-record and supporting regulators
- **Declining available stock**

Developed markets focus

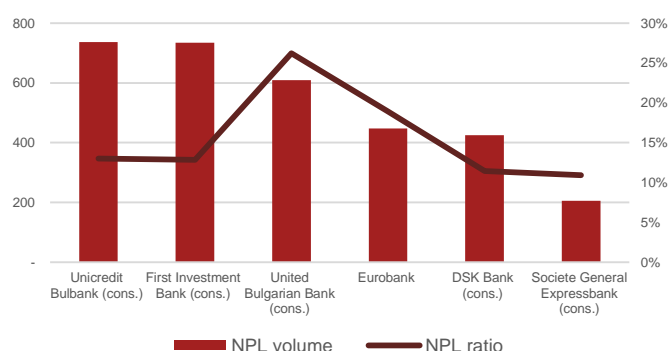
Bulgaria

2016 NPL%: 13.2% (Δ yoy – 1.4 pp), vol. EUR 5.0b (Δ yoy – 0.4b)



- ✓ As of end 2016, top 3 largest banks in the country held ca. 60% of the NPL stock
- ✓ High continuation of market activity expected for 2017 / 2018, following successful 2016 activity; expected further increase in the volume of NPLs put up for sale driven among others by mergers observed on the market
- ✓ Improving legal & regulatory conditions, while NPL acquirers still need to be registered as financial institutions

NPL volume & ratio largest banks (eoy 2016, EURm)



At eoy 2016, largest NPL stock was held by UniCredit's Bulbank and by First Investment (ca. EUR 730m each).

- Highest NPL ratio level was registered by United Bulgarian Bank (ca. 26%), followed by Eurobank (ca. 19%).
- Observed accelerated deals market activity stemmed from increased investor confidence as well as AQR conducted in H1 2016.
- The merger of United Bulgarian Bank with local subsidiary of KBC is expected to lead to significant NPL volume being brought to the market

Legal & regulatory environment

- NPL portfolio acquirers are required to register with the National Bank as a financial institution and may have to fulfil certain capital and business requirements.
- There has been a **proposition to introduce a 10-year statute of limitations for unsecured loans** to physical persons. The proposition **was rejected** by the National Assembly in October 2017.
- **Amendments to the Registered Pledges Act** to introduce **further protective measures for creditors**, eliminate certain inconsistencies, and make the register electronic. The changes regarding the functioning of the Central Register of Special Pledges shall enter into force in September 2018.
- Changes in the Commercial Act regarding insolvency proceedings are currently in effect, including the introduction of a new procedure for among other, **early stabilisation of companies as a way of avoiding insolvency**.
- NPL transfers are generally not subject to VAT or stamp duty. Corporate income tax may apply.

Servicing

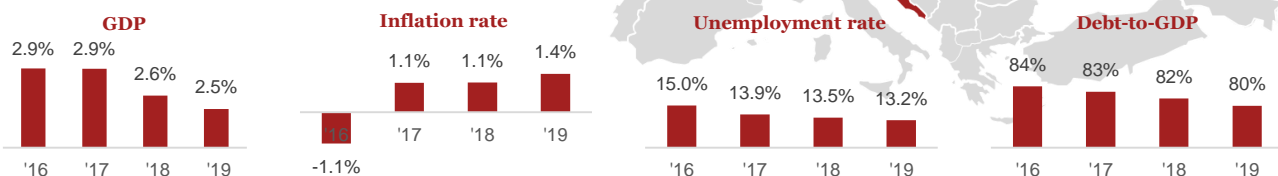
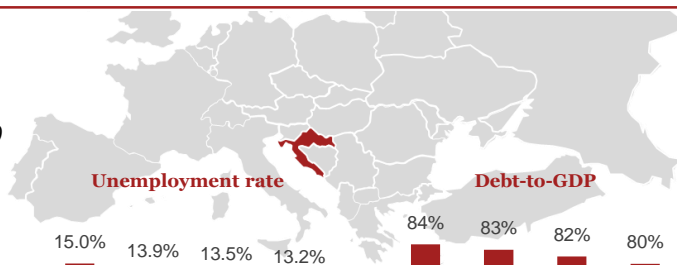
- International and regional servicers show increasing appetite for the market, with set-up of secured (both private individuals and corporates) assets servicing capabilities are currently developing.
- Locally present names include APS, AVS, B2Holding, Credit Express, Kredit Inkaso, EOS, Frontex, etc.

Selected transactions 2016 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
Metro	Eurobank	NPL - Corporate	65	2017	Late stage	n/a	n/a
Taurus 2 Bulgaria	UniCredit	NPL - Mixed	80	2017	Late stage	n/a	n/a
n/a	BNP Paribas	NPL - Retail	46	2016	Closed	Kredit Inkaso	n/a
Taurus Bulgaria	UniCredit	NPL - Corporate, CRE	100	2016	Closed	B2Holding	Sell-side advisor
n/a	Eurobank	NPL - Retail unsecured	143	2016	Closed	EOS	n/a
n/a	National Bank of	Consumer	70	2016	Closed	n/a	n/a

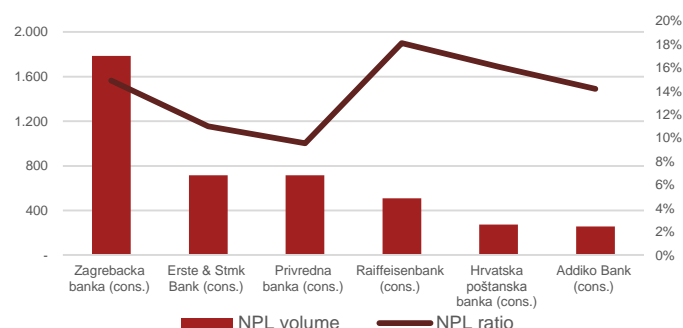
Croatia

2016 NPL%: 13.6% (Δ yoy - 2.7pp), vol. EUR 4.7b (Δ yoy - 1.1b)



- ✓ **Local subsidiaries of UniCredit, Erste and Intesa held ca. 80% of the system's NPL stock at eoy 2016, with Raiffeisen Bank registering highest NPL ratio**
- ✓ **High investor appetite and bank activity during the past 2 years, where all major banks have performed, or are currently in significant NPL deleveraging / disposal processes.**
- ✓ **The extraordinary administration of Agrokor Group and the potential spillover effects to Agrokor reliant suppliers may bring additional NPL volumes to the market. However, no snowball effect to the overall economy is expected by the Croatian National Bank (CNB)**

NPL volume & ratio largest banks (eoy 2016, EURm)



Zagrebacka Banka (UniCredit), held ca. EUR 1.8b of NPL stock at eoy 2016 (following closing of Taurus 1 transaction in 2017, significant drop expected), followed by Erste and PBZ (Intesa) with ca. EUR 0.7b each.

- NPL ratio-wise, highest level was registered by the Raiffeisen Bank (18%), followed by Hrvatska Postanska Banka as well as Zagrebacka banka.
- CNB is expecting an increase of provisions for Croatian banks' unsecured exposures to Agrokor Group companies and its selected suppliers.

Legal & regulatory environment

- Currently no special licensing is required for NPL portfolio acquisitions; there are however **ongoing discussion regarding potential introduction of a servicing license concept**.
- National Bank non-prohibition confirmation of SPAs is required for signing.
- In April 2017, the **Act on the Extraordinary Administration Procedure in Companies of Systemic Importance for the Republic of Croatia was introduced**. Agrokor was the first company which submitted the request for extraordinary administration, upon which the law is colloquially called "Lex Agrokor".
- Further significant legal & regulatory changes are expected to arise from **implementation of IFRS 9 and Basel IV**.
- Bank NPL write-offs become tax exempt only after "sufficient collection measures" have been taken.

Servicing

- Servicing is developed across all asset classes, as a result of a strong transaction track record.

Selected transactions 2016 - 2017

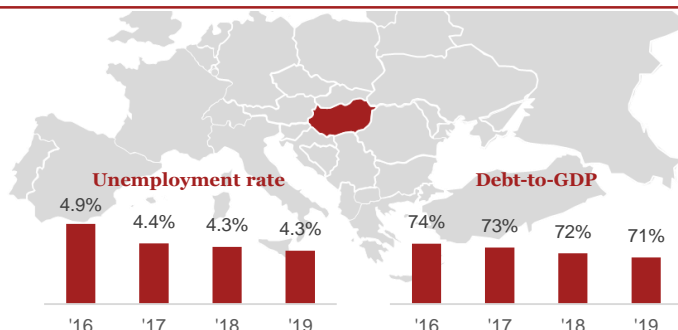
Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	Intesa	NPL - CRE	200	2017	Expected	n/a	n/a
Solaris	HETA	Platform & NPL portfolio	700	2017	Expected	n/a	Sell-side advisor
Taurus 2 Croatia	UniCredit	NPL - Mixed	260	2017	Ongoing	n/a	n/a
n/a	Raiffeisen	NPL - Corporate	45	2017	Ongoing	n/a	n/a
n/a	Raiffeisen	NPL - Single ticket	85	2017	Ongoing	n/a	n/a
Atlantis	HETA	Single ticket	30	2016	Ongoing	n/a	Sell-side advisor
n/a	Raiffeisen	NPL - Corporate	100	2017	Signed	DDM	n/a
Faust	HETA	Single ticket	100	2016	Signed	Gasfin SA	Sell-side advisor
Pathfinder	HETA	CRE	400	2016	Closed	Deutsche Bank / EOS	Buy-side advisor
Sunrise	HPB	NPL - Mixed, CRE	320	2016	Closed	APS / B2Holding	n/a
Taurus Croatia	UniCredit	NPL - Mixed	770	2016	Closed	APS / Attestor	Sell-side advisor
Sapphire	HETA	Single ticket	135	2016	Closed	KNG	Sell-side advisor
Apollo	HETA	Single ticket	25	2016	Closed	B2Holding	Sell-side advisor
Skipper	HETA	NPL - CRE	160	2016	Closed	Supernova	n/a

PwC

Source: IMF, Annual Reports 2015/2016, PwC Analysis, National Bank of Croatia

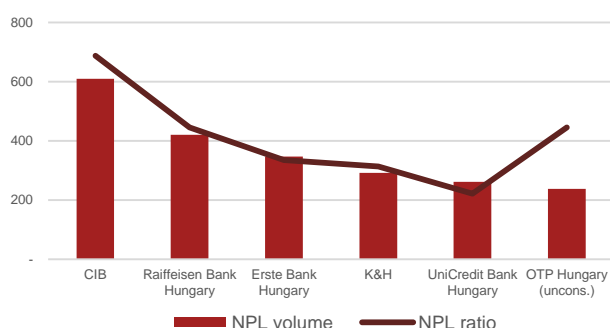
Hungary

2016 NPL%: 7.4% (Δyoy - 4.3 pp), vol. EUR 3.5b (Δyoy - 1.6b)



- ✓ **Intesa, KBC, Erste and Raiffeisen local subsidiaries held the most significant NPL stock at eoy 2016**, registering also some of the highest NPL ratio level in the local banking system
- ✓ Following the lift of the private individuals enforcement moratorium, **the NPL disposals market picked up considerably during 2016 (EUR 0.8b NPL disposal in 2016)**, with further intense activity anticipated for 2017 driven by high investor appetite and outstanding volume
- ✓ **(Secured) servicing at mature stage**, with most large international and regional players looking to establish or consolidate their local position

NPL volume & ratio largest banks (eoy 2016, EURm)



Following deal activity and regulatory support the Hungarian total NPL stock showed a significant decline over the past years, with EUR 1.6b less yoy 2016. The deleveraging activity is expected to continue at a similar pace.

- CIB (Intesa Group) recorded NPL volume of ca. EUR 600m (on a 21% NPL ratio), followed by Raiffeisen Bank and Erste with ca. EUR 420m and EUR 350m, respectively.
- MARK (the local state-owned “bad bank”) was sold to APS in April 2017.

Legal & regulatory environment

- A locally **finance institution license is needed** to acquire NPLs.
- As most foreign currency denominated mortgages have been converted to local currency, the foreclosure moratorium **does not apply anymore**, making them more attractive to potential investors.
- Minimum enforcement price for residential R/Es was introduced (70% of the market value until March 2017, 100% in the first year and 90% in respect of any subsequent enforcement attempt from March 2017).
- The Hungarian VAT act does not stipulate conclusively whether NPL transactions are VAT exempt or not.
- As of 1 January 2017, the National Bank passed a general decision prescribing the creation of a systematic risk buffer to credit institutions operating in Hungary and to groups involving a credit institution.

Servicing

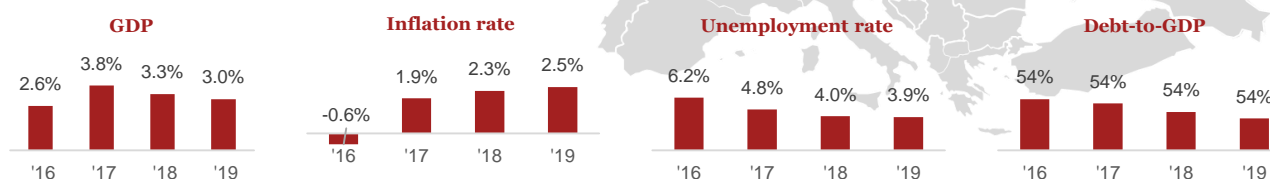
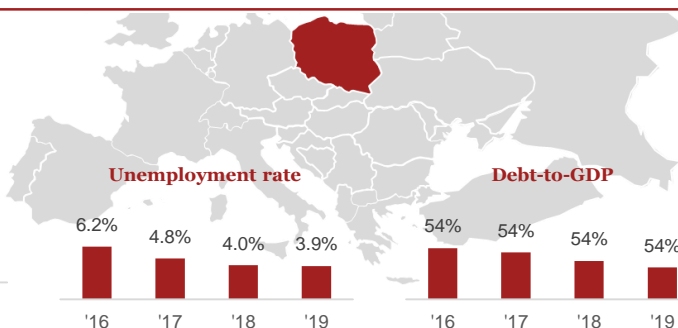
- Servicing is at a mature stage with local service providers and a growing number of regional players mainly focused on retail unsecured, but **eager to grow in secured asset classes**.
- Known names with local capabilities include APS, AVS, Arthur Bergmann, Credit Express, DDM, EOS, Indotek, Intrum Justitia etc., with other large regional names currently in advance stages of setting up local offices (e.g. B2Holding).

Selected transactions 2016 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	MKB Bank	NPL - Retail	200	2017	Expected	n/a	n/a
Taurus 2 Hungary	UniCredit	NPL - Retail	50	2017	Ongoing	n/a	n/a
Rosie	Raiffeisen	NPL - Retail	300	2017	Ongoing	n/a	n/a
Taurus Hungary	UniCredit	NPL - Retail	130	2016	Closed	APS	Sell-side advisor
Ulysses	Erste	NPL - Retail mortgage	350	2016	Closed	Intrum Justitia	Buy-side support
Rita	Raiffeisen	NPL - Corporate, mixed	300	2016	Closed	n/a	n/a
n/a	Axa	Residential	n/a	2016	Closed	OTP	n/a

Poland

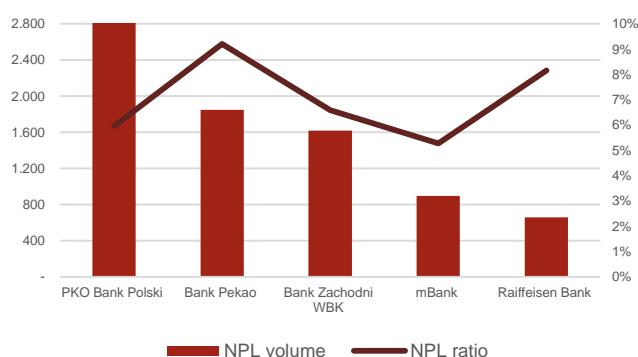
2016 NPL%: 4.1% (Δ yoy - 0.3pp), vol. EUR 11.4b (Δ yoy - 0.6b)



✓ Poland recorded the **highest NPL level in the CEE region** – EUR 11b. Market dominated by **top banks** PKO Bank Polski, Bank Pekao, Raiffeisen Polska, Bank Zachodni WBK and mBank accounting for majority of country's NPL stock.

✓ **Highly active retail NPL market**, with limited activity observed in the secured Corporate & SME segment

NPL volume & ratio largest banks (eoy 2016, EURm)



- PKO Bank Polski, largest bank in the country, held the largest NPL stock as of end 2016 amounting to ca. EUR 2.8b, followed by Bank Pekao, (ca. EUR 1.8b) and Bank Zachodni WBK (ca. EUR 1.6b).
- The highest NPL ratio among selected banks was recorded by Bank Pekao, reporting a ratio of 9.2%, followed by Raiffeisen Bank with a ratio of ca. 8.0%. Remaining top banks exhibited a ratio of 6.0% on average.
- Recent transactions, amounting to EUR 3.7b since 2015, show increasing activity and interest in the polish NPL market.

Legal & regulatory environment

- No notification (or permits) of the National Bank or other national authorities is required for assignment of NPLs.** However the sale of highly contentious FX mortgage loans held in Polish banks to external buyer is potentially to be discussed with Polish Financial Supervision Authority.
- Retail loans are subject to a double legal framework** - Consumer Credit Act with some protection of the borrower and Banking Act; in addition sale of mortgage loans are subject to the upcoming law transposing Mortgage Credit Directive (e.g. mechanism of forbearance).
- No license is required for the acquisition of NPLs, while **servicing the NPL loans requires permission by Polish FSA in some cases.**
- There is a waiver of bank secrecy on NPL sales.
- VAT treatment of the transfer of NPLs is a complex issue** in Poland and subject to different interpretations of tax authorities and administrative courts. It should be analysed on a case-by-case basis.

Servicing

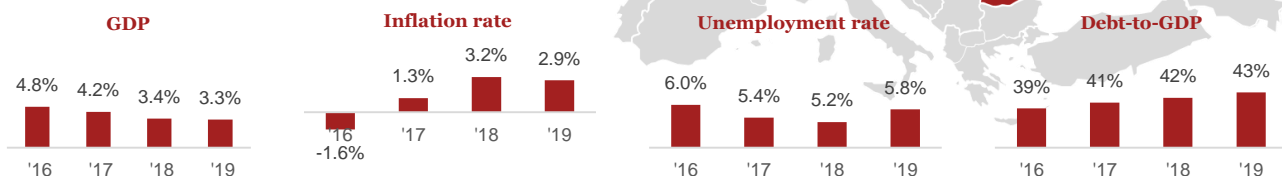
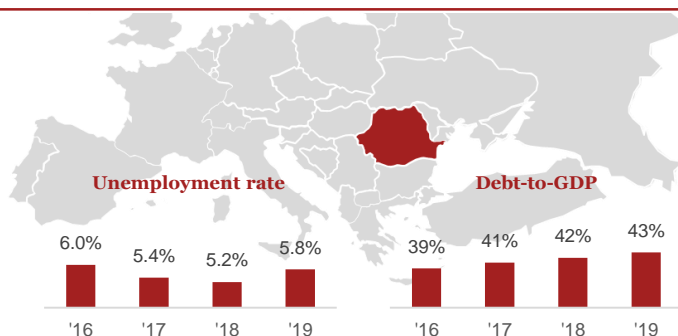
- Main servicers on the polish market include Kruk, Best, EOS Group, CreditExpress, B2Holding, APS Holding, Getin Noble Bank, Kredyt Inkaso as well as PRA Group.

Selected transactions 2015 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	n/a	PL - Retail Mortgage	>2000	2018	Expected	n/a	Financial advisor
n/a	n/a	NPL - Retail	>250	2018	Expected	n/a	n/a
n/a	n/a	NPL - Retail	>250	2017	Expected	n/a	n/a
n/a	n/a	PL - Retail Mortgage	100	2017	Ongoing	n/a	Lead sell-side
n/a	n/a	NPL - Retail	>200	2017	Ongoing	n/a	n/a
n/a	Idea Leasing	PL - Leasing (securitisation)	350	2017	Ongoing	n/a	n/a
n/a	Getin Noble Bank	PL - Auto-loans (securitisation)	166	2017	Closed	n/a	n/a
n/a	Santander	PL - Retail (securitisation)	290	2016	Closed	n/a	n/a

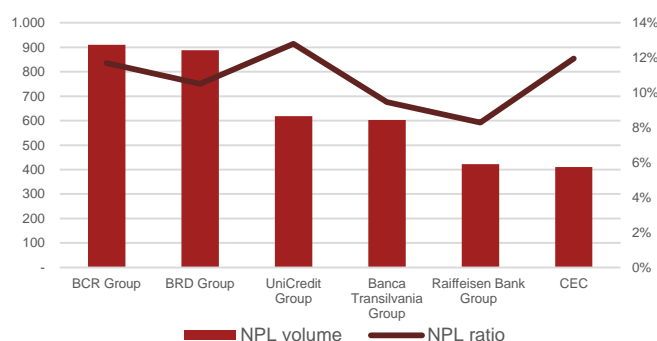
Romania

2016 NPL%: 9.6% (Δ yoy - 3.9pp), vol. EUR 5.6b (Δ yoy - 2.3b)



- ✓ **Out of the ca. 37 credit institutions on the market, the top 3 local franchises by NPL volume (Erste, SocGen and UniCredit) held ca. 40% of the total NPL stock at eoy 2016**
- ✓ **Most active NPL market in the region, with transactions topping EUR 3b GBV in the last 18 months; servicing developed across all asset categories, with active competition among players**
- ✓ **Active and supportive regulatory environment**

NPL volume & ratio largest banks (eoy 2016, EURm)



- BCR (Erste Group) recorded an NPL stock of ca. EUR 0.9b at eoy 2016 (significant drop compared to eoy 2015) closely followed by BRD, the local SocGen subsidiary.
- Overall NPL ratio at 9.6% beginning of the year, with highest NPL ratio stemmed from the UniCredit bank, at ca. 13.0%.
- Ongoing M&A activity over the last 18 months (latest being Bancpost).
- Most large local players went through NPL disposal processes, with further sales expected.

Legal & regulatory environment

- **No license** is required for the acquisition of receivables with the exception of certain mortgage loans. However, starting January 2017 the debt collectors need to be registered at the National Authority for Consumer Protection and implicitly follow a given code of conduct.
- Due to the high number of transactions, **legal documentation and proceedings are largely standardised**, providing a rather transparent and reliable environment for investors.
- In 2014 a new insolvency law came into effect assisting creditors in enhancing their recovery rates.
- In 2016 Law no. 77/2016 on discharge of mortgage backed debts through transfer of title over immovable property applicable to the retail sector has been implemented ("deed in lieu" legislation).
- Starting 2018, tax deductibility of losses from sale of receivables will be limited to 30% (from current 100%), with potential impact on the economic viability of such disposals for sellers. NPL transfers are generally not subject to VAT or stamp duty, but corporate income taxes may apply.

Servicing

- Well-established servicing market, with several players having large-scale servicing capabilities for all asset classes.
- Locally known present names include subsidiaries of all major regional players such as APS, B2Holding, EOS, Getback, Kredyt Inkaso, Kruk and others.

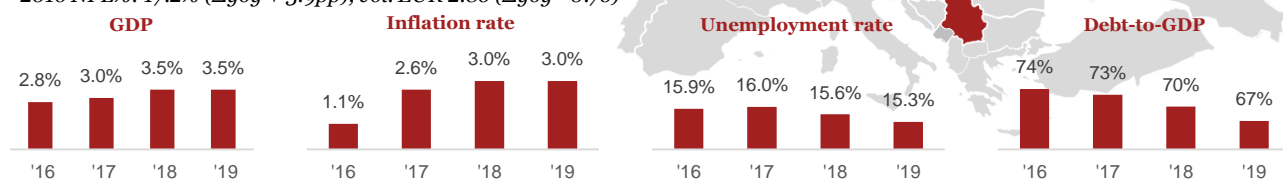
Selected transactions 2016 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
Castrum - Retail	Banca Transilvania	NPL - Retail unsecured	110	2017	Late stage	EOS	n/a
Fain	Raiffeisen	NPL - Mixed	260	2017	Ongoing	n/a	Sell-side advisor
Mars	Alpha Bank	NPL - n/a	400	2017	Ongoing	n/a	Sell-side advisor
Blue Lake	Erste	NPL - Retail mortgage	410	2016	Closed	B2Holding / EOS	Sell-side advisor
n/a	Piraeus	NPL - Mixed	200	2016	Closed	Kruk	n/a
n/a	CEC Bank	NPL - Mixed	70	2016	Closed	Kruk	n/a
Iris	Societe Generali	NPL - Corporate secured	280	2016	Closed	Kruk	n/a
ROSE	Top Factoring	Platform & NPL portfolio	n/a	2016	Closed	Intrum Justitia	Sell-side advisor
n/a	Bancpost (Eurobank)	Consumer	597	2016	Closed	Kruk / IFC	n/a

Source: IMF, Annual Reports 2015/2016, National Bank of Romania, PwC Analysis
PwC

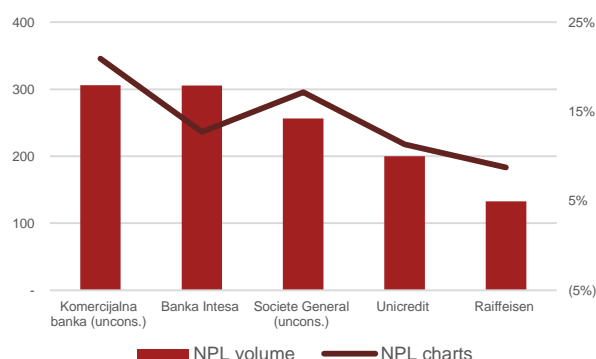
Serbia

2016 NPL%: 17.2% (Δ yoy + 3.9pp), vol. EUR 2.8b (Δ yoy - 0.7b)



- ✓ **NPL stock dispersed across the system**, with top banks by volume making up ca. 40% at eoy 2016
- ✓ **Positive regulatory perspective** – National Bank has commenced with the implementation of introduced “Action plan for the Implementation of the NPL Resolution Strategy”.
- ✓ **Strong disposal wave observed over the past 18 months**, triggered by growing investor appetite and increasing NPL ratios.

NPL volume & ratio largest banks (eoy 2016, EURm)



- Komercijalna Banka and Banka Intesa recorded largest NPL stock totalling ca. EUR 300m, followed by Societe Generale (ca. EUR 260m) and UniCredit (ca. EUR 200m).
- A number of M&A activities observed in the market, expected (e.g. Alpha Bank) to lead to consolidation of the banking sector in the country.
- Relatively high NPL ratios and full implementation of Basel II standards expected to further incentivise banks to dispose of NPL portfolios.

Legal & regulatory environment

- A banking licence is (still) required for the acquisition of retail loan portfolios.
- National Bank approval of the transaction is not required, however, the notarization of the transfer may be needed if a claim is secured by a mortgage.
- **Law on the Real Estate Appraisers**, regulating profession of real estate appraisers came into force in January 2017. Additionally, the National Bank has published an official interpretation of the application of banking secrecy rules with the aim to facilitate comprehensive due diligence for NPL sales.
- The new **Law on Consensual Financial Restructuring** is applied from February 2016, intending to improve legal framework for voluntary debt restructuring.
- **NPL buyer (still) cannot unconditionally takeover an ongoing dispute** without the consent from the counterparty.
- NPL transfers are generally VAT exempt, providing that not only the risks and rewards of a receivable are transferred, but also the actual title to the receivable.

Servicing

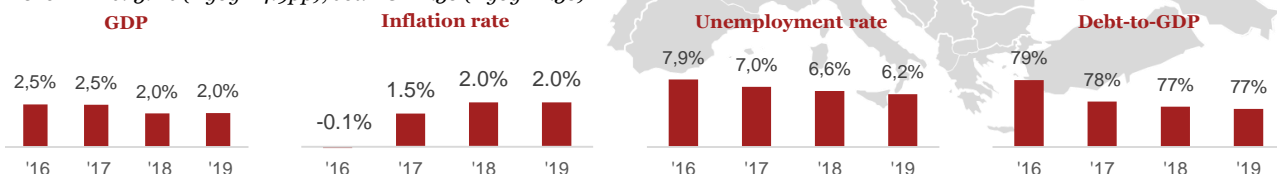
- Fast development of servicing capabilities across all asset classes on a wave of conducted disposals
- Known names with local capabilities include APS, AVS, B2Holding, Credit Express, EOS, etc.

Selected transactions 2016 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
Pineta	NLB	NPL - Corporate, SME	tbc	2017	Expected	n/a	Sell-side advisor
n/a	Sberbank	NPL - Corporate	45	2017	Ongoing	n/a	n/a
Onyx	HETA	NPL & Platform, Mixed	350	2016	Signed	APS / Apollo / Balbec	Sell-side advisor
n/a	Intesa	NPL - Corporate	150	2016	Closed	Apartmenters	n/a
Victor	Piraeus	NPL - Mixed	45	2016	Closed	B2Holding	Sell-side advisor
n/a	Raiffeisen	NPL - Single ticket	50	2016	Closed	n/a	n/a
Grey	Erste	NPL - Corporate	21	2015	Closed	APS	n/a
n/a	Intesa	NPL - CRE	35	2015	Closed	n/a	n/a

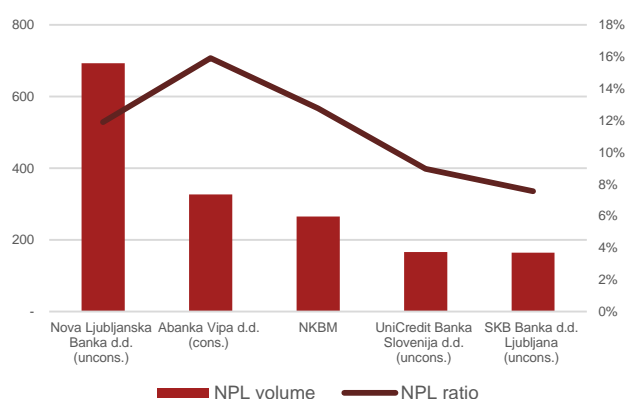
Slovenia

2016 NPL%: 5.1% (Δ yoy - 4.9pp), vol. EUR 1.5b (Δ yoy - 1.5b)



- ✓ At end 2016, largest NPL volume held by state owned NLB, followed by Abanka and NKBM
- ✓ Active market during 2016 and 2017; H2 2017 onwards limited new NPL portfolios are expected to be brought to the market, while single ticket market is expected to continue to be active.
- ✓ Supportive regulatory environment, with no particular hurdles for NPL trades

NPL volume & ratio largest banks (eoy 2016, EURm)



- NLB held the largest local NPL stock as of end 2016 amounting to EUR ca. 700m, followed by Abanka and NKBM, each with less than EUR 350m.
- Active M&A market observed, with ongoing sales of shares in Gorenjska banka and Deželna Banka Slovenije.
- Thanks to strong deleveraging activities and positive macroeconomic environment, the total country's NPL stock declined by ca. EUR 1.4b yoy 2016, while further substantial reduction is expected for 2017, arising from transactions closed during the year.

Legal & regulatory environment

- Under current regulation, **no banking licence is required** for the acquisition of NPL portfolios. However, a consumer lending license may still be required with regard to retail receivables, unless these are acquired from a licensed bank.
- Personal bankruptcy regulation exists for private individuals.
- NPL transfers are generally **not subject to VAT or stamp duty**, but corporate income taxes may apply.

Servicing

- Developed servicing capacities exist across all asset classes.
- Known names with local capabilities include B2Holding, AK Servicing, Credit Express, EOS, Prohit, etc.

Selected transactions 2015 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
Amber	Abanka	NPL - Corporate	246	2017	Ongoing	n/a	Sell-side advisor
Pohorje	DUTB	NPL - CRE	10	2016	Ongoing	n/a	Sell-side advisor
Taurus Slovenia	UniCredit	NPL - Mixed	140	2016	Closed	B2Holding	Sell-side advisor
Alpha	Raiffeisen	NPL - Corporate, CRE	55	2015	Closed	B2Holding	Sell-side advisor
Istrabenz	Bawag	NPL - Corporate, CRE	47	2015	Closed	York	n/a
Pine	NLB	NPL - Mixed	500	2015	Closed	Apartmenters / Pineriver / DDM	Sell-side advisor
n/a	DUTB	NPL - Corporate, CRE	670	2015	Closed	BAML	n/a



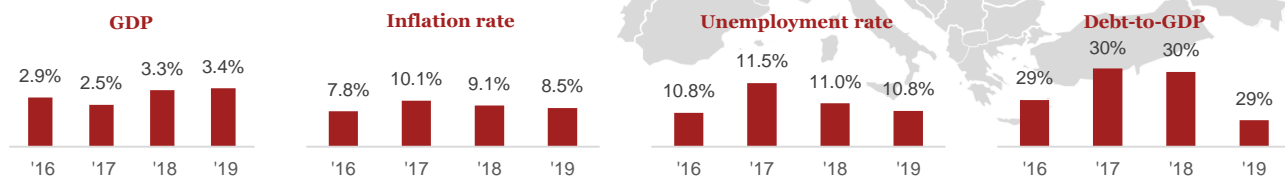
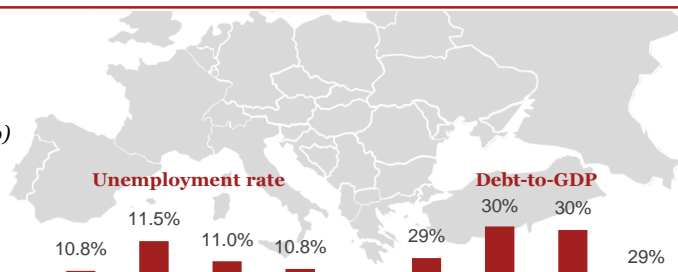
06

- *Limited transaction track-record*
- *Buyer appetite driven by anticipated first-mover advantage, existing stock & expected volume increase*
- *Uncertain, but improving legal and regulatory environment*

Upcoming markets focus

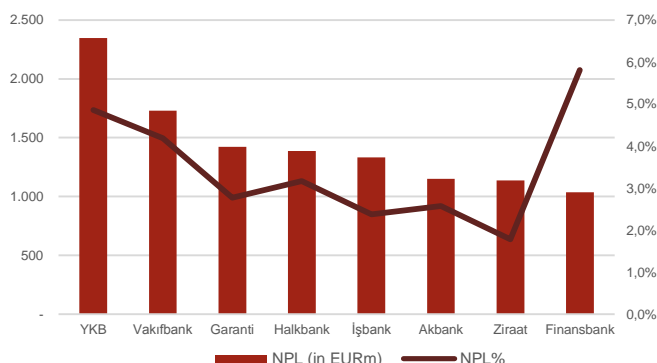
Turkey

2016 NPL%: 3.1% ($\Delta yoy + 0.1pp$), vol. EUR 15.7b ($\Delta yoy + 0.7b$)



- ✓ Market dominated by **top 10 banks with EUR 12.9b NPLs** (ca. 82% of total NPL stock)
- ✓ **NPL purchase allowed only to licensed AMC**s regulated and audited by the BRSA (Banking Regulation and Supervision Agency)
- ✓ **Highly active unsecured NPL market** with standardised disposal processes; **secured corporate portfolios** are on the agenda while **state banks' portfolios** are **expected** to start being traded soon

NPL volume & ratio largest banks (eoy 2016, EURm)



- In banking sector, eoy 2016 NPL stock is equal to ca. EUR 15.7b, almost equally distributed across the Corporate, SME and retail segments. YKB has the largest NPL stock with EUR 2.3b on its books.
- Relatively low NPL ratio of 3.1%, due to NPL sales and eased regulations on restructuring.
- During 2016, 33 NPL transactions with a total GBV of EUR 1.7b were recorded, while the market expects a total NPL sales volume of ca. EUR 2b for year 2017.
- Finansbank has a distinctive NPL ratio of 5.8% despite substantial NPL sales (equal to more than EUR 300m face value during 2016).

Legal & regulatory environment

- **NPL acquiring allowed only to licensed AMC**s. Newly established AMC's are exempt from paying taxes for the first 5 years.
- Previous regulation did not allow **state-owned banks** to sell their NPL portfolios. With the new communique published by the regulator- BRSA in August **2017**, portfolios of state-owned banks such as Vakıfbank, Halkbank and Ziraat, are **expected to come to market soon**.
- Credit Guarantee Fund, a government initiative, to support lending to SMEs **boosted the loan growth in banking in 1H 2017**. Total lending through Credit Guarantee Fund as of now has amounted to ca. EUR 55b. Furthermore, in 2016, BRSA lowered the provision on retail loans and simultaneously increased the limit for consumer loans and credit cards to encourage household lending.
- Regulatory measures by the government and the regulator to support the economy, leading to rapid loan growth could eventually reflect into a deterioration of the asset quality for the upcoming period.

Servicing

- 14 active local AMC's, licensed by BRSA, act both as investors and servicers. Two largest AMC's, Güven and Hayat Varlık, dominate the market with ca. 60% market share.
- Highly experienced unsecured retail servicing. Secured corporate portfolio sales are on the agenda.

Selected transactions 2016 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	Akbank	NPL - n/a	180	2017	Closed	Hayat / Final / Efes	n/a
n/a	Yapı Kredi	NPL - Retail & Corporate	140	2017	Closed	Güven	n/a
n/a	Yapı Kredi	NPL - n/a	139	2017	Closed	Güven / Hayat/Sümer	n/a
n/a	Finansbank	NPL - Retail	218	2016	Closed	Güven / Atlas / Destek	n/a
n/a	Akbank	NPL - n/a	122	2016	Closed	Güven	n/a

Bosnia & Herzegovina

2016 NPL%: 11.8% (Δ yoy -1.9 pp), vol. EUR 1.0b (Δ yoy - 0.1b)



- ✓ As at end 2016, **total NPL volume** held by country's banks amounted to **ca. EUR 1.0b**
- ✓ **Pioneer transactions observed on the market**, expected to be followed by additional smaller scale disposals
- ✓ **First servicing platforms are currently being established in the market** and regulators have started creating legal framework for NPL resolution, expected to increase market security
- Two separate entities, the Federation of BiH ("FBiH") and the Republika Srpska("RS"), each have essentially different legal regimes applicable¹⁾; nevertheless, certain matters are regulated by State laws applicable in all parts of the country.
- There is **no formal legal Act regulating NPL sale**, however, **agencies supervising the financial institutions in the country have the right to intervene in the case of such transactions** by the banks. These agencies **are currently working on by-laws that should regulate sale of NPLs in BiH**.
- **In general, NPL transactions are subject to VAT**. However, there is no full clarity with regards to calculation methods for tax basis.

Selected transactions 2015 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
Bolero	HETA	NPL - n/a	440	2017	Ongoing	n/a	n/a
Drava	HETA	NPL - Coporate, SME	400	2015	Closed	B2Holding	n/a

Albania

2016 NPL: 18.3% (Δ yoy -1.7pp), vol. EUR 0.8b (Δ yoy - 0.02b)



- ✓ As at end 2016, **total NPL volume** held by country's banks amounted to **ca. EUR 0.8b**
- ✓ **Initial transactions observed on the market**, supported among other by action plan introduced by the Albanian authorities to address NPL issues
- ✓ **Limited number of servicing platforms**
- As a part of the action plan for addressing NPL issues **a new Bankruptcy Law** was introduced end 2016 which simplifies the existing framework, allows for expedited approval of reorganisation plans and protects economic and governance rights of secured and unsecured creditors.
- Additionally **Private Bailiffs Law and Law on Judicial Bailiff Service** was amended and aims to increase the efficiency of foreclosure procedures and debt collection as well improve the structure of fees for bailiff services.
- Many additional improvement were observed supporting NPL resolution- change with regards to **regulatory write-off regulations, credit register update**, introduction of guidelines on **out-of-court debt restructuring** and other.

Selected transactions 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	Piraeus	NPL - n/a	50	2017	Ongoing	n/a	n/a
n/a	Intesa	NPL - n/a	n/a	2017	Ongoing	n/a	n/a

- 1) Additionally there is a special autonomous district under direct sovereignty of the state, the Brcko District

Russia

2016 NPL%: 9.4% (Δ yoy +1.1pp), vol. EUR 79.7b (Δ yoy + 18.2b)

- ✓ As at end 2016, **total NPL volume** held by country's banks amounted to **ca. EUR 80b**. Observed strong increase in the volume reflects among other RUB FX evolution
- ✓ Limited, **but growing transactions observed on the market**, however growing interest observed
- ✓ Strong government support provides a secure safety net for the system important banks . However, **international sanctions and reserve capital requirements make it attractive for banks to dispose**
 - Most straight-forward and widely used legal instrument for a local sale of NPLs is the **assignment (cession) agreement** to the resident company which, is regulated by the general provisions of Civil Code of the Russian Federation.
 - In case of the **assignment agreement the debtor's consent is not required**, unless otherwise stipulated in the contract or legal provisions; Generally, **notarization is not required** (except when pledge or loan agreement being assigned was notarized).
 - Current Russian civil legislation does not prohibit the assignment of loans which are the subject of litigation.
 - Assignment of receivables, under a loan agreement from a bank to a non-credit organization, is allowed under the current legislation.
 - Income received on the assignment of claims is subject to VAT.

Selected transactions 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	OTP Bank	Retail	75	2017	Expected	n/a	n/a
n/a	Sberbank	Retail	200	2017	Expected	n/a	n/a
Taurus Russia	UniCredit	NPL - Retail	125	2017	Ongoing	n/a	n/a
n/a	Bank Otkritie	NPL - Retail	500	2017	Ongoing	n/a	n/a
Marble	Snoras	Corporate, Residential	140	2016	Signed	n/a	n/a

Ukraine

2016 NPL: 30.5% (Δ yoy +2.4pp), vol. EUR 14.4b (Δ yoy +0.2b)

- ✓ As at end 2016, **total NPL volume** held by country's banks amounted to **ca. EUR 14b**, with **81 banks in bankruptcy** as of end 2016
- ✓ **Very narrow market of NPL transactions**, due to a non-transparent legal environment
- ✓ **Limited servicing capabilities available**
 - Notification in writing of the National Bank is required in the case of an assignment of loans denominated in a foreign currency or if an assignment of receivables (regardless of its currency) under an agreement is involving a foreign entity.
 - **The disclosure of the assignment to the obligor is compulsory.** The consent of the obligor is mandatory if the respective provision is stipulated by the loan agreement (unless, loan is transferred under a factoring agreement).
 - It is **not directly regulated by law whether a servicer of NPLs needs to be a licensed bank** or needs any other license
 - In pending enforcement of security or court procedures, the purchaser should be able to step-in to the position of the originator (subject to potential extra steps).
 - **NPL transfers are generally not subject to VAT or stamp duty.**

Selected transactions 2016 - 2017

Project name	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	Erste	NPL - Mixed	500	n/a	Closed	n/a	n/a

Source: IMF, PwC Analysis
PwC



Annex

Selected transactions 2015 – 2017 (1/2)



Project name	Country	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	Poland	n/a	PL - Retail Mortgage	>2000	2018	Expected	n/a	Financial advisor
n/a	Poland	n/a	NPL - Retail	>250	2018	Expected	n/a	n/a
n/a	Croatia	Intesa	NPL - CRE	200	2017	Expected	n/a	n/a
Pineta	Serbia	NLB	NPL - Corporate, SME	tbc	2017	Expected	n/a	Sell-side advisor
n/a	Hungary	MKB Bank	NPL - Retail	200	2017	Expected	n/a	n/a
n/a	Russia	OTP Bank	Retail	75	2017	Expected	n/a	n/a
n/a	Russia	Sberbank	Retail	200	2017	Expected	n/a	n/a
Solaris	Croatia	HETA	Platform & NPL portfolio	700	2017	Expected	n/a	Sell-side advisor
n/a	SEE	Sberbank	NPL / REOs	n/a	2017	Expected	n/a	n/a
n/a	Poland	n/a	NPL - Retail	>250	2017	Expected	n/a	n/a
n/a	Germany	Various DCAs	NPL - Retail	Up to 100	2017	Ongoing	n/a	Buy-side
Mars	Romania	Alpha Bank	NPL - n/a	400	2017	Ongoing	n/a	Sell-side advisor
n/a	Serbia	Sberbank	NPL - Corporate	45	2017	Ongoing	n/a	n/a
Taurus 2 Croatia	Croatia	UniCredit	NPL - Mixed	260	2017	Ongoing	n/a	n/a
Taurus Russia	Russia	UniCredit	NPL - Retail	125	2017	Ongoing	n/a	n/a
Amber	Slovenia	Abanka	NPL - Corporate	246	2017	Ongoing	n/a	Sell-side advisor
Fain	Romania	Raiffeisen	NPL - Mixed	260	2017	Ongoing	n/a	Sell-side advisor
Rosie	Hungary	Raiffeisen	NPL - Retail	300	2017	Ongoing	n/a	n/a
Bolero	B&H	HETA	NPL - n/a	440	2017	Ongoing	n/a	n/a
n/a	Russia	Bank Otkritie	NPL - Retail	500	2017	Ongoing	n/a	n/a
n/a	Croatia	Raiffeisen	NPL - Corporate	45	2017	Ongoing	n/a	n/a
n/a	Croatia	Raiffeisen	NPL - Single ticket	85	2017	Ongoing	n/a	n/a
n/a	Albania	Piraeus	NPL - n/a	50	2017	Ongoing	n/a	n/a
n/a	Albania	Intesa	NPL - n/a	n/a	2017	Ongoing	n/a	n/a
Taurus 2 Hungary	Hungary	UniCredit	NPL - Retail	50	2017	Ongoing	n/a	n/a
Neptun	Germany	HSH Nordbank	Corporate, RE, shipping	10.000	2017	Ongoing	n/a	Buy-side
Collection	Germany	Burda Group	NPL - Retail	50	2017	Ongoing	n/a	Buy-side
Sky	Germany	n/a	NPL - Retail	50	2017	Ongoing	n/a	Buy-side
n/a	Belgium	AXA Bank Europe NV	Branch	633	2017	Ongoing	OTP Bank	n/a
n/a	Poland	n/a	PL - Retail Mortgage	100	2017	Ongoing	n/a	Lead sell-side
n/a	Poland	n/a	NPL - Retail	>200	2017	Ongoing	n/a	n/a
n/a	Poland	Idea Leasing	PL - Leasing (securitisation)	350	2017	Ongoing	n/a	n/a
Atlantis	Croatia	HETA	Single ticket	30	2016	Ongoing	n/a	Sell-side advisor
Pohorje	Slovenia	DUTB	NPL - CRE	10	2016	Ongoing	n/a	Sell-side advisor
Metro	Bulgaria	Eurobank	NPL - Corporate	65	2017	Late stage	n/a	n/a
Taurus 2 Bulgaria	Bulgaria	UniCredit	NPL - Mixed	80	2017	Late stage	n/a	n/a
Castrum - Retail	Romania	Banca Transilvania	NPL - Retail unsecured	110	2017	Late stage	EOS	n/a
Glan	Austria/Germany	HETA	NPL - Leasing unsecured	110	2016	Late stage	n/a	Sell-side advisor
Air	Germany	HSH Nordbank	CRE	200	2017	Signed	Cerberus	n/a
n/a	Croatia	Raiffeisen	NPL - Corporate	100	2017	Signed	DDM	n/a
Onyx	Serbia	HETA	NPL & Platform, Mixed	350	2016	Signed	APS / Apollo / Balbec	Sell-side advisor
Faust	Croatia	HETA	Single ticket	100	2016	Signed	Gasfin SA	Sell-side advisor
Marble	Russia	Snoras	Corporate, Residential	140	2016	Signed	n/a	n/a
n/a	Ukraine	Erste	NPL - Mixed	500	n/a	Closed	n/a	n/a
n/a	Turkey	Akbank	NPL - n/a	180	2017	Closed	Hayat / Final / Efes	n/a
n/a	Turkey	Yapi Kredi	NPL - Retail & Corporate	140	2017	Closed	Güven	n/a
n/a	Turkey	Yapi Kredi	NPL - n/a	139	2017	Closed	Güven / Hayat / Sümer	n/a
Deep Sea	Germany	Nord LB	Shipping	1.500	2017	Closed	KKR	Buy-side
n/a	Belgium	Van Lanschot	NPL, PL	220	2017	Closed	CKV	n/a
n/a	Belgium	ABN Amro Bank NV	Ptf pensiun fund	n/a	2017	Closed	Record Bank	n/a
n/a	Poland	Getin Noble Bank	PL - Auto-loans (securitisation)	166	2017	Closed	n/a	n/a
Stack	Netherlands	ABN AMRO	CRE NPL	220	2017	Closed	Attestor Capital	Buy side M&A
Blue Lake	Romania	Erste	NPL - Retail mortgage	410	2016	Closed	B2Holding / EOS	Sell-side advisor
n/a	Romania	Piraeus	NPL - Mixed	200	2016	Closed	Kruk	n/a
n/a	Bulgaria	BNP Paribas	NPL - Retail	46	2016	Closed	Kredit Inkaso	n/a
n/a	Romania	CEC Bank	NPL - Mixed	70	2016	Closed	Kruk	n/a
Iris	Romania	Societe Generali	NPL - Corporate secured	280	2016	Closed	Kruk	n/a
ROSE	Romania	Top Factoring	Platform & NPL portfolio	n/a	2016	Closed	Intrum Justitia	Sell-side advisor
n/a	Romania	Bancpost (Eurobank)	Consumer	597	2016	Closed	Kruk / IFC	n/a
Taurus Hungary	Hungary	UniCredit	NPL - Retail	130	2016	Closed	APS	Sell-side advisor
Pathfinder	Croatia	HETA	CRE	400	2016	Closed	Deutsche Bank / EOS	Buy-side advisor
Ulysses	Hungary	Erste	NPL - Retail mortgage	350	2016	Closed	Intrum Justitia	Buy-side support
Sunrise	Croatia	HPB	NPL - Mixed, CRE	320	2016	Closed	APS / B2Holding	n/a
Taurus Bulgaria	Bulgaria	UniCredit	NPL - Corporate, CRE	100	2016	Closed	B2Holding	Sell-side advisor
Taurus Croatia	Croatia	UniCredit	NPL - Mixed	770	2016	Closed	APS / Attestor	Sell-side advisor
Rita	Hungary	Raiffeisen	NPL - Corporate, mixed	300	2016	Closed	n/a	n/a
Taurus Slovenia	Slovenia	UniCredit	NPL - Mixed	140	2016	Closed	B2Holding	Sell-side advisor
Saphire	Croatia	HETA	Single ticket	135	2016	Closed	KNG	Sell-side advisor
Apollo	Croatia	HETA	Single ticket	25	2016	Closed	B2Holding	Sell-side advisor
n/a	Hungary	Axa	Residential	n/a	2016	Closed	OTP	n/a

Selected transactions 2015 – 2017 (2/2)



Project name	Country	Seller	Asset type	GBV EURm	Market year	Status	Buyer	PwC role
n/a	Serbia	Intesa	NPL - Corporate	150	2016	Closed	Apartners	n/a
Victor	Serbia	Piraeus	NPL - Mixed	45	2016	Closed	B2Holding	Sell-side advisor
Skipper	Croatia	HETA	NPL - CRE	160	2016	Closed	Supernova	n/a
n/a	Serbia	Raiffeisen	NPL - Single ticket	50	2016	Closed	n/a	n/a
n/a	Bulgaria	Eurobank	NPL - Retail unsecured	143	2016	Closed	EOS	n/a
n/a	Bulgaria	National Bank of Greece	Consumer	70	2016	Closed	n/a	n/a
n/a	Romania	Banca Romaneasca / National Bank of	NPL - n/a	75	2016	Closed	n/a	n/a
n/a	Turkey	Finansbank	NPL - Retail	218	2016	Closed	Güven / Atlas / Destek	n/a
n/a	Turkey	Akbank	NPL - n/a	122	2016	Closed	Güven	n/a
n/a	Belgium	Optima	NPL, PL	120	2016	Closed	Delta Lloyd	n/a
n/a	Belgium	Krefima	NPL, PL	47	2016	Closed	bpost	Buy-side advisor
n/a	Poland	Santander	PL - Retail (securitisation)	290	2016	Closed	n/a	n/a
Swan	Netherlands	Propertize	CRE PL/NPL	5.500	2016	Closed	Lone star, JPM, Goldman Sachs	Buy side M&A
Hieronimus	Netherlands	FMS Wertmanagement	CRE PL/NPL	580	2016	Closed	Goldman Sachs	Buy side M&A
n/a	Belgium	Optima / Arcole	NPL - Mortgages	28	2016	Closed	CKV	n/a
Orange	Netherlands	Rabobank	CRE NPL	350	2016	Aborted	n.a	Buy side DD
Alpha	Slovenia	Raiffeisen	NPL - Corporate, CRE	55	2015	Closed	B2Holding	Sell-side advisor
Drava	B&H	HETA	NPL - Corporate, SME	400	2015	Closed	B2Holding	n/a
Grey	Serbia	Erste	NPL - Corporate	21	2015	Closed	APS	n/a
Istrabenz	Slovenia	Bawag	NPL - Corporate, CRE	47	2015	Closed	York	n/a
Ivica	Croatia	Erste	NPL - Corporate, CRE	200	2015	Closed	n/a	Sell-side advisor
Janica	Croatia	Erste	NPL - Corporate, CRE	217	2015	Closed	B2Holding	Sell-side advisor
Pine	Slovenia	NLB	NPL - Mixed	500	2015	Closed	Apartners / Pineriver / DDM	Sell-side advisor
Henri	Romania	Piraeus	NPL - Retail	200	2015	Closed	Kruk	n/a
n/a	Slovenia	DUTB	NPL - Corporate, CRE	670	2015	Closed	BAML	n/a
n/a	Serbia	Intesa	NPL - CRE	35	2015	Closed	n/a	n/a
n/a	Bulgaria	TBI Credit	NPL - Retail	50	2015	Closed	APS	n/a
Rosemary	Romania	Intesa	CRE, CRE	287	2015	Closed	APS / AnaCap	n/a
Tokyo	Romania	Erste	NPL - Corporate, CRE	1.200	2015	Closed	Deutsche Bank / APS	n/a
Triton	Romania	UniCredit	NPL - Corporate, CRE	350	2015	Closed	Kredyt Inkaso	n/a
n/a	Romania	MKB	Platform, Mixed	85	2015	Closed	APS	n/a
Ursa	Romania	Eurogroup EFG	NPL - Retail	600	2015	Closed	Kruk	n/a
Helena	Hungary	Intesa	NPL - CRE	237	2015	Closed	CarVal	n/a
Velence	Hungary	n/a	NPL - Mixed	300	2015	Closed	Carval / DDM	n/a
n/a	Hungary	Citibank	PL - Retail	n/a	2015	Closed	Erste	n/a

Definitions



Term	Definition
Net NPL to Regulatory capital	Net NPL divided by regulatory capital.
NPL according to IMF	A loan is non-performing when payments of interest and principal are past due by 90 days or more, or at least 90 days of interest payments have been capitalised, 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 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.

Abbreviations



Abbrev.	Description
	Asset Management
AMC	Company
AQR	Asset Quality Review
AT	Austria
	Bundesanstalt für Finanzdienstleistungsaufsic
BaFin	ht
BE	Belgium
BG	Bulgaria
BiH	Bosnia and Herzegovina
b	Billion
BY	Belarus
	Central Europe: CZ, HU, LV, LT, PL, SI, SK
CE	Central and Eastern Europe: for the purpose of this report: CE, EE, SEE, CIS
CEE	Commonwealth of Independent States: KZ, RU, UA
CIS	
CIT	Corporate Income Tax
CRE	Commercial Real Estate
CZ	Czech Republic
DE	Germany
EE	Estonia
eoY	End of year
ES	Spain
EUR	Euro
F	Forecast
FI	Finnland
	Former Yugoslav Republic of Macedonia
FYRM	
GBV	Gross Book Value
GDP	Gross Domestic Product
GR	Greece
CY	Cyprus
HETA	HETA Asset Resolution AG
HR	Croatia
HU	Hungary
IE	Ireland
	International Monetary Fund
IMF	
IT	Italy
KZ	Kazakhstan

Abbrev.	Description
LT	Lithuania
LV	Latvia
LU	Luxembourg
m	Million
MD	Moldavia
M&A	Merger & Acquisition
MT	Malta
n/a	not announced
NL	The Netherlands
NPL	Non-performing loan
NPL & platform	NPL Portfolio + Servicing Platform
NPL REO	NPL Repossessed Object Poland or performing loans respectively
PL	
pp	Percentage points
	PwC Network, of independent legal entities
PwC	
Q	Quarter
qoq	Quarter-on-quarter
	Raiffeisen Bank International
RBI	
RE or R/E	Real Estate
RKS	Republic of Kosovo
RO	Romania
RS	Serbia
RU	Russia
RWA	Risk-weighted assets
	South Eastern Europe: BG, HR, RO, RS, TR
SEE	
SI	Slovenia
SK	Slovakia
	Small & medium enterprise
SME	
TR	Turkey
TRY	Turkish Lira
UA	Ukraine
VAT	Value added tax
yoy	Year-on-year

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Our specialists are fully conversant with the non-core deals market

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Your PwC contacts



Bernhard Engel

Partner, FS Deals Leader
PwC Europe
bernhard.engel@pwc.com



Serkan Tarmur

Partner, FS Deals Leader
PwC Turkey
serkan.tarmur@pwc.com



Volker Skowasch

Partner, FS Deals Leader
PwC Germany
Volker.Skowasch@pwc.com



Petr Smutny

Partner, BRS Leader
PwC CEE
petr.smutny@pwc.com



Michael De Roover

Partner, BRS Leader
PwC Europe
michael.de.roover@pwc.com



Edward Macnamara

Partner, Advisory Leader
PwC SEE
edward.macnamara@pwc.com



Wilbert van den Heuvel

Partner, FS Deals Leader
PwC Netherlands
wilbert.van.den.heuvel@pwc.com



Paweł Dżurak

BRS & Portfolio Advisory Leader
PwC Ukraine & Poland
pawel.dzurak@pwc.com

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