



How have markets for NPL sales in CESEE developed?

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Introduction



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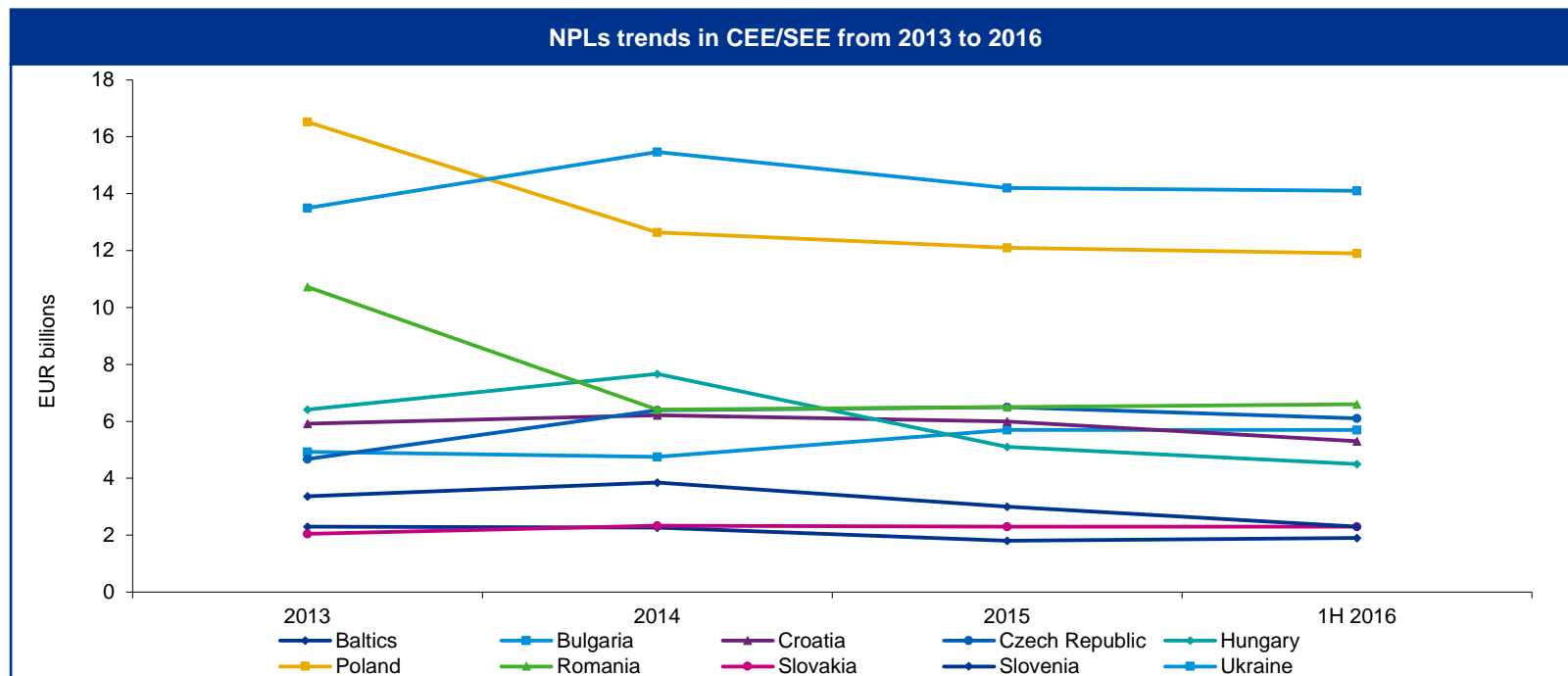
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How have markets for NPL sales in CESEE developed?

Non-performing loans trends in CESEE

Total NPLs volume in the above CEE/SEE countries moved from €70.4 billion in 2013 to €60.7 billion in 1H 2016, representing a 14% decrease...

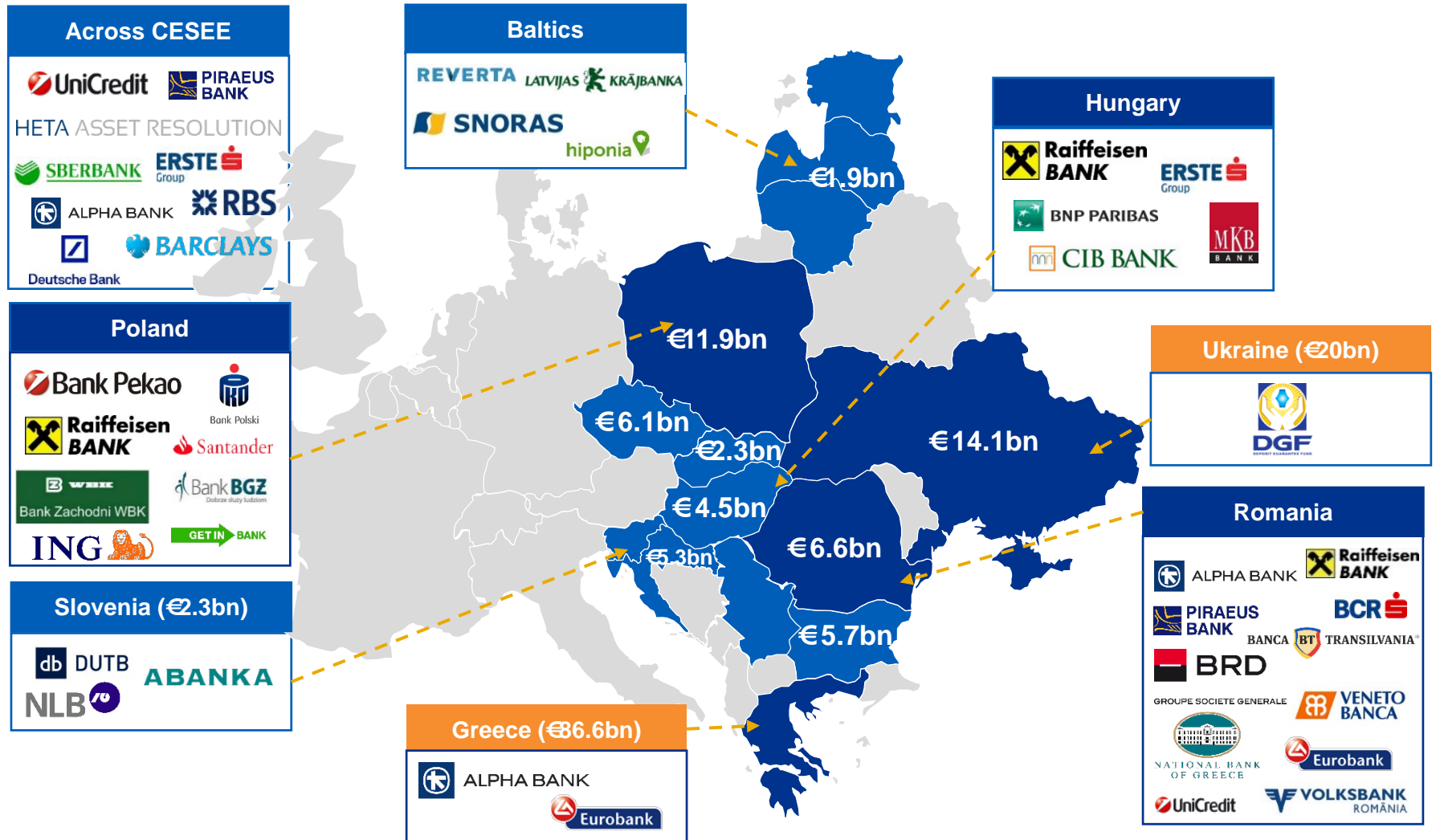


Source: Vienna initiative, IMF, National Banks

- Overall NPLs volume have been decreasing across CEE/SEE, except for Bulgaria, Czech Republic, Slovakia and Ukraine where it has increased by 16%, 30%, 13% and 4% respectively from 2013 to 2016.
- Romania has decreased its NPLs volume most significantly (38%) during period through successful sales of sizable loan portfolios.
- Poland has been the largest country in terms of NPL volumes, however primarily focused on “industrialized” small scale NPL sale processes.
- Ukraine has just recently surfaced the regional NPL scene with its above EUR 20bn of NPLs. Several reforms have been recently introduced aiming to improve enforcement landscape and open up NPL market.

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Who has been selling?

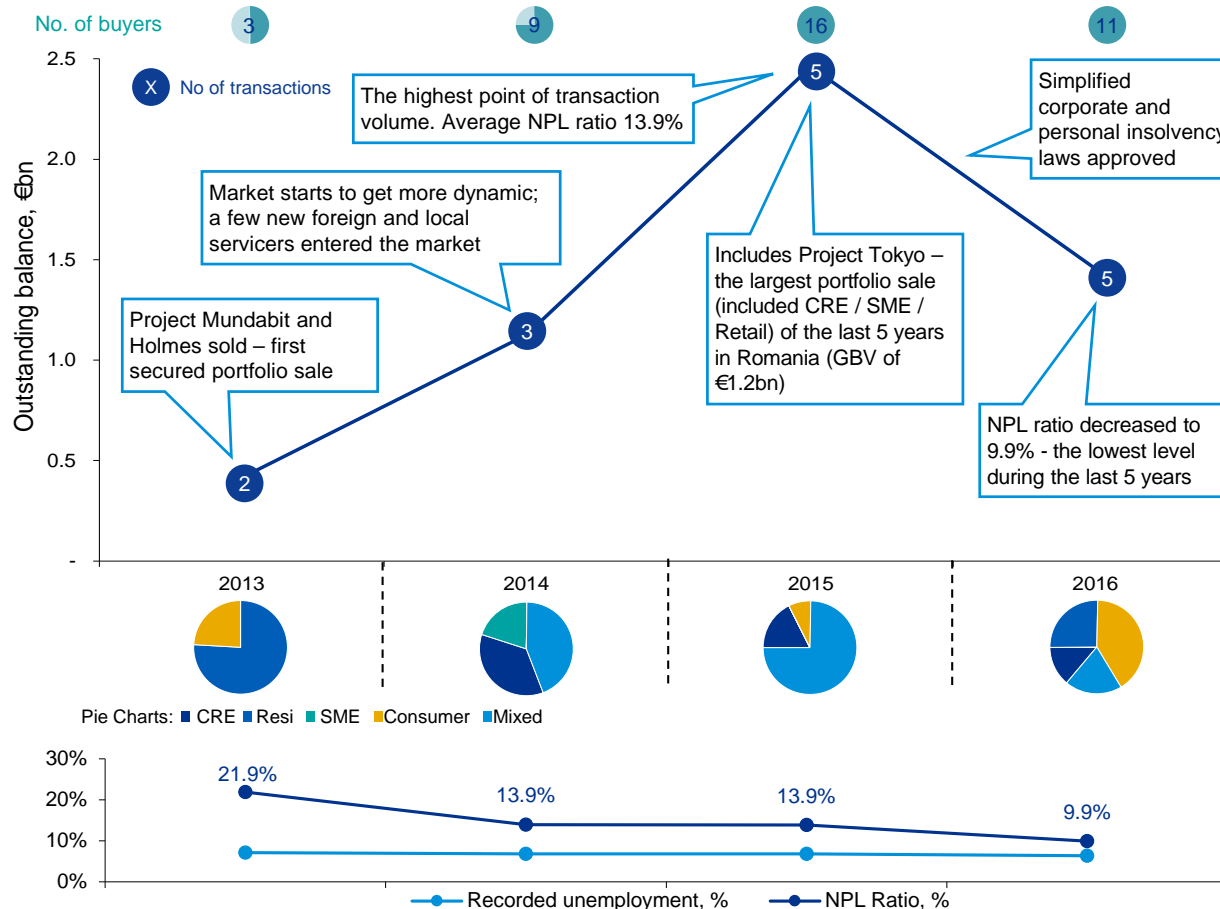


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Romania - NPL market life cycle

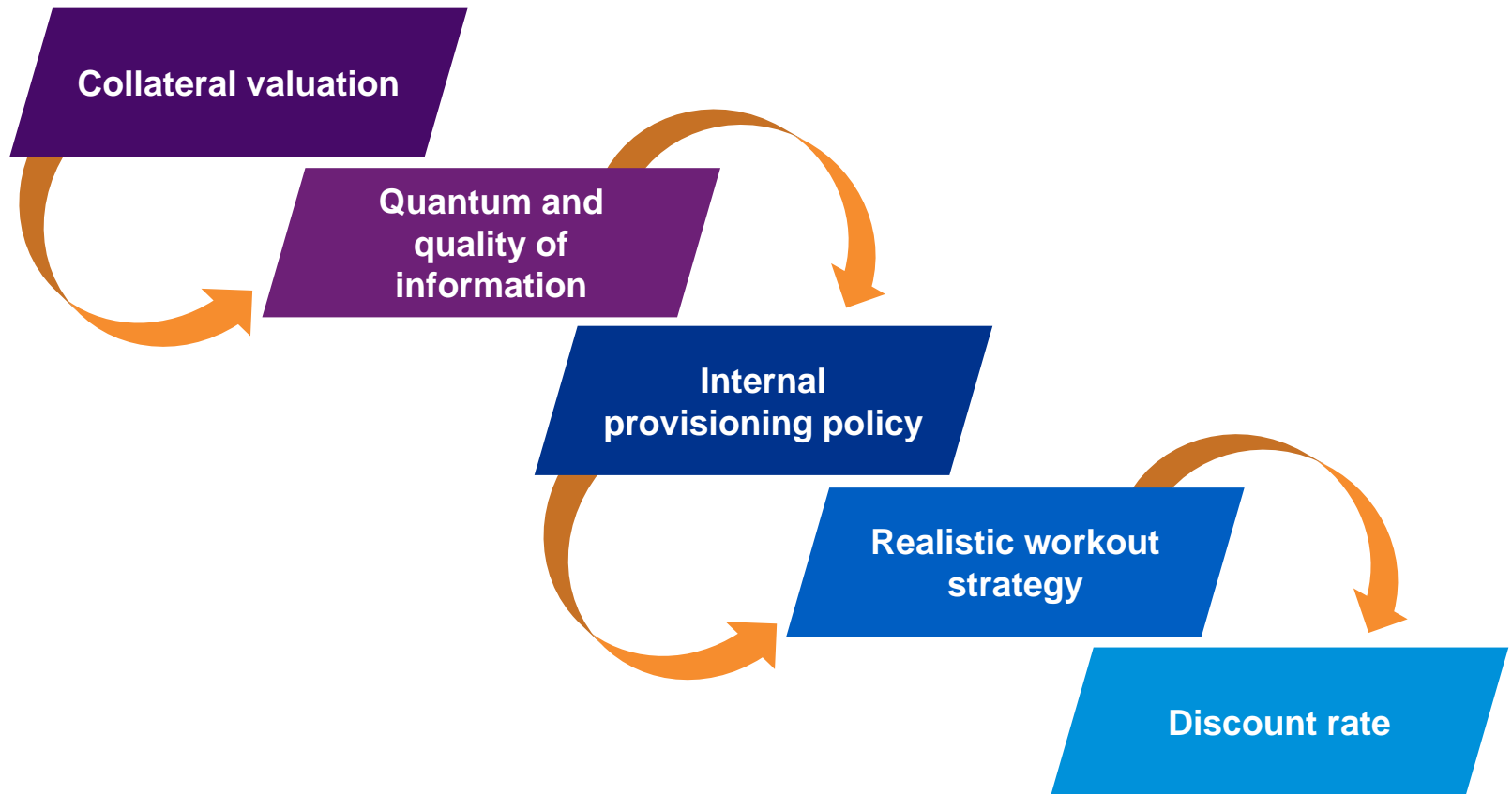
Timeline

- 2013:** Market opens with the 1st successful secured loan portfolio transaction in Romania – Projects Mundabit and Holmes – sold by RBS as part of their market exit
- 2014:** The National Bank of Romania strengthens oversight over banks and starts to encourage them to decrease NPLs levels
- 2015-2017:** Romania remains the most active market in the CEE/SEE for both secured and unsecured NPL sales
- 2017:** Total pipeline for the currently alive or soon to be launched transactions in the H2 amounts to about €2 billion



Buyers	Due to improving macro and RE market conditions, comparably good legal enforcement environment and sizeable NPL stock Romania was one of the first CEE/SEE markets to attract the interest of both international and regional players
Financing	Investors use for transactions in Romania primarily funds raised and rarely need leveraged financing due to the size of transactions.
Servicers	Collection agencies do not have licensing requirements, but are subject to authorisation by the NB. Buyers have established relationships with the largest servicers or have acquired local servicers. Key servicers' capabilities are in unsecured space, but largest have established capabilities in secured space during the last 3-4 yrs.
Legal/ Enforcement	Good legal enforcement landscape compared with other SEE countries. New law on debt discharge entered into force in 2016 allowing natural persons in exceptional circumstances (hardship) to discharge residual debt following enforcement secured by a mortgage (applicable only for loans <€250k).
Sellers	Sellers predominantly have been international banks as 8 of Top 10 banks in Romania are owned by international banks.
Economy	One of fastest growing economies in the EU. GDP grew by 4.9% in 2016 and is expected to grow further by 4.4% in 2017 and 3.7% in 2018. It will be supported by increasing wages and decrease in unemployment.

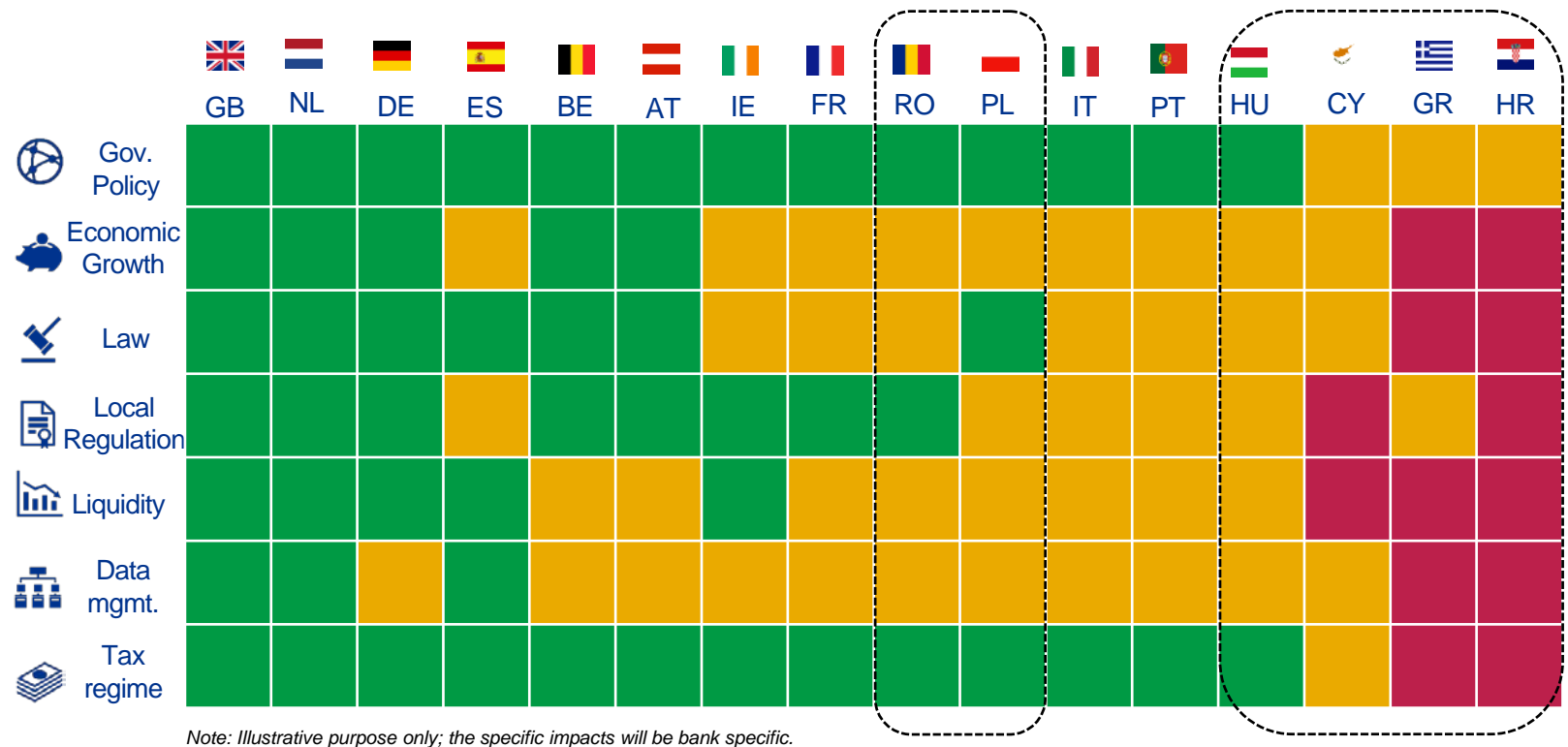
Maximising Loan Portfolio Value: Key drivers between book value and market value



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Is the infrastructure supporting market value?

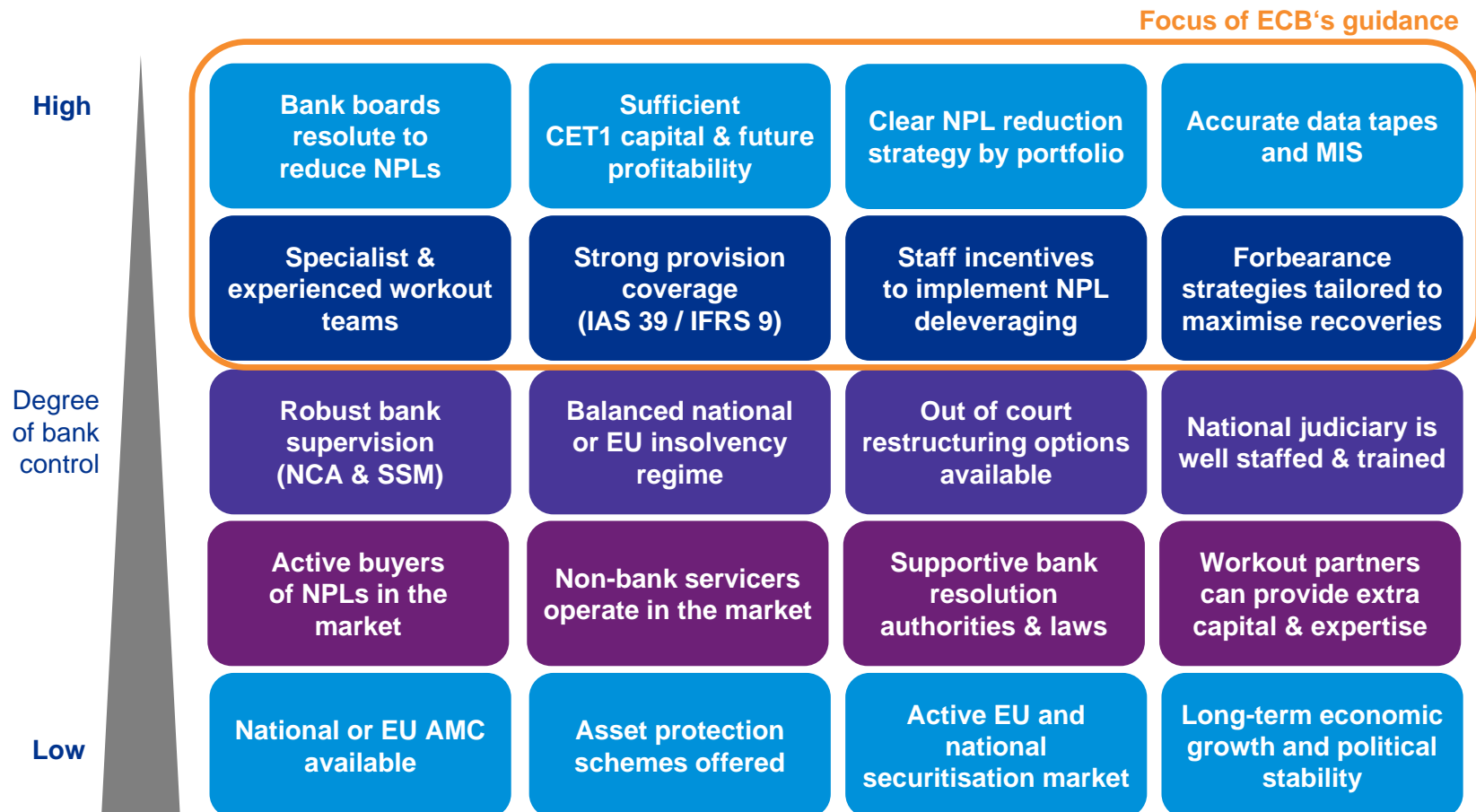
Low NPL ratios are found in countries with more supportive infrastructures...



Key: ■ Very Supportive ■ Supportive ■ Unsupportive

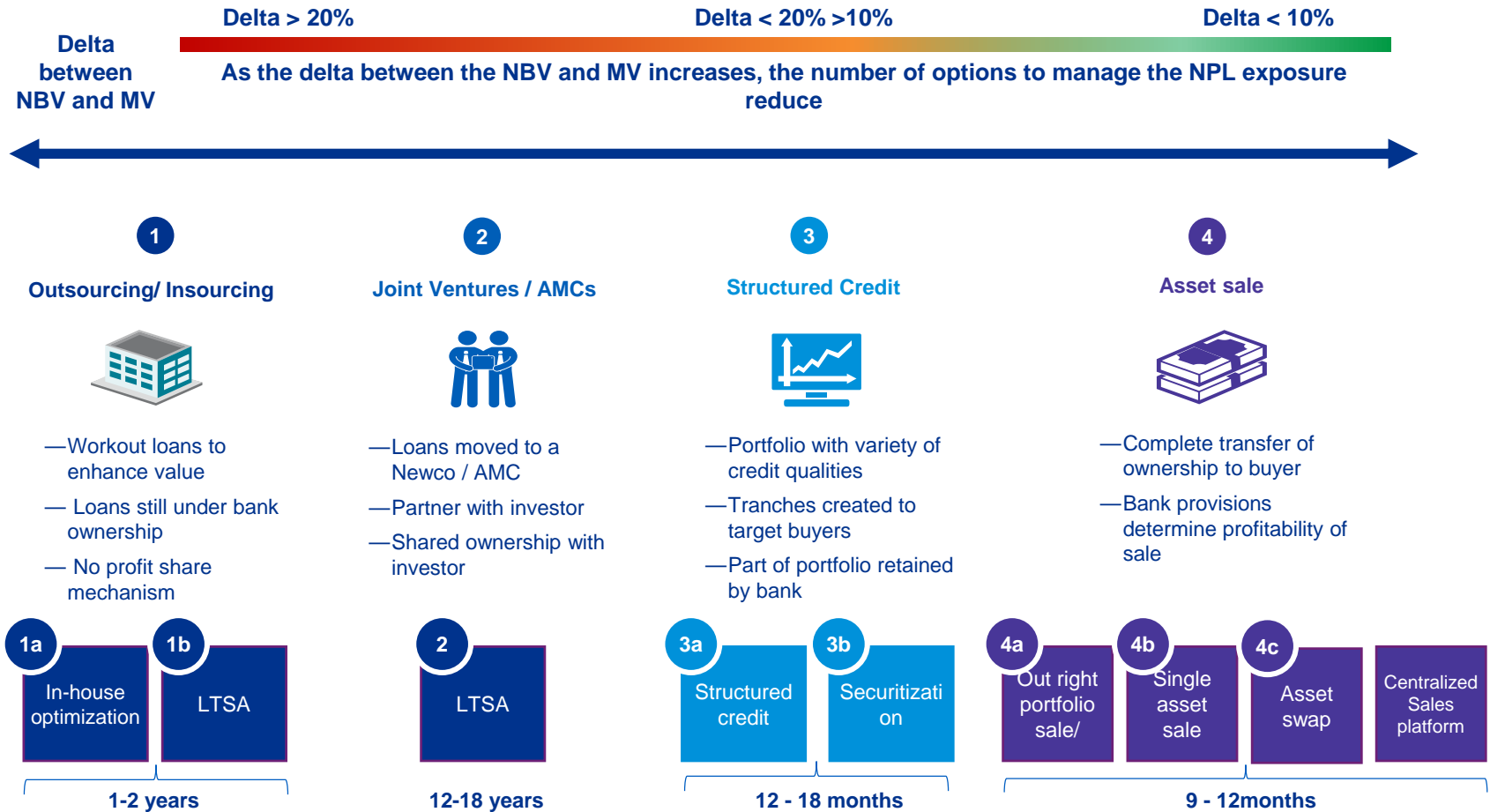
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De-leveraging NPLs: Ingredients for success



How have markets for NPL sales in CESEE developed?

Assessing different strategic options for balance sheet optimisation





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