

Portfolio Advisory Group

Market update Q2 2015

August 2015

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European loan portfolio activity outlook and transactions in key markets



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Welcome to our Q2 2015 market update. There has historically been a pre summer rush in the portfolio transaction market with buyers and sellers eager to complete transactions before the holiday period – this year is no different.

In our Q1 market update we forecast that €100bn of portfolio transactions would trade in 2015. Our estimate looks well on track to be met and indeed is likely to even be exceeded given that over €50bn of portfolio transactions have already completed this year and over €80bn are in progress.

The UK and Irish markets are arguably the most mature portfolio transaction markets in Europe and it is widely predicted that the growth markets will be in mainland Europe such as in Italy, the CEE and the Netherlands. Whilst we also share this view, it is the UK and Irish markets which are still seeing the most activity; over 60% by value of the current portfolio transactions in progress throughout Europe are in these two markets.

As we expected, Italy has seen a large increase in activity in 2015 and is one of the main focus areas for international investors and funds. Completed transactions for 2015 are already at the 2014 level and with a strong pipeline we fully expect Italy to be one of the success stories of 2015.

The dust has finally settled from the ECB asset quality review and stress tests. Management are considering the impact of their own restructuring plans which include the balance sheet clean-up exercises which were long over due in some markets. Italy is evidence of this and investor appetite combined with recently proposed regulatory reforms is driving demand and higher prices in the market. We think there is still some way to go in Italy, given there are still a number of non-performing loans.

With the recent economic and financial developments in Greece, we believe this market will remain fluid. Increased levels of borrower defaults are likely and there will be increasing pressure for some form of a 'bad bank' to be set up for bad loans and portfolios to be disposed of.

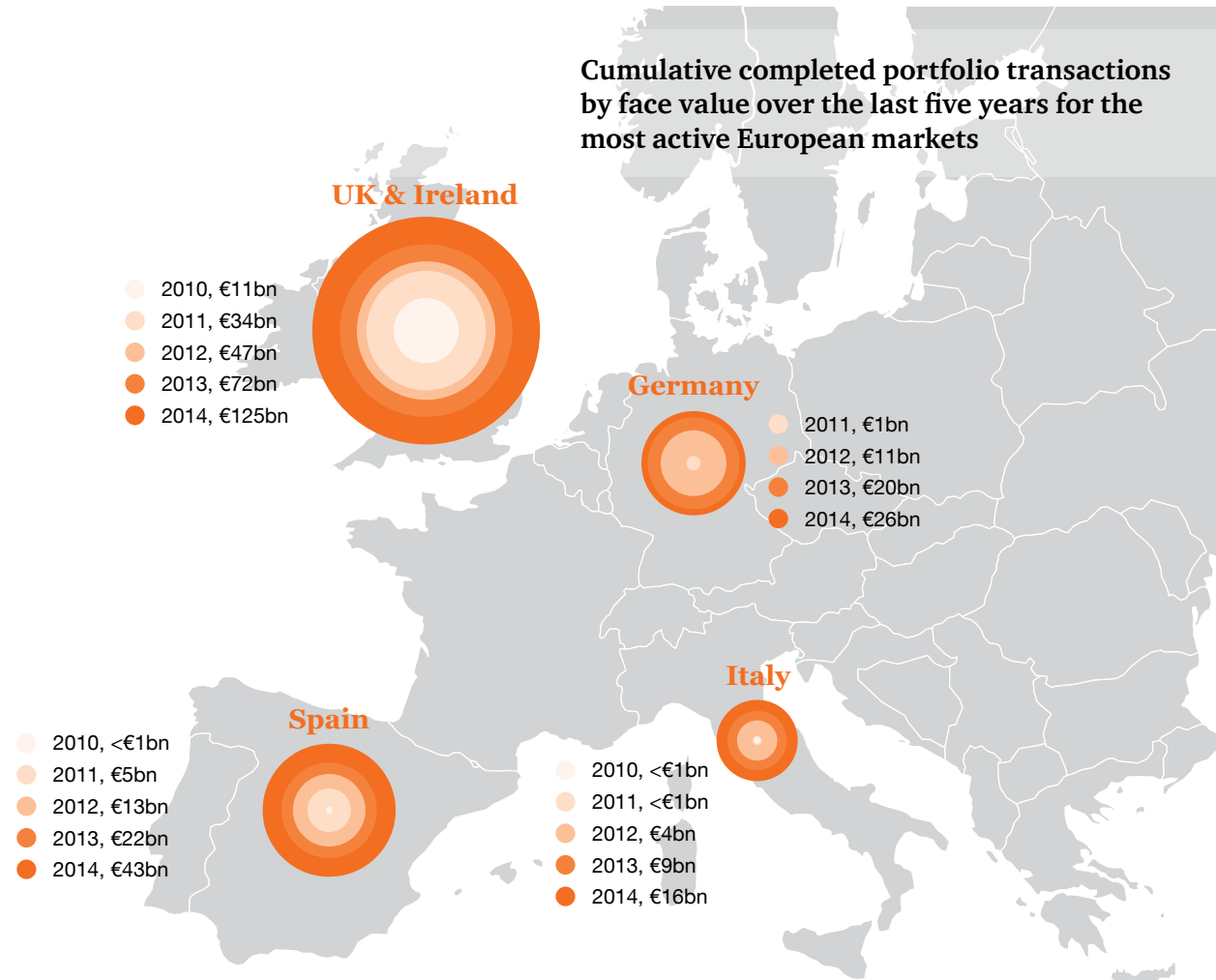
I hope you find this Market Update insightful and I hope it provokes conversations and thoughts on the current portfolio transaction market and what it means for you and your businesses.

If you would like to discuss any aspect of the market please contact me, Jaime Bergaz or any one of our colleagues listed on the back page.

The UK, Ireland and Spain have been historically the most active portfolio transaction markets in Europe

But elsewhere in Europe the market is gathering pace

- It is no surprise the UK and Ireland, followed by Spain, have been the most active portfolio transaction markets in Europe given that banks locally have been very active in cleaning up their balance sheets.
- Italy and Germany have shown steady growth in the portfolio transaction market, with a significant number of transactions nearing completion or in the pipeline (see pages 6-7).
- We predict the UK and Ireland will have another strong year in 2015, but it will be the Italian market which will be the talking point as the market responds to regulatory reforms and increasingly high trends of investor appetite.
- The CEE and Netherlands are forecast to have significant portfolio transaction activity in 2015 as well and we think bank restructuring still has a way to go in these regions.

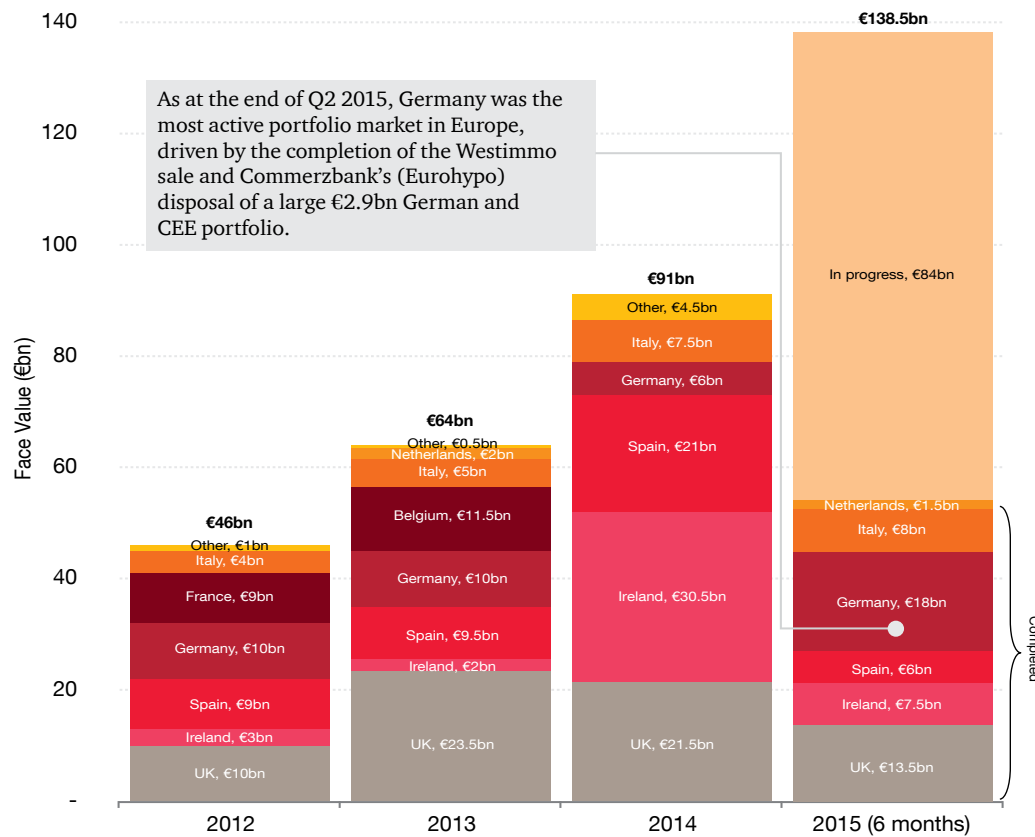


Source: PwC analysis

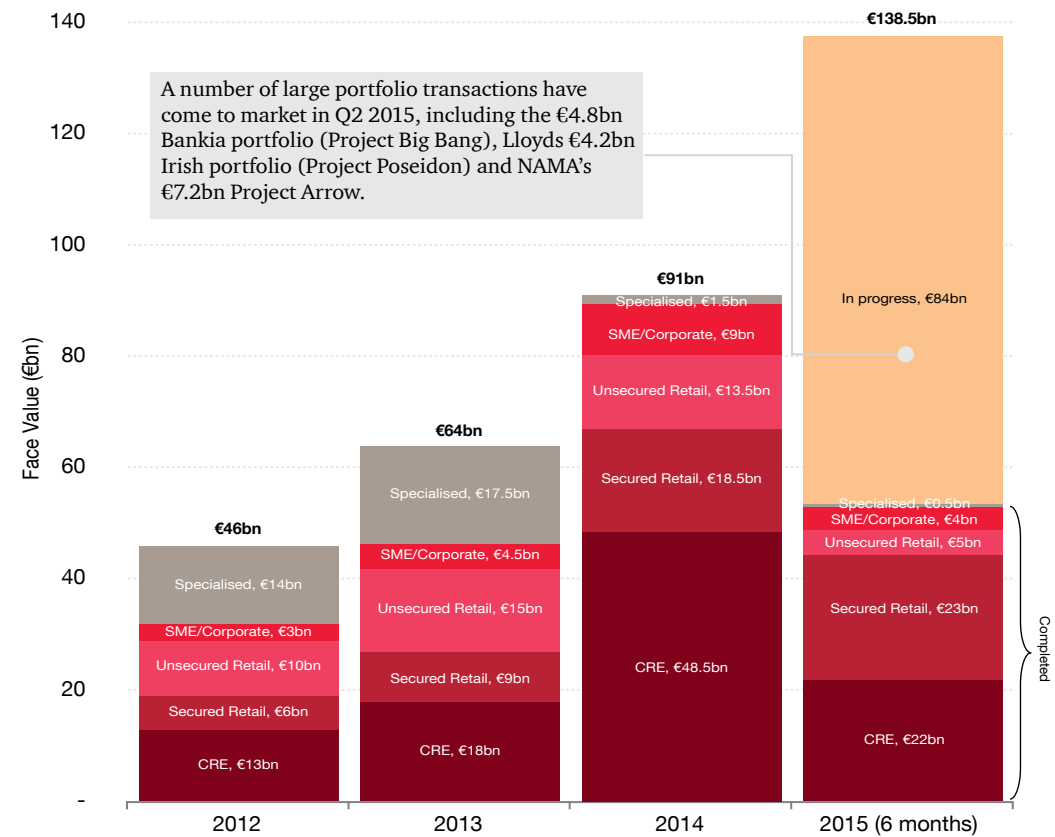
Note: Based on the location of the head office of the bank selling the assets

2015 is set to become another record year for the portfolio transactions market in Europe

Large transactions in the mature markets and growth in the developing markets are driving the increase



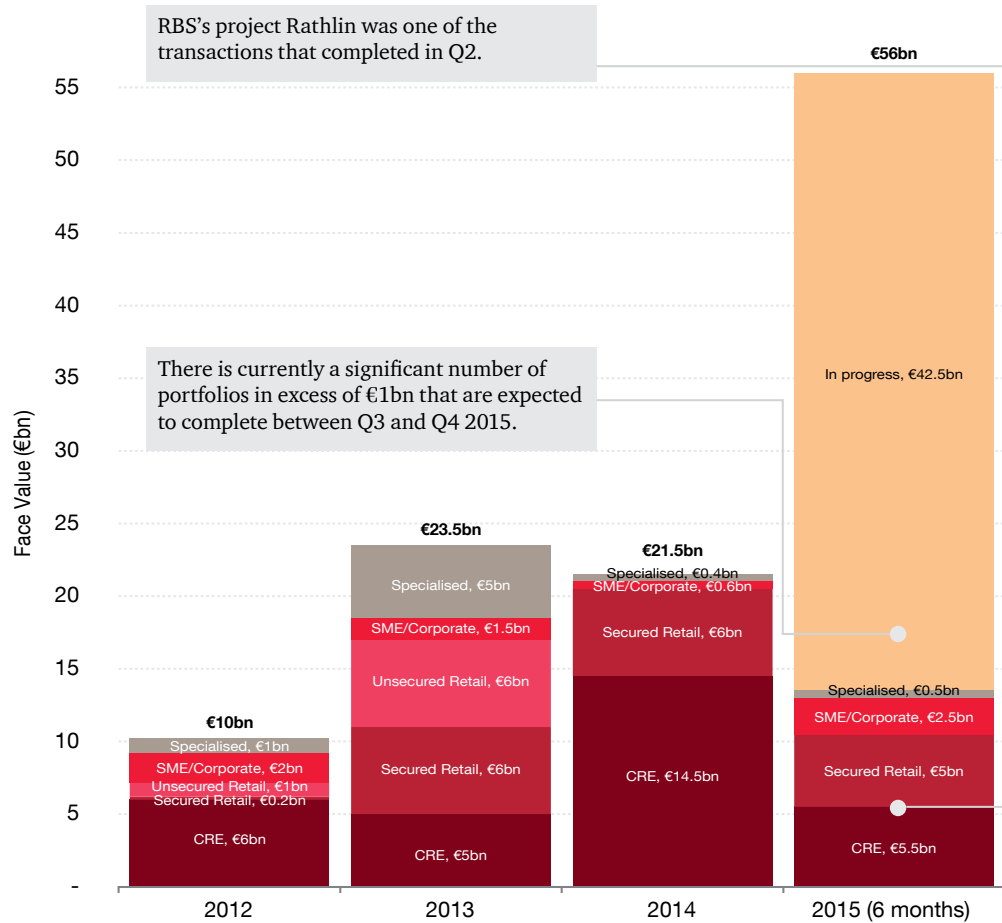
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Note: 'Specialised' includes certain structured and asset backed products, shipping, infrastructure, energy and aviation

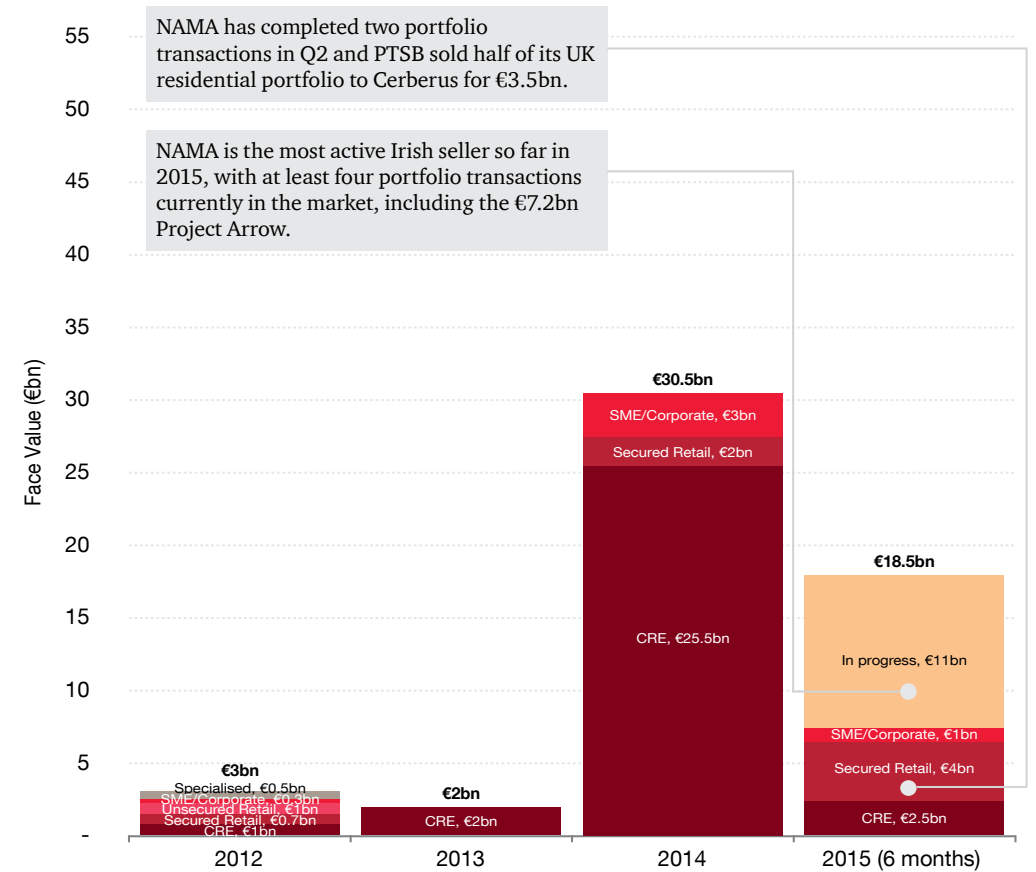
2015 year-to-date deals in key markets

UK



Source: PwC analysis
 Note: Based on the location of the head office of the bank selling the assets

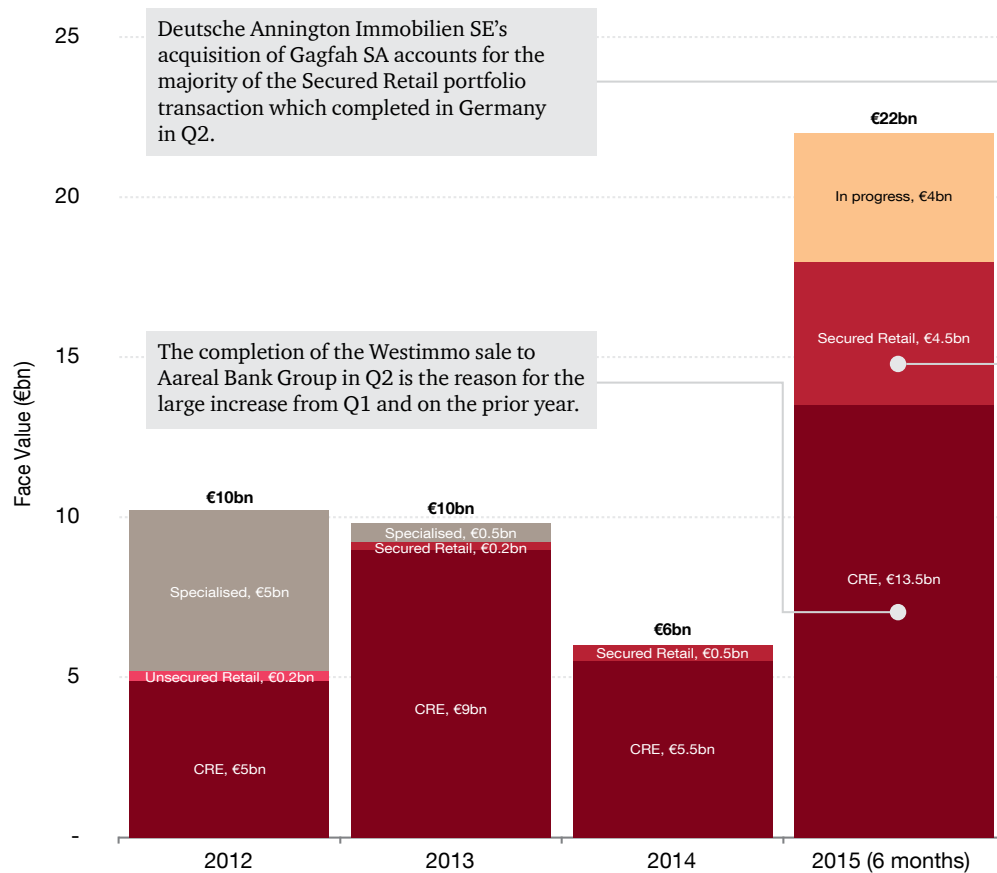
Ireland



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2015 year-to-date deals in key markets

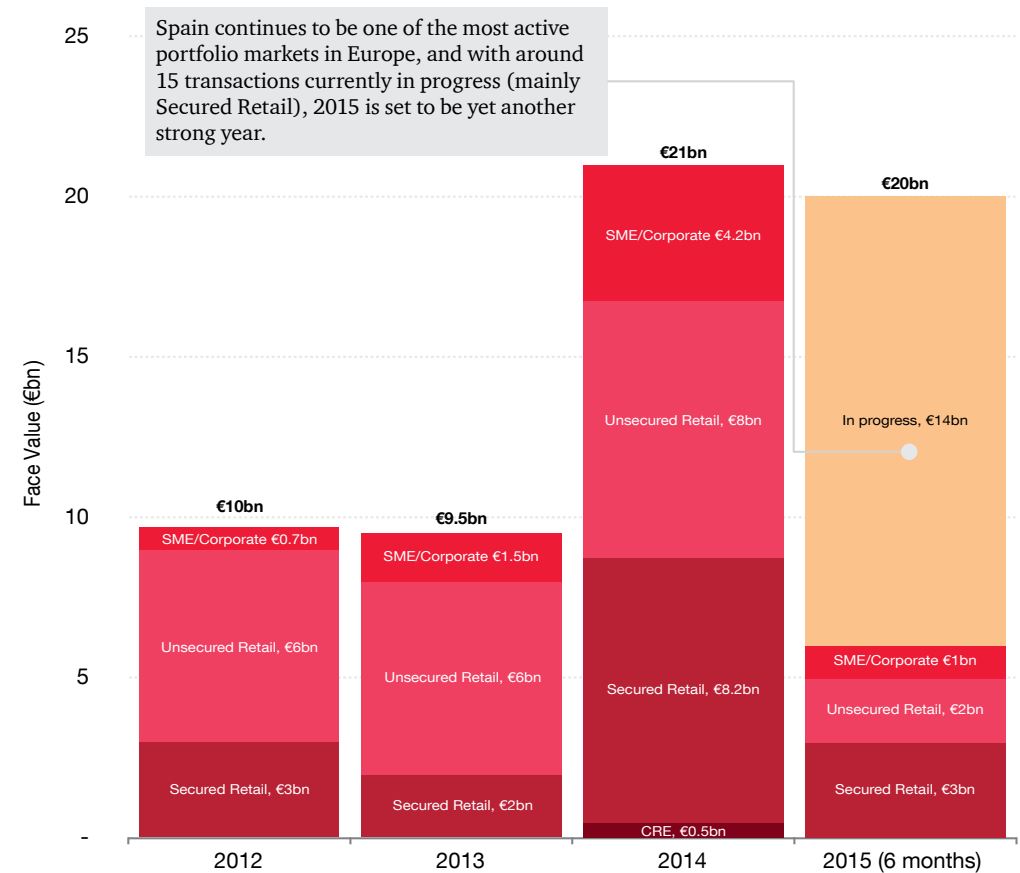
Germany



Source: PwC analysis

Note: Based on the location of the head office of the bank selling the assets

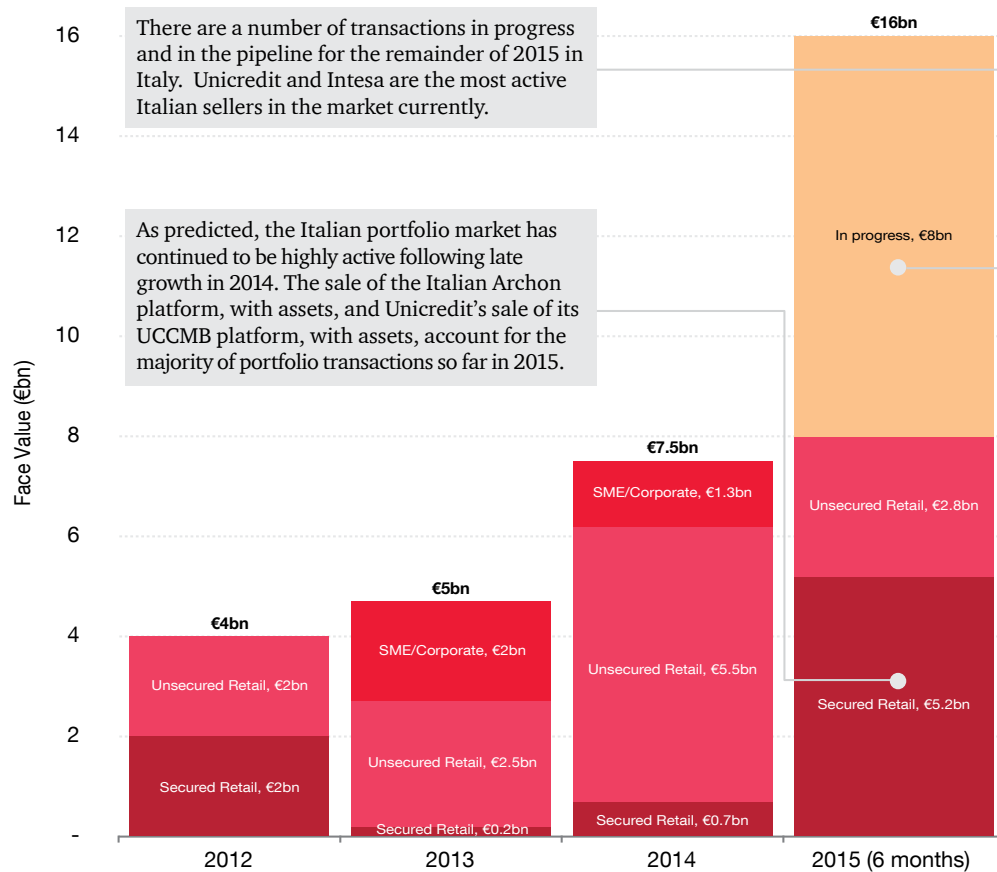
Spain



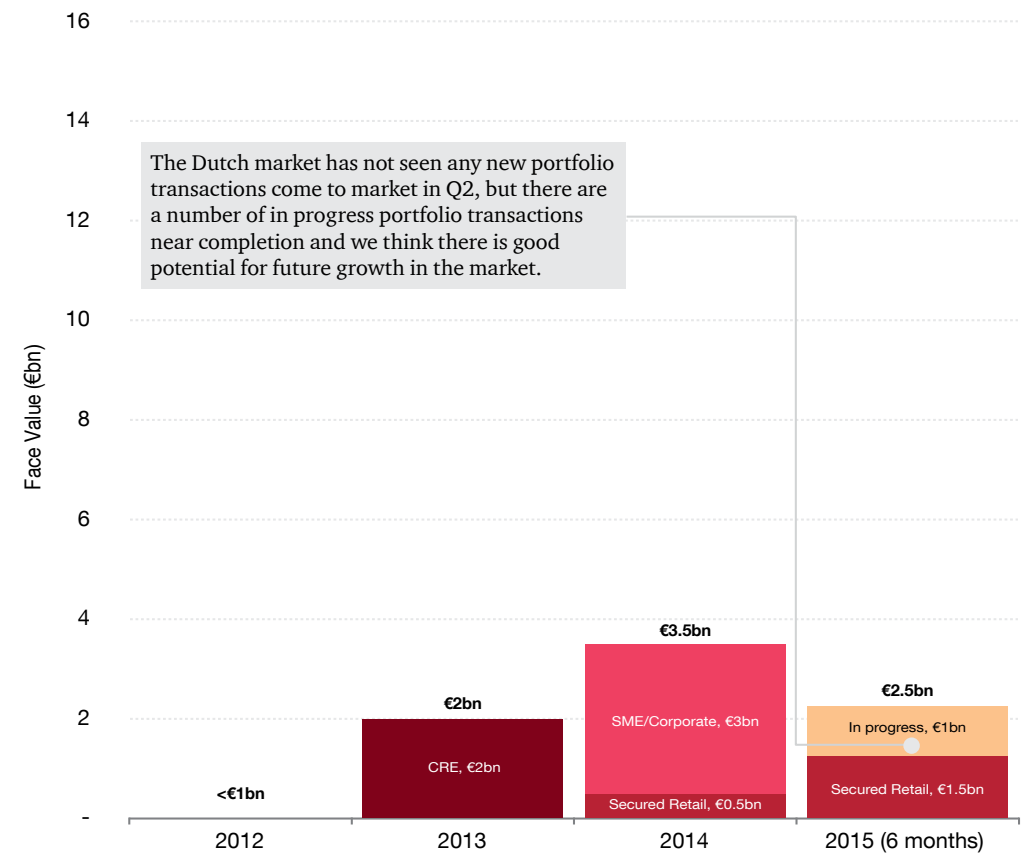
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2015 year-to-date deals in key markets

Italy



Netherlands



Source: PwC analysis

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