

European non core asset market update– Q2 2022

Corporate Finance - Financial Services Lead Advisory



European loan portfolio activity and outlook in key markets

Welcome to our Q2 2022 market update

Despite a backdrop of increasing economic uncertainty, activity levels in the European loan portfolio market have remained high. Our latest European report shows that, as at the mid point of the year, the market has seen relatively similar levels of portfolio transaction activity as in 2021 and, it would not be surprising, if the total face value of transactions for the full year, comes close to or surpasses €100bn.

The significance of the Italian and Greek state backed NPL securitisation programmes is clearly still evident, with it being the dominant “asset class” for the third consecutive year and contributing to Italy and Greece being the most active European NPL markets.

Uncertain global macroeconomic conditions could however both temper activity and create new opportunities in the short to medium term. Our own project experience and discussions with market participants to date show a diverse picture, which varies significantly by situation and how exposed the seller and buyer is to underlying interest rates and capital markets.

On one hand, certain sellers and investors are delaying processes to reprice risk, especially for fixed rate or long dated products. On the other hand, we see strong demand for specialist credit exposures that are being disposed by banks as part of their ESG commitments. A typical example of that is our

recently signed Project Zorro, where our team advised NIBC bank in its sale of its off-shore energy portfolio, as part of improving its overall ESG profile (see [announcement](#)). Working alongside our dedicated ESG Banking specialist teams and regular investor dialogue, it is clear that there is a role for investors to play if they can bring capability to understand, underwrite and fund the transition to net zero with underlying borrowers, particularly where the banks do not have that sub-sector capability - a win win situation for both parties.

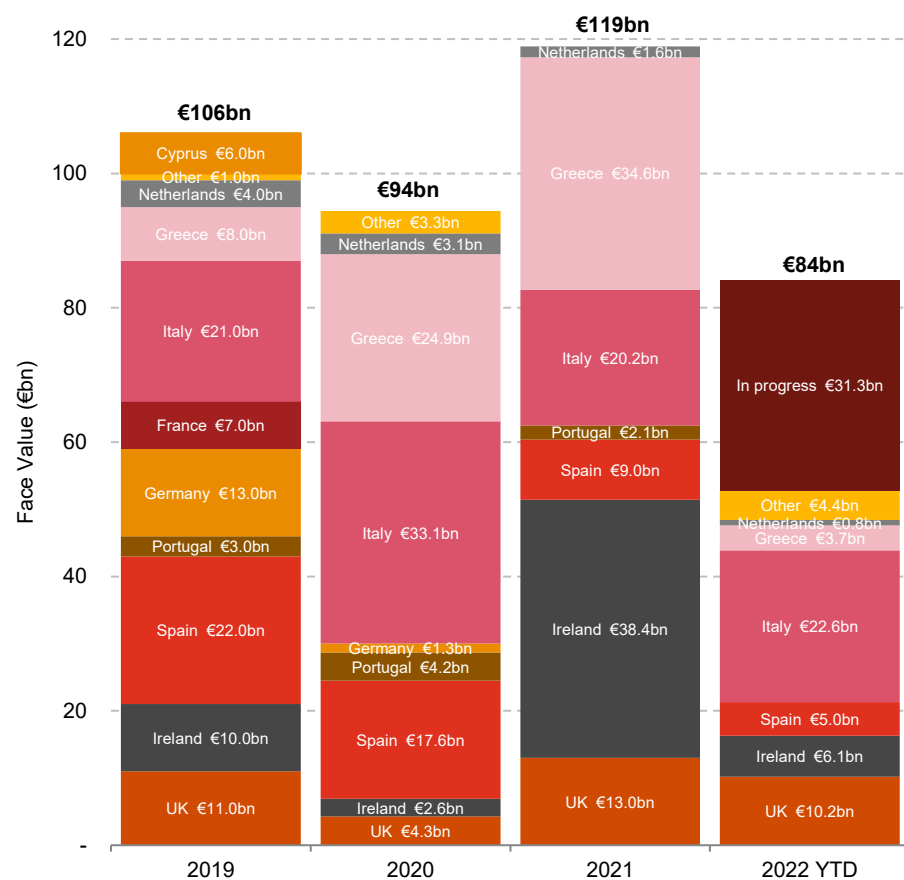
In addition, the current inflationary environment and corresponding increase in the cost of living is expected to increase default rates, subject to any additional government support being provided. Compared to after the global financial crisis lenders are in a much stronger financial position from a capital point of view, therefore we expect an increase in transactions involving affected portfolios.

In summary, we are heading for a busy few years in the portfolio transaction market. If you have any questions about the portfolio transaction market, please do not hesitate to contact us.

We have a dedicated team of over 80 professionals across Europe who have market leading experience advising on loan portfolio transactions and other credit and balance sheet optimisation processes. For further details please get in touch.

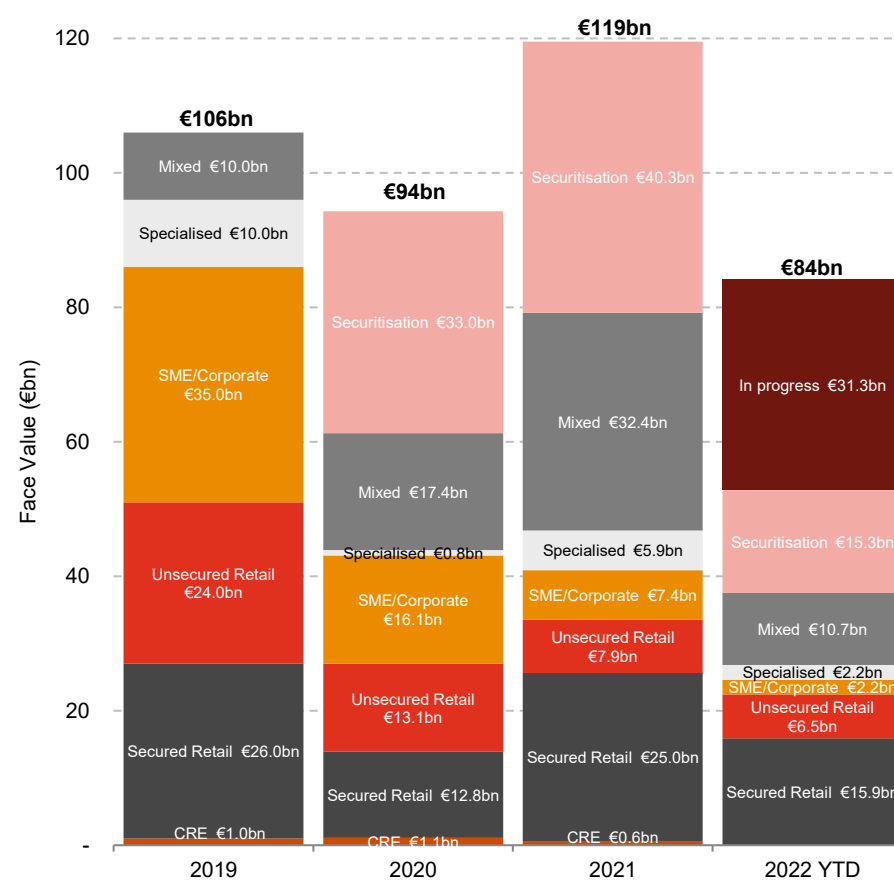
€52.8bn of transactions have completed in H1 2022 and €31.3bn are in progress

Value of transactions by country



Please refer to note on page 8 regarding basis of preparation

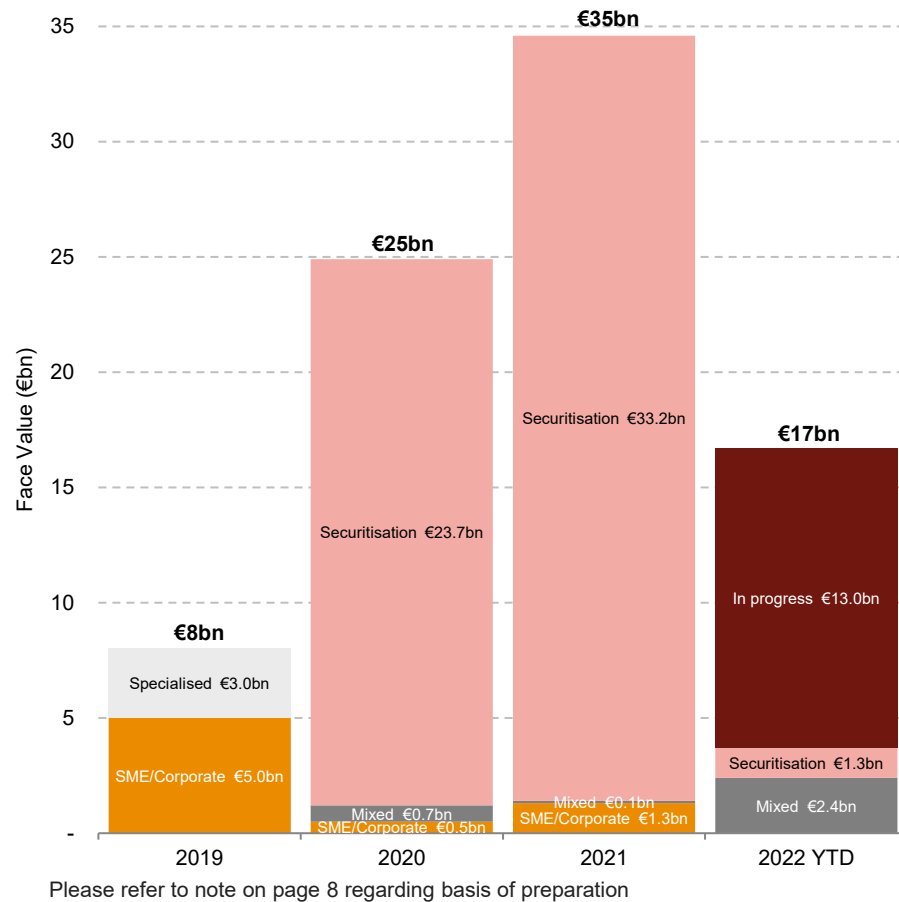
Value of transactions by underlying asset class



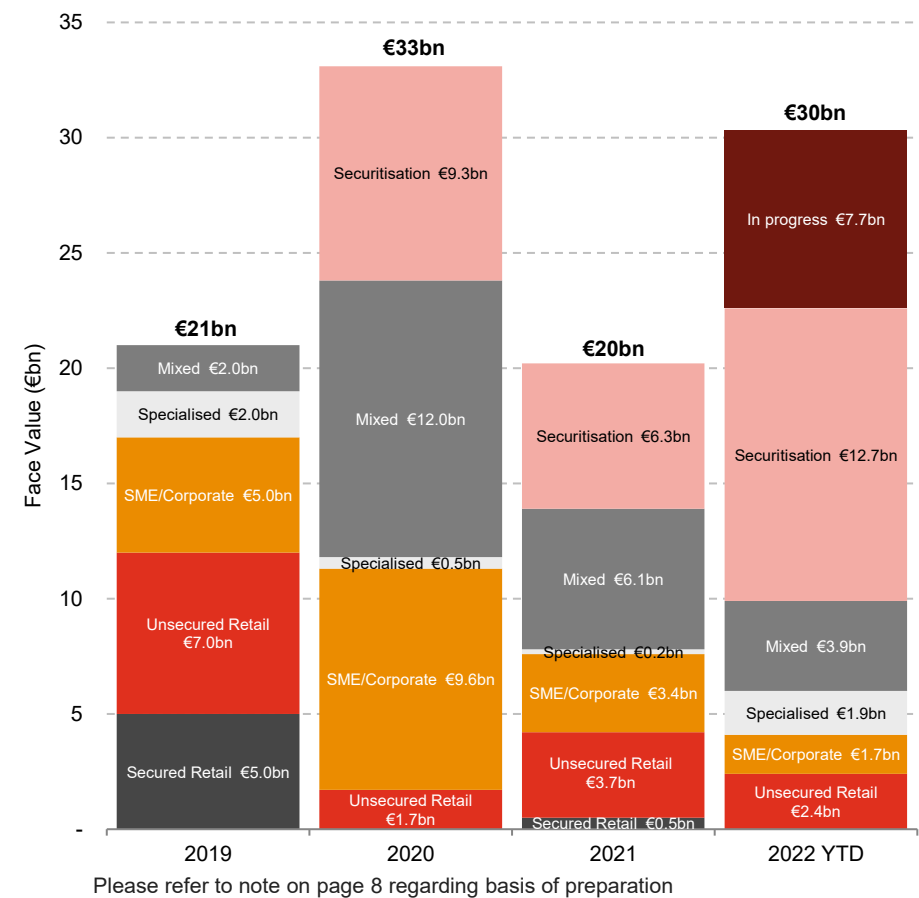
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2022 deals in key markets

Greece

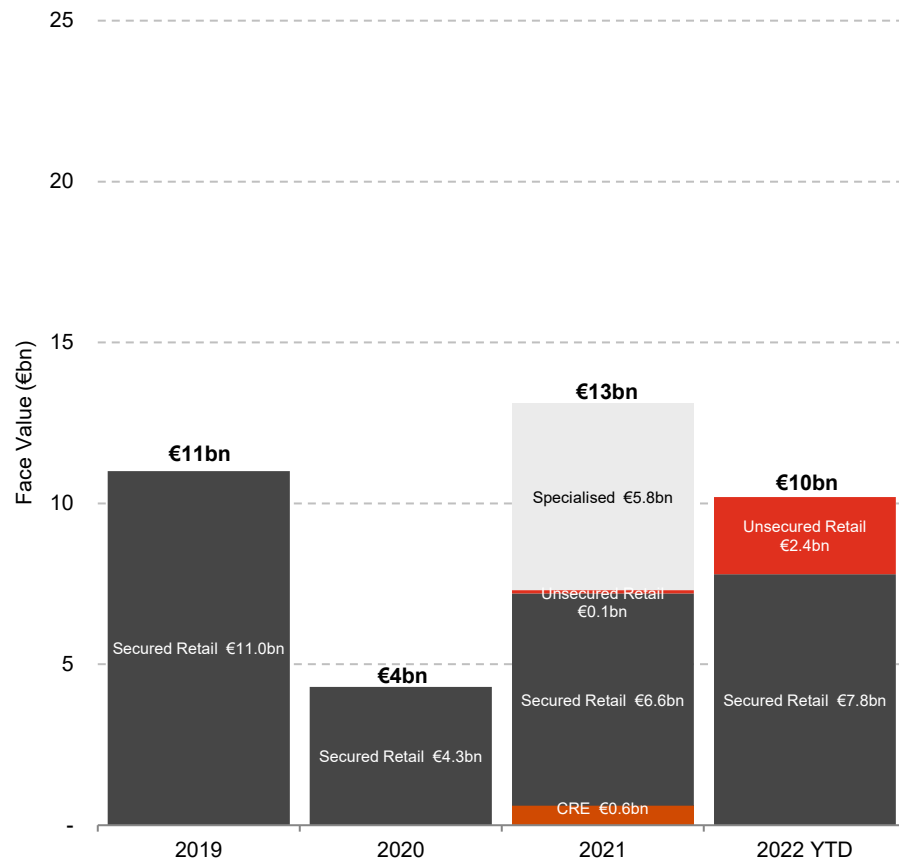


Italy



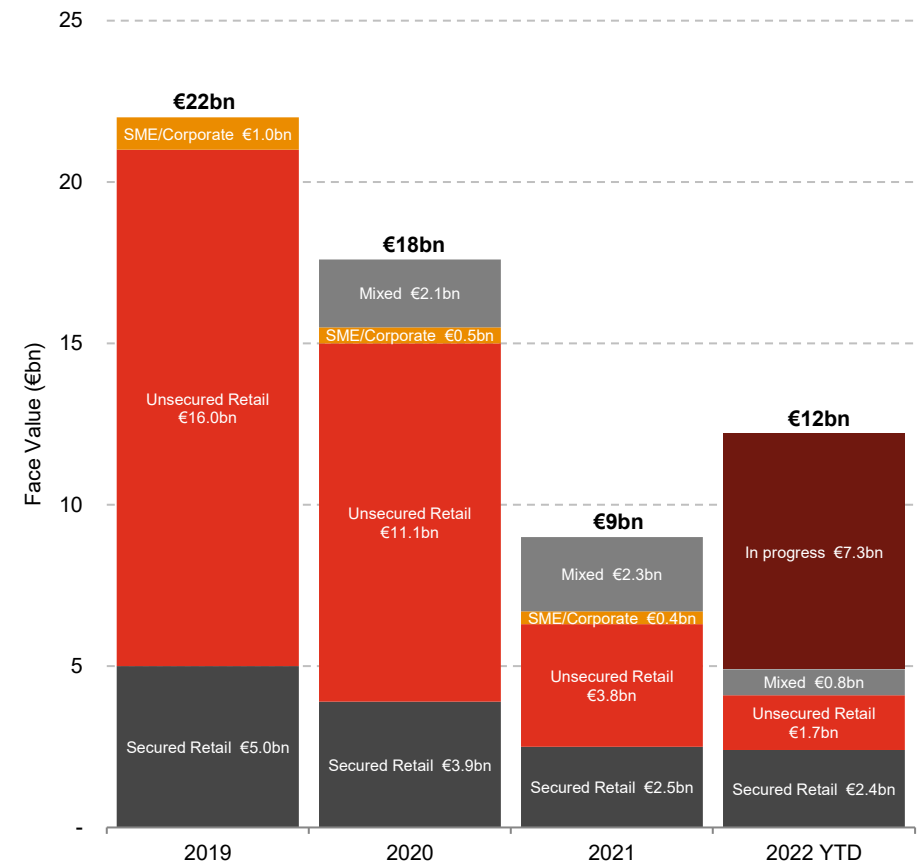
2022 deals in key markets

UK



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Spain

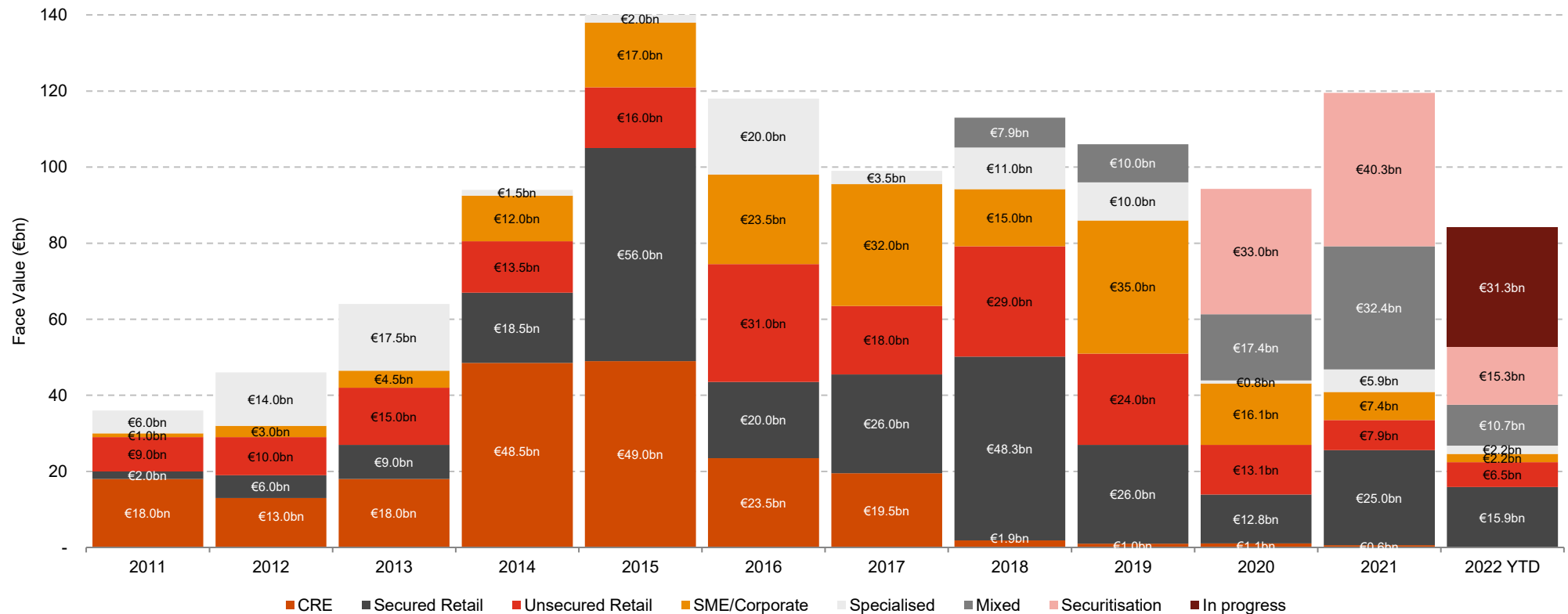


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Loan portfolio sales activity and transactions since the GFC

Since 2014, annual European loan portfolio transactions have been close to, or above, €100bn face value. Whilst 2022 could theoretically reach similar levels, the current interest rate environment driven by inflationary pressures creates material uncertainty in the 2nd half of this year.

Value of transactions by underlying asset class



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Please note:

- Please note that the data set out in this document is based on publicly available information concerning portfolio transactions involving the sale of financial institutions' debt, supplemented with information derived from transactions where we have acted as an adviser. This data will therefore not include the large number of transactions which have been unannounced for example, forward flows (which have recently become an increasingly popular trend in certain markets (UK, Ireland and Netherlands amongst others). This is where credit institutions with capital to deploy are funding lenders to originate on their behalf and transfer to the funders' balance sheets) or spot trades from financial institutions to their panel of debt purchasers;
- Geography of the transactions is based on the location of the head office of the vendor selling the assets;
- 'Specialised' includes certain structured and asset backed products, shipping, infrastructure, energy and aviation; and
- "Securitisation" includes only loans securitised under the GACS (Italy) and HAPS (Greece) securitisation programmes. Data for these has been included for 2020 onwards only. Securitisations include predominantly a mixture of retail secured and unsecured and SME loans and to a lesser extent large corporate exposures. No new funding transactions have been included.

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