

European loan portfolio sales Market Update – Q4 2024

Corporate Finance – Private Credit Solutions



European loan portfolio activity and outlook in key markets

Welcome to our Q4 2024 market update

Despite the challenging macro conditions, 2024 was marked by a rebound in portfolio deal activity, compared to 2023. Transactions were mainly concentrated on disposals of sizeable, performing or largely performing loan portfolios alongside servicing or originating platforms considered non-core.

The key deal driver for the selling institution was the decision to exit specific geographical markets or lending sectors that were considered as noncore.

Performing portfolios in the spotlight

Performing or largely performing loan portfolios represented the majority of the €73bn of loan portfolios transacted during 2024.

In addition, transactions involving loan books with a face value of €1bn or above represented more than 65% of the total annual deal value, despite being less than 15% of the volume.

The above concentration in deal activity provided some of the large European banks and multi sector/geography funds the opportunity to expand their asset base or further strengthen their origination capability in their selected strategic market segment (such as consumer).

Retail is the most popular asset class

Unsecured exposures represented more than 40% of the assets being traded during 2024, with performing assets (mostly credit card receivables) making more than half of that balance.

The vast majority (>75%) of the non-performing trades were concentrated on granular secured and unsecured loans, mostly focused on the Southern European markets (Spain, Italy, Greece and Portugal).

Going into 2025, we expect Southern Europe to remain active in the NPL space and expect increased activity in the corporate loan book space during the second half of the year.

Stable credit quality but diverging trends

Credit quality has remained relatively stable during 2024, with EBA reported Stage 3 (2.2%) and Stage 2 (9.7%) loans remaining relatively stable, when compared to Q4 2023 (2.2% and 9.6% respectively).

However, credit trends among the different countries have begun to diverge marginally with certain Northern European countries showing increased levels of stress.

For example, Germany reported an increased portion of stage 2 loans (15.9%), up from 11.7% in Q4 2023.

On the other hand, both Italy and Spain reported decreased Stage 2 loans over the same period (9.2% and 6.8% respectively).

We have a dedicated team of over 80 professionals across Europe who have market leading experience advising on loan portfolio transactions and advising financial institutions on balance sheet optimization solutions for the last 15 years.

For further details please get in touch.

European banks' assets stage bucketing

We are continuing to track the evolution and composition of Stage 2 and Stage 3 assets in European and UK banks.

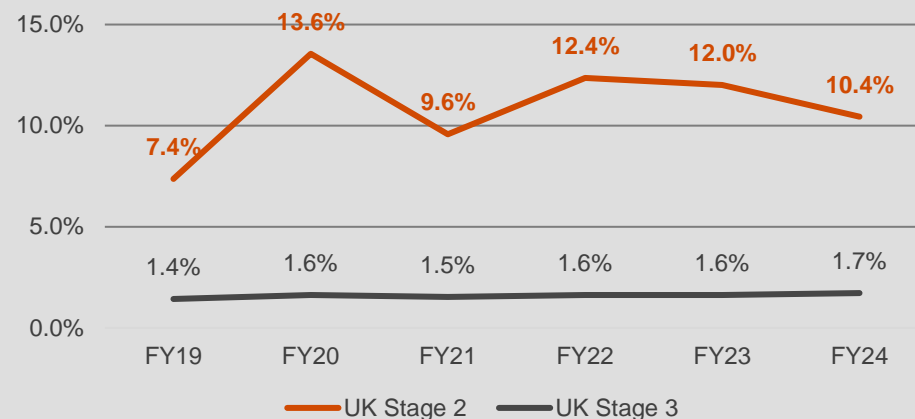
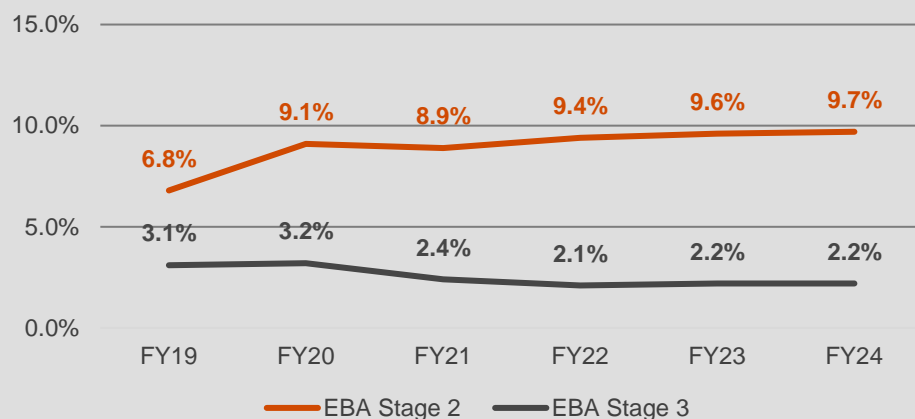
The latest available data shows that for EBA banks, Stage 2 and Stage 3 loans have been relatively stable over the last 4 years, albeit Stage 2 loans appear to be trending marginally upwards.

In the UK, the trend appears to be that Stage 2 loans have declined over the last 3 years, although the % balance remains volatile.

Given the significant macroeconomic uncertainties that appear to persist in Europe and beyond, we will continue to monitor the €2.8trn group of “at risk loans” (Stage 2 and Stage 3) closely for any signs of further deterioration.

| EBA banks | | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| EUR bn | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
| EBA Stage 1 | 15,177 | 15,938 | 17,021 | 17,555 | 17,508 | 17,558 |
| EBA Stage 2 | 1,145 | 1,654 | 1,708 | 1,865 | 1,906 | 1,933 |
| EBA Stage 3 | 522 | 582 | 461 | 417 | 437 | 438 |
| Total loans and advances | 16,844 | 18,173 | 19,190 | 19,836 | 19,850 | 19,929 |

| UK – sample of largest banks and building societies | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| EUR bn | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 |
| UK Stage 1 | 2,735 | 2,453 | 2,720 | 2,534 | 2,546 | 2,749 |
| UK Stage 2 | 221 | 392 | 293 | 364 | 354 | 327 |
| UK Stage 3 | 43 | 47 | 47 | 48 | 48 | 54 |
| Total loans and advances | 2,998 | 2,891 | 3,060 | 2,946 | 2,948 | 3,130 |

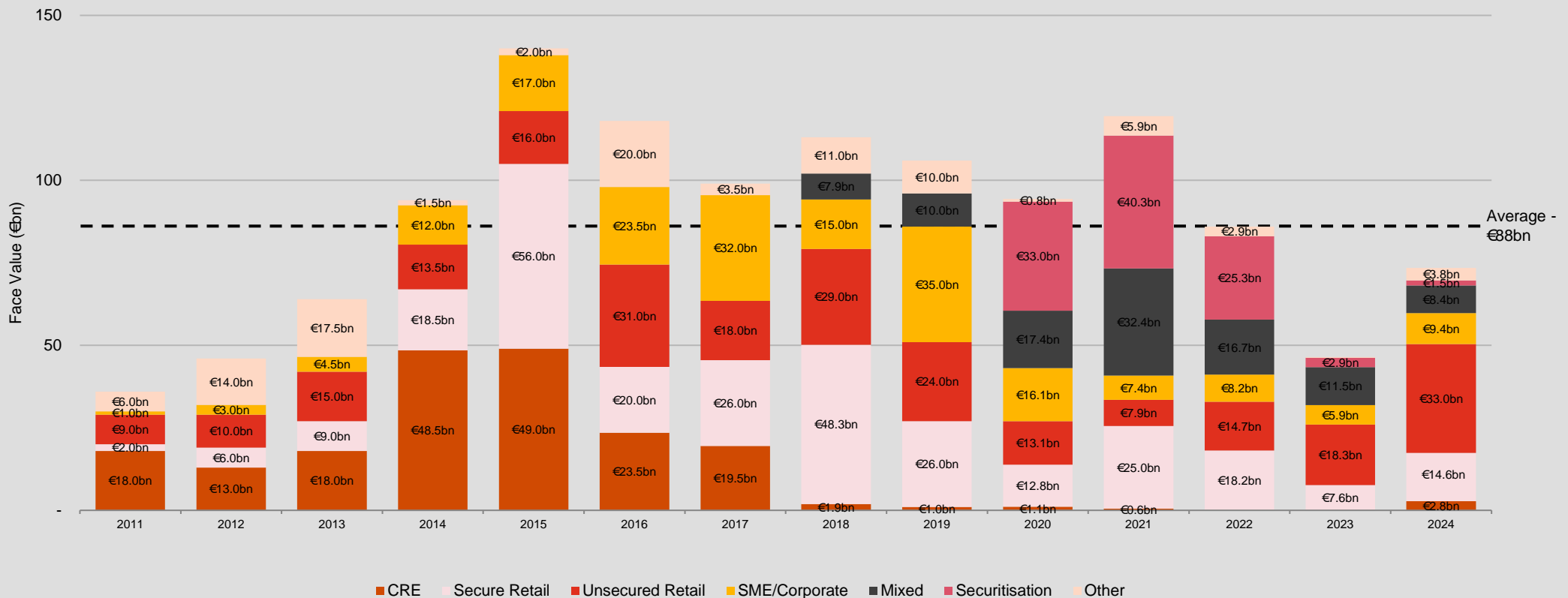


Source: EBA, CapitalIQ, Press coverage, PwC analysis and estimates. UK represents total from 10 banks and buildings societies covering a large part of the UK market. EBA bank Stage 1,2,3 balances represent Total loans and advances * Stage 1/2/3 % as published by the EBA

Loan portfolio sales activity and transactions since the GFC

Since 2014, annual European loan portfolio transactions have been close to, or above, €100bn in face value. Despite the headwinds being experienced, the market has seen increased transaction levels in 2024, with the face value of transactions surpassing the €73bn traded. This was mainly driven by secondary NPL sales and strategic repositioning of European banks which decided to exit certain markets or sectors.

Value of transactions by underlying asset class

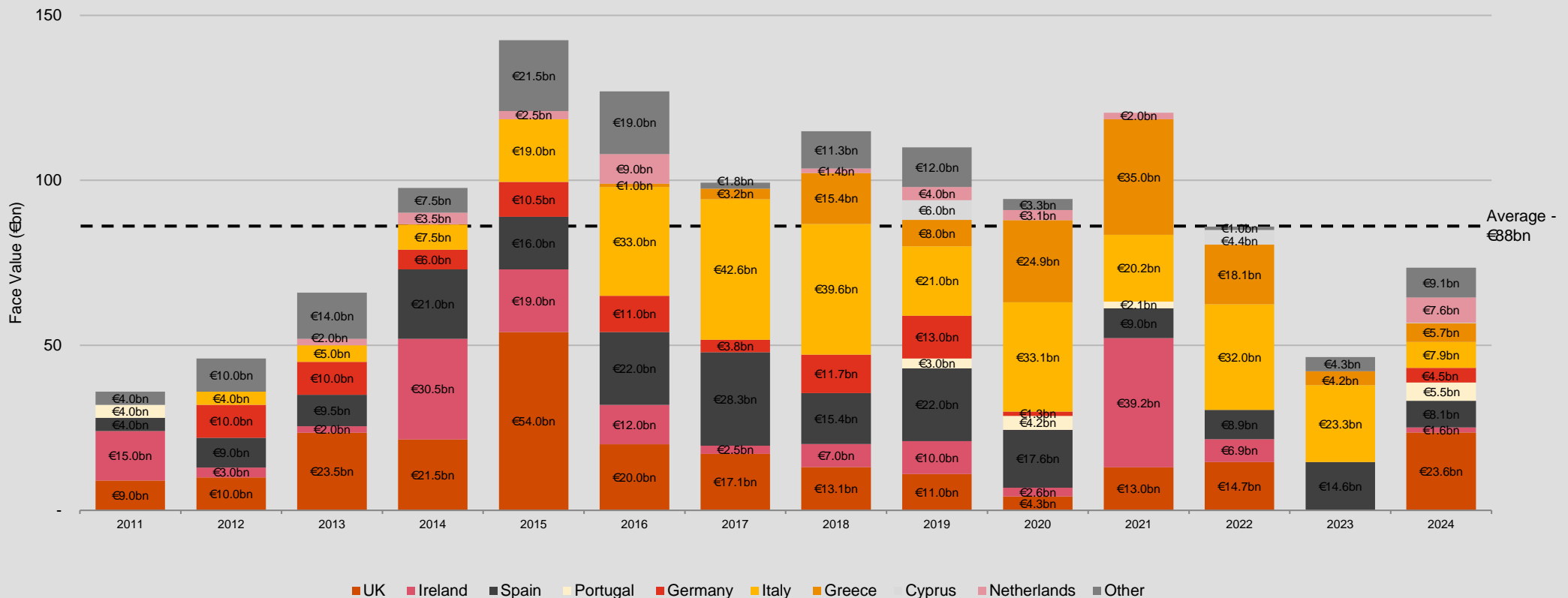


Please refer to note on page 6 regarding basis of preparation

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Value of transactions by country



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Contacts – Private Credit Solutions

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Authors



Panos Mizios

Mob: + 44 7739 877229
panagiotis.mizios@pwc.com



Chris Bennetts

Mob: + 44 7905 836218
chris.s.bennetts@pwc.com

Austria

Bogdan Popa
+43 699 1630 5330
bogdan.petre.popa@pwc.com

Cyprus

Michalis Stephanou
+35 722 555 001
michalis.stephanou@pwc.com

Christina Telemachou

+35 722 555 444
christina.telemachou@pwc.com

CEE

Petr Smutny
+42 025 115 1215
petr.smutny@pwc.com

France

Hervé Demoy
+33 156 577 099
herve.demoy@pwc.com

Germany

Christopher Sur
+49 699 585 2651
christopher.sur@pwc.com

Jörg Jünger

+49 699 585 2707
joerg.juenger@pwc.com

Greece

Thanassis Panopoulos
+30 210 687 4628
thanassis.panopoulos@pwc.com

Ireland

David Tynan
+353 86 810 6582
david.tynan@pwc.com

James McMenamin

++353 85 721 0085
james.m.mcmenamin@pwc.com

Italy

Pierpaolo Masenza
+39 065 7025 2483
pierpaolo.masenza@pwc.com

Fedele Pascuzzi

+39 028 064 6323
fedele.pascuzzi@pwc.com

Gabriele Guggiola

+39 346 507 9317
pierpaolo.masenza@pwc.com

The Netherlands

Jessica Lombardo
+31 887 925 060
jessica.lombardo@pwc.com

Poland

Pawel Dzurak
+48 227 464 697
pawel.dzurak@pwc.com

Portugal

Antonio Rodrigues
+35 121 359 9181
antonio.rodrigues@pwc.com

Spain

Jaime Bergaz
+34 915 684 589
jaime.bergaz@pwc.com

Pablo Martinez-Pina

+34 915 684 370
pablo.martinez-pina@pwc.com

United Kingdom

Robert Boulding
+44 7970 829 669
robert.boulding@pwc.com

Chiara Lombardi

+44 7557 050 155
chiara.p.lombardi@pwc.com

Panos Mizios

+44 7739 877 229
panagiotis.mizios@pwc.com

Simin Varghese

+44 7803 456 036
simin.z.varghese@pwc.com

Sajan Shah

+44 7525 281 084
Sajan.a.shah@pwc.com

Turkey

Serkan Tamur
+90 212 376 5312
serkan.tarmur@tr.pwc.com

Asia Pacific

Michael Fung
michael.fung@au.pwc.com

Masaya Kato

+81 906 512 4999
masaya.kato@pwc.com

Latin America

Daniel Aranha
+55 11 94327 2721
daniel.aranha@pwc.com

Isabella Juncker

+55 11 94327 1569
isabella.juncker@pwc.com

Middle East

Mo Farzadi
+971 56 682 0649
mo.farzadi@pwc.com

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 transactions which have been unannounced;
- Geography of the transactions is based on the location of the head office of the vendor selling the assets;
- "Other" 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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