



Press Release

Date Embargoed to 00:01 hours, 29 October 2013

Contact Andrew Smith, media relations, PwC
Tel: 020 7213 1216, Mobile: 07841 491180
e-mail: andrew.x.smith@uk.pwc.com

Pages 2

Europe's non-performing loans now total more than €1.2 trillion

- *UK banks top the 2013 non-core loan portfolio transaction table with €13bn deals reported in the year to date*
- *Commercial real estate (€15bn) and unsecured retail loans (£10bn) are the most actively traded NPL assets*
- *Fresh interest from US and Middle East investors.*

London, 29 Oct 2013--European non-performing loans (NPLs) held by banks have increased to €1.2 trillion (up by nearly €100 billion in 12 months) driven mainly by reported increases in Italy, Greece, Spain and Ireland, says PwC in its latest market update published today. PwC tracks the volume of European NPLs and also the market for non performing and distressed lending portfolios that's grown up around it.

Richard Thompson, partner, PwC, said:

“We don't see a meaningful reduction in non-performing loans across Europe any time soon. Aggregate levels of NPLs could continue rise over the coming years, adding further to the already buoyant portfolio market.”

The first eight months of 2013 have seen €46bn face value of European loan portfolio transactions, exactly the same amount that traded in the whole of 2012. At the beginning of this year PwC forecasted a 2013 total of €60bn and it looks as if this number will be exceeded. PwC is currently lead advising on portfolio deals with a face value of €8bn which are expected to complete in 2013.

The sale and purchase of non-core loan portfolios are made in the context of the continued and significant deleveraging challenge facing many of Europe's largest banks – the majority having established non-core equivalent divisions or their equivalent to focus on selling or running down unwanted assets. PwC has previously estimated that European banks have identified over €2.4 trillion of unwanted loan assets. Commercial real estate (€15bn) and unsecured retail loans (£10bn) are the most actively traded loan portfolios so far this year.



The UK tops the 2013 transaction table with an estimated face value of €13bn in transactions in the year to date, up from €10bn last year for the whole of last year. The UK market has been characterised this year by the €4bn of commercial real estate loan transactions completed. PwC expects UK deals to reach over €15bn for the full year. A large number of unsecured portfolio sales have also contributed to an increase in unsecured retail transaction volume.

Six countries (UK, Germany, Spain, Ireland, Italy and France), reported NPLs in excess of €100 billion in their banking systems at the end of last year, making a total of nearly €900 billion in these six countries alone. In the first half of next year, a review of banking assets by the European Central Bank will inevitably cover NPLs.

Richard Thompson, partner, PwC said:

“We are seeing extremely high levels of competition in the market at the moment. Whilst the major US funds are the most active we are seeing increased interest from other sources, including sovereign wealth funds and far eastern investors. We know of over 150 different investor groups who are taking a close interest in this market.

“Although there are a large number of transactions at the moment, there remains very high demand from investors for all asset classes. As the banks try to position themselves to meet the Basel III capital requirements and react to the ECB's stress tests following the Asset Quality Review we expect more assets to come to market in 2014 and beyond.”

Notes to editors:

PwC's latest survey of investor return requirements will be published towards the end of this year.

About PwC

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

2013 PricewaterhouseCoopers. All rights reserved.