

Portfolio Advisory Group

European bank deleveraging and portfolio transactions

Prague 2014

11th November 2014

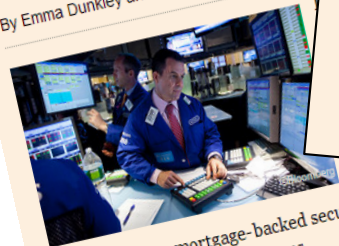
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March 5, 2014 10:36 am

Illiquid funds offer top returns but h risks

By Emma Dunkley and Adam Pain



“toxic”, such as mortgage-backed securities. Investors are de
5 per cent and high total returns.



Neuberger Berman, an asset m
global version of its Distressed
London Stock Exchange

“European banks are becoming more transparent in
relation to the size of their non-core portfolios,” said
Richard Thompson, chairman of PwC’s portfolio
advisory group.

EU Economy

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Last updated: October 29, 2013 12:00 am

Troubled loans at Europe’s banks double in value

By Sam Fleming, Financial Policy Correspondent

European banks’ non-performing loans have doubled in just four years to reach close
to €1.2tn and are expected to keep rising, according to analysis that provides a
disquieting backdrop to the region’s forthcoming assessment of lenders’ balance
sheets.

A report by PwC found that non-performing loans (NPLs) rose from €314bn in 20
to €1.187tn in 2012, with rises in the most recent year driven by deteriorating
“risks in Spain, Ireland, Italy and Greece. It predicted further rises in the ye
“toxic climate”.

Mr Thompson said PwC was seeing increasing numbers of outside investors consider
purchases of loan portfolios, with major US funds the most active but interest also
coming from sovereign wealth funds and far-eastern investors.

IN EU ECONOMY
Cost of Irish bank bailout
highlighted
EU weighs up Russian

The PwC figures come after the Europe
this month unveiled

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...from its
...economy, had the highest am
2012, at €179bn, unchanged on the prev

Spain had €167bn of NPLs, up sharply fro
€164bn of non-performing loans represen

Lee Tyrrell-Hendry, an analyst at Royal E
an increase in loan provisioning and sell-of
ECB’s asset quality review takes its cours
banks would accelerate the deleveraging

Consulting firm PwC estimates European lenders will
sell €80bn of loans this year, spurred by the ECB’s
review.

Europe

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March 17, 2013 8:53 pm

Banks must shed €3.4tn from balance sheets

By Michael Stothard and Mary Watkins in London
European banks will need to shed

in their balance
ts according to new
corporates.

asset disposals –
years as banks are

Released on Tuesday from PwC, the consultancy, to be
retreating from their traditional lending activities could
be far worse than expected.

While in 2012 banks shed €600bn-worth of assets to
help comply with upcoming regulation, at the same
time they admitted an extra €500bn of “non-core”
assets on their books that was previously unaccounted
for and would need to go as well.

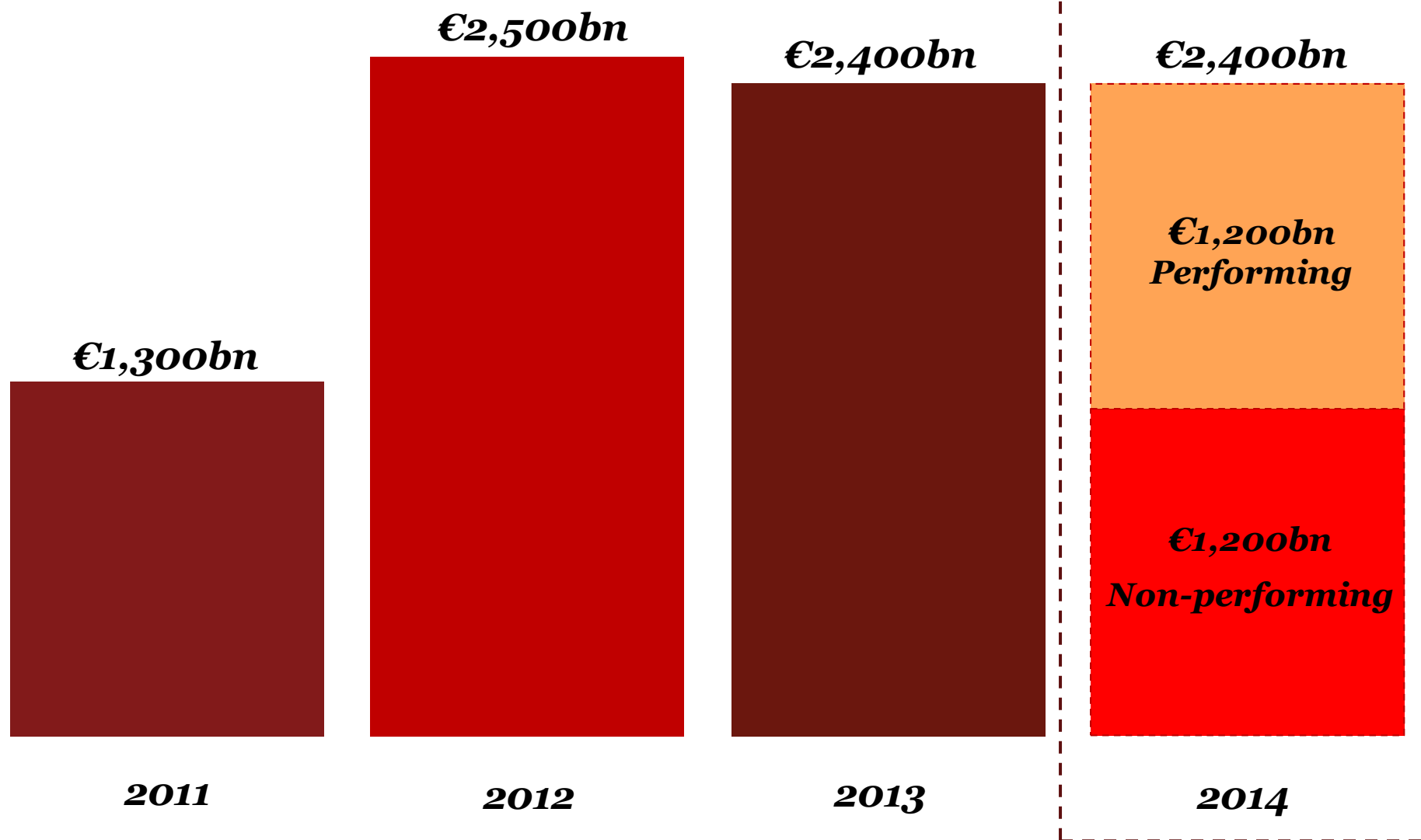
Following this data

Non-core loans in Europe

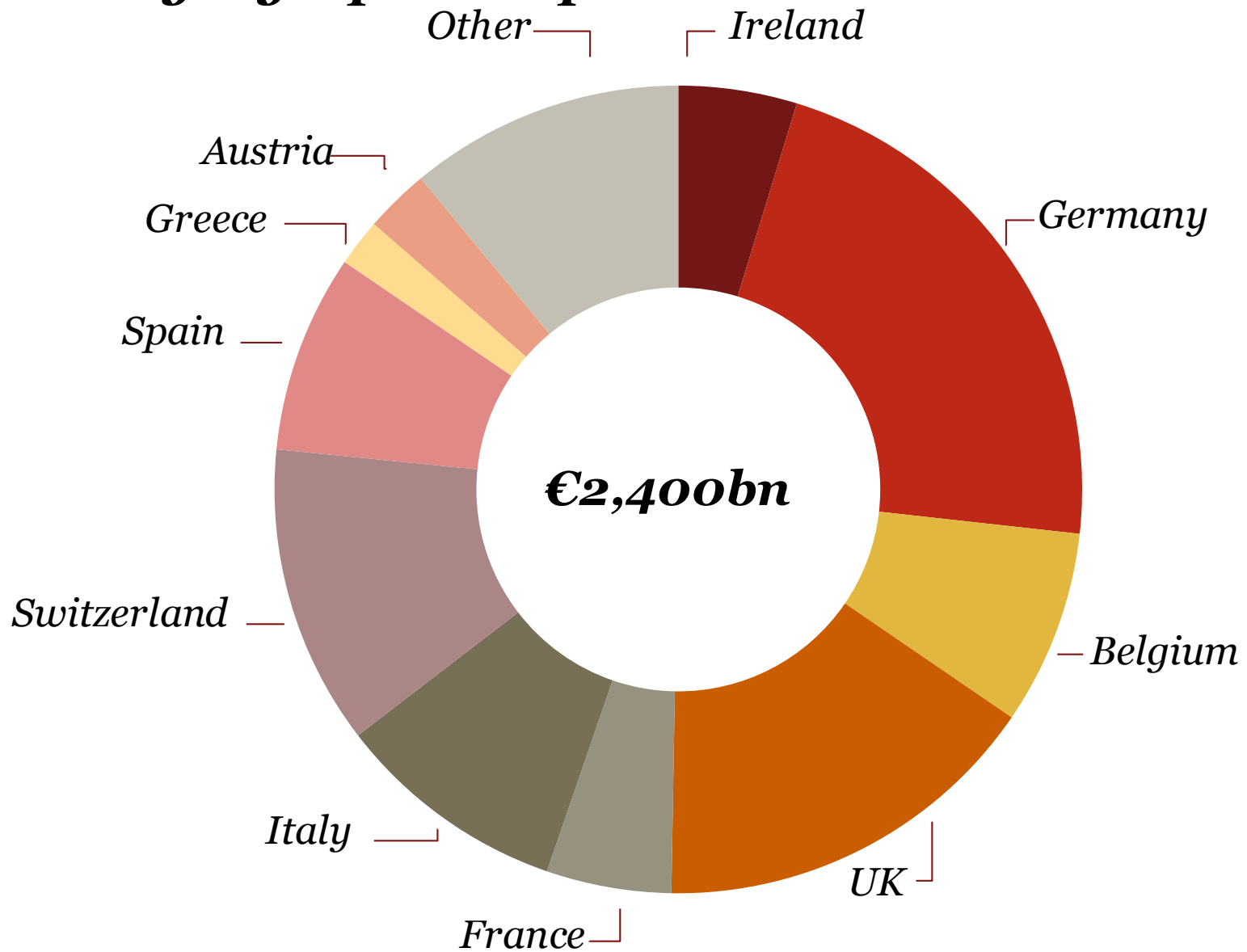


€2,400,000,000,000

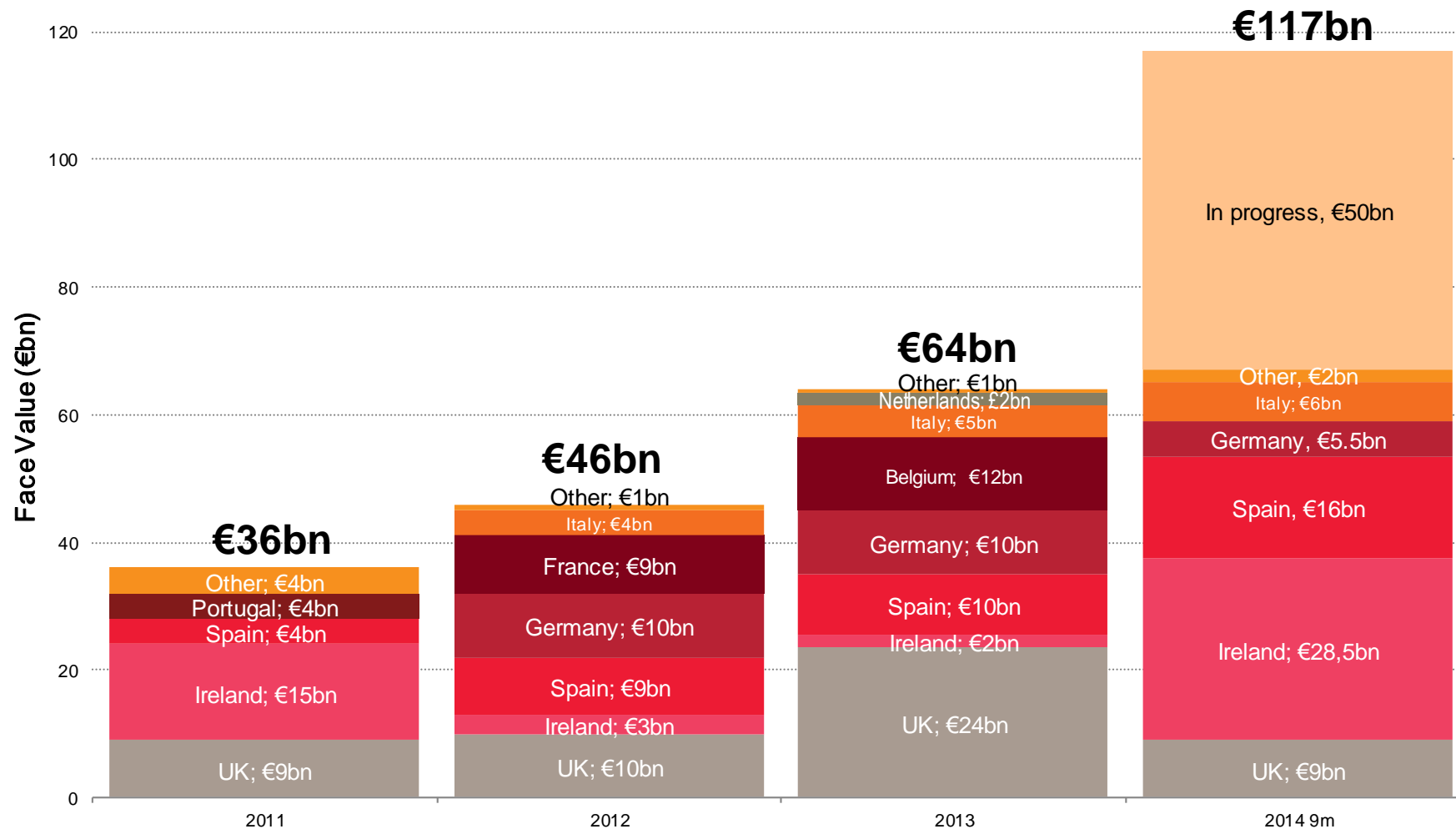
Non-core is here to stay...



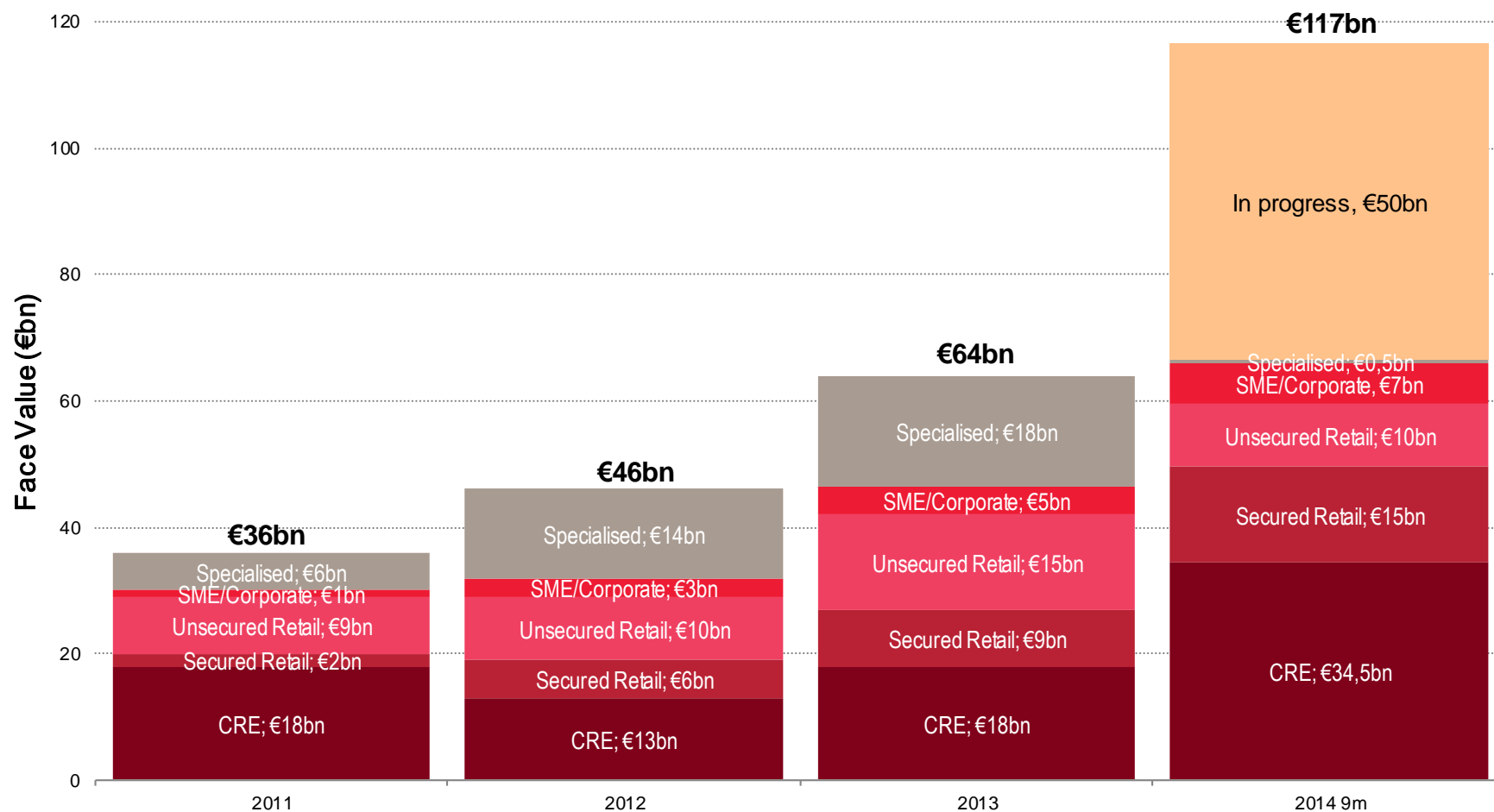
Non-core geographical split



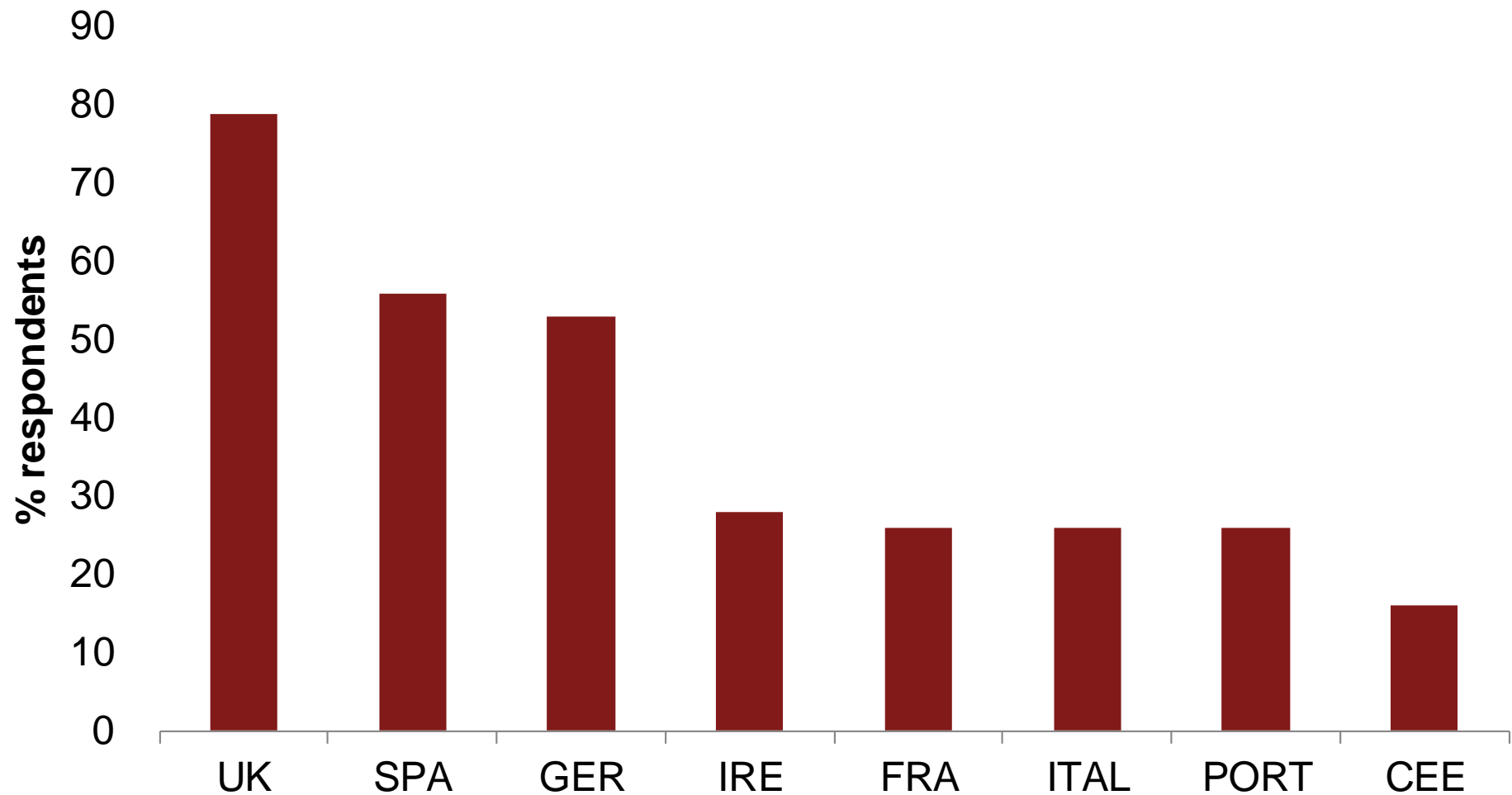
€117bn of loan portfolios on track to trade in 2014



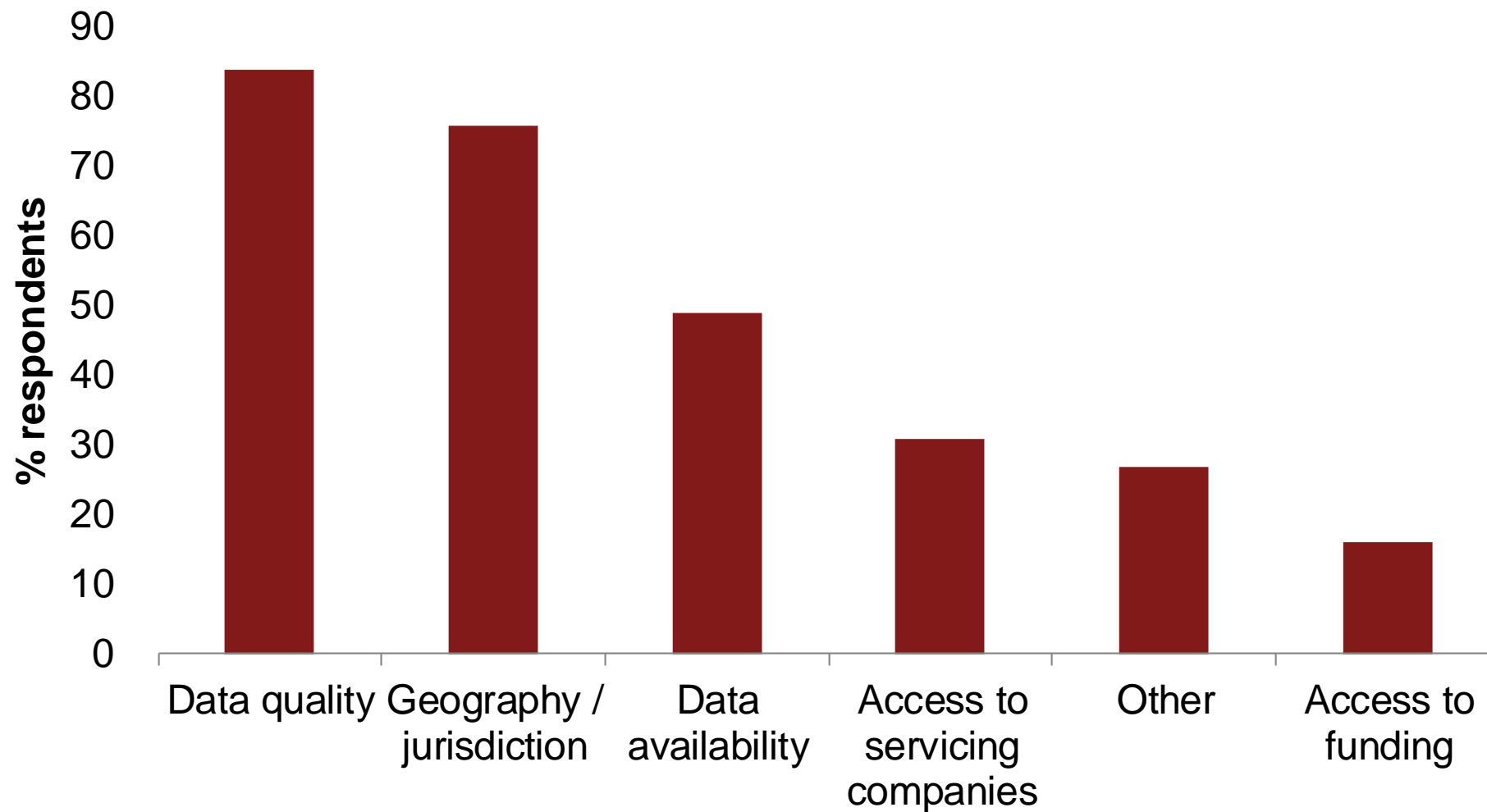
CRE portfolio transactions dominate the market in 2014



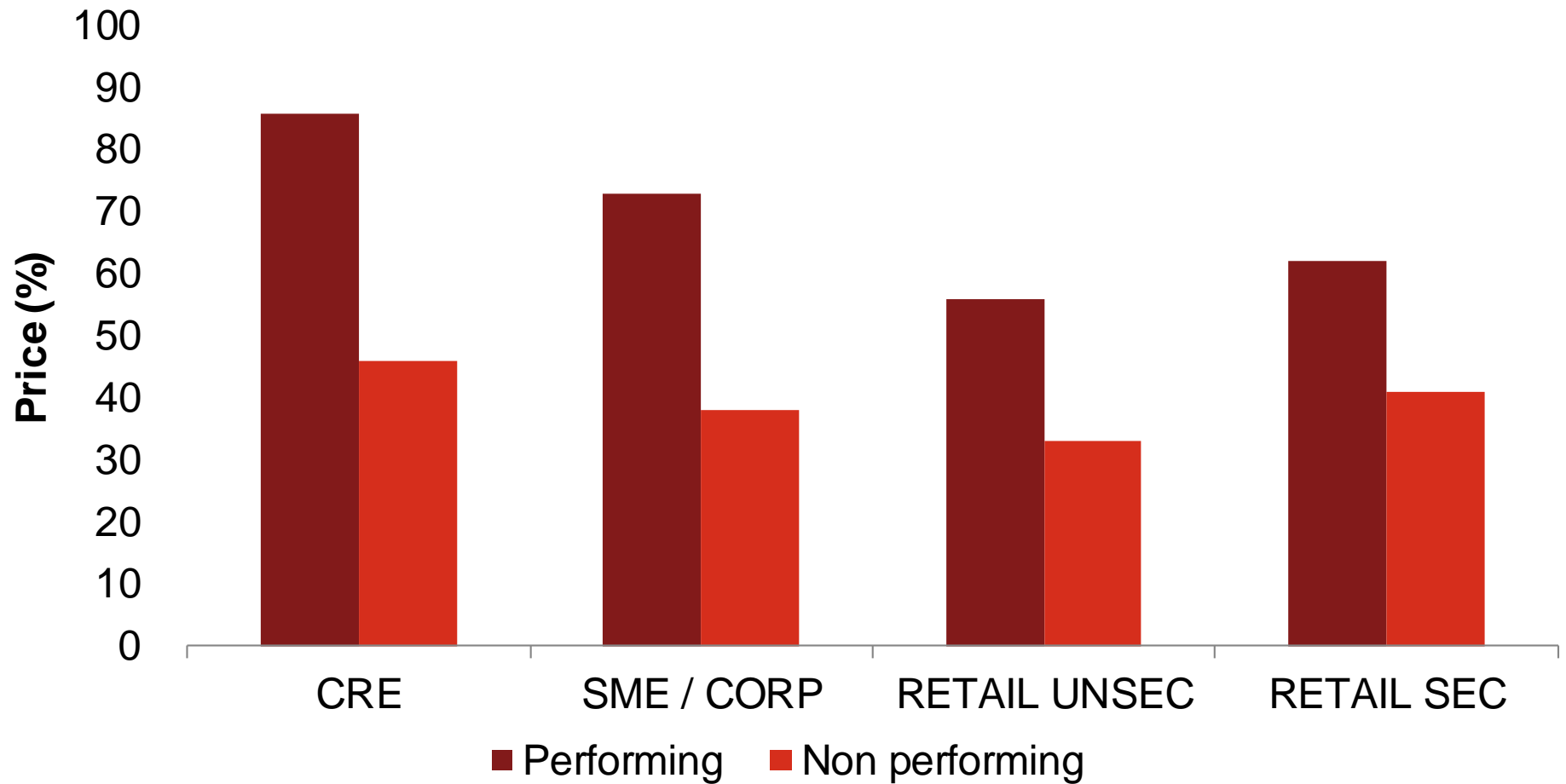
Investors' geographical focus



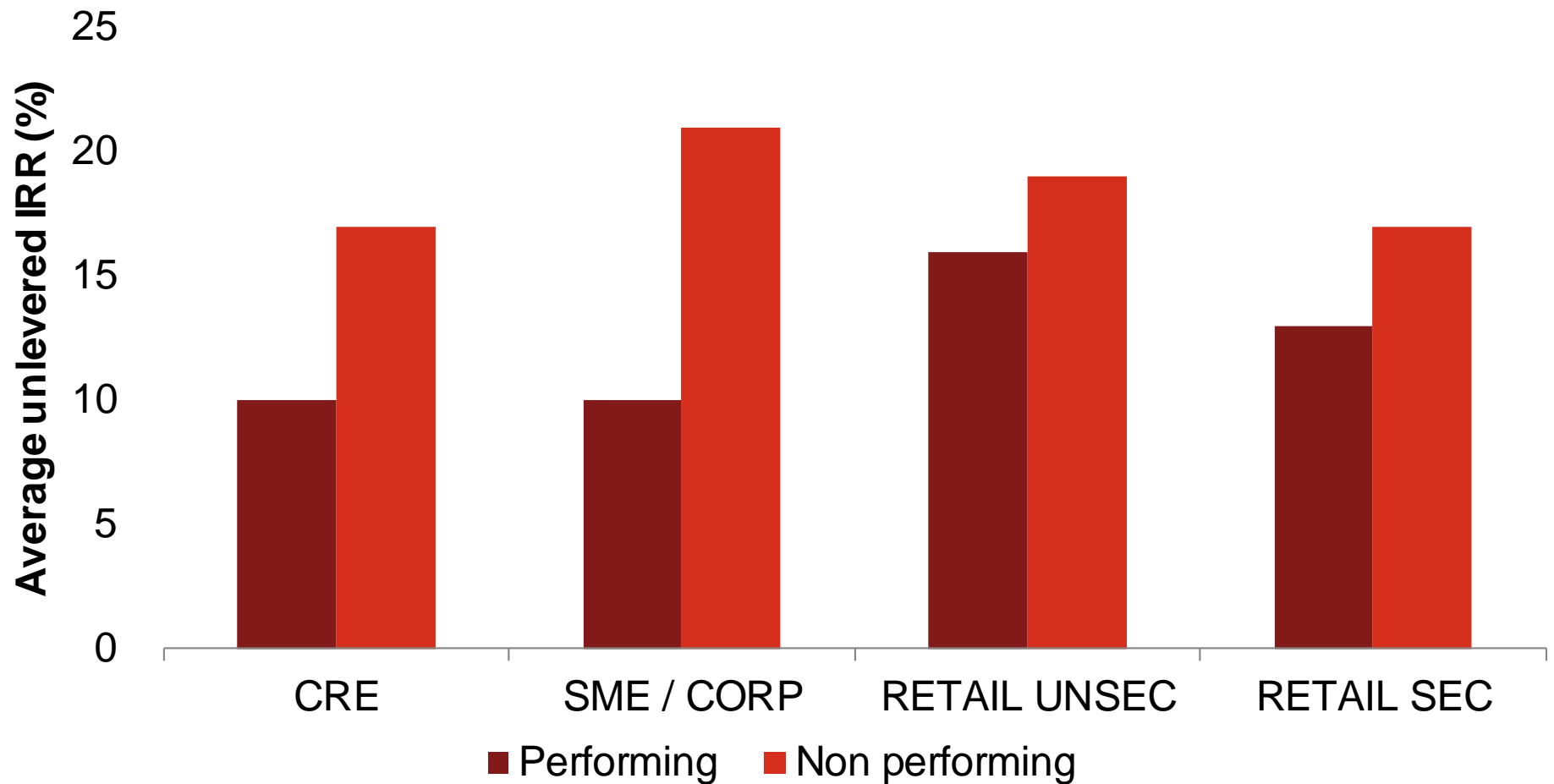
Non price investment considerations



Average pricing



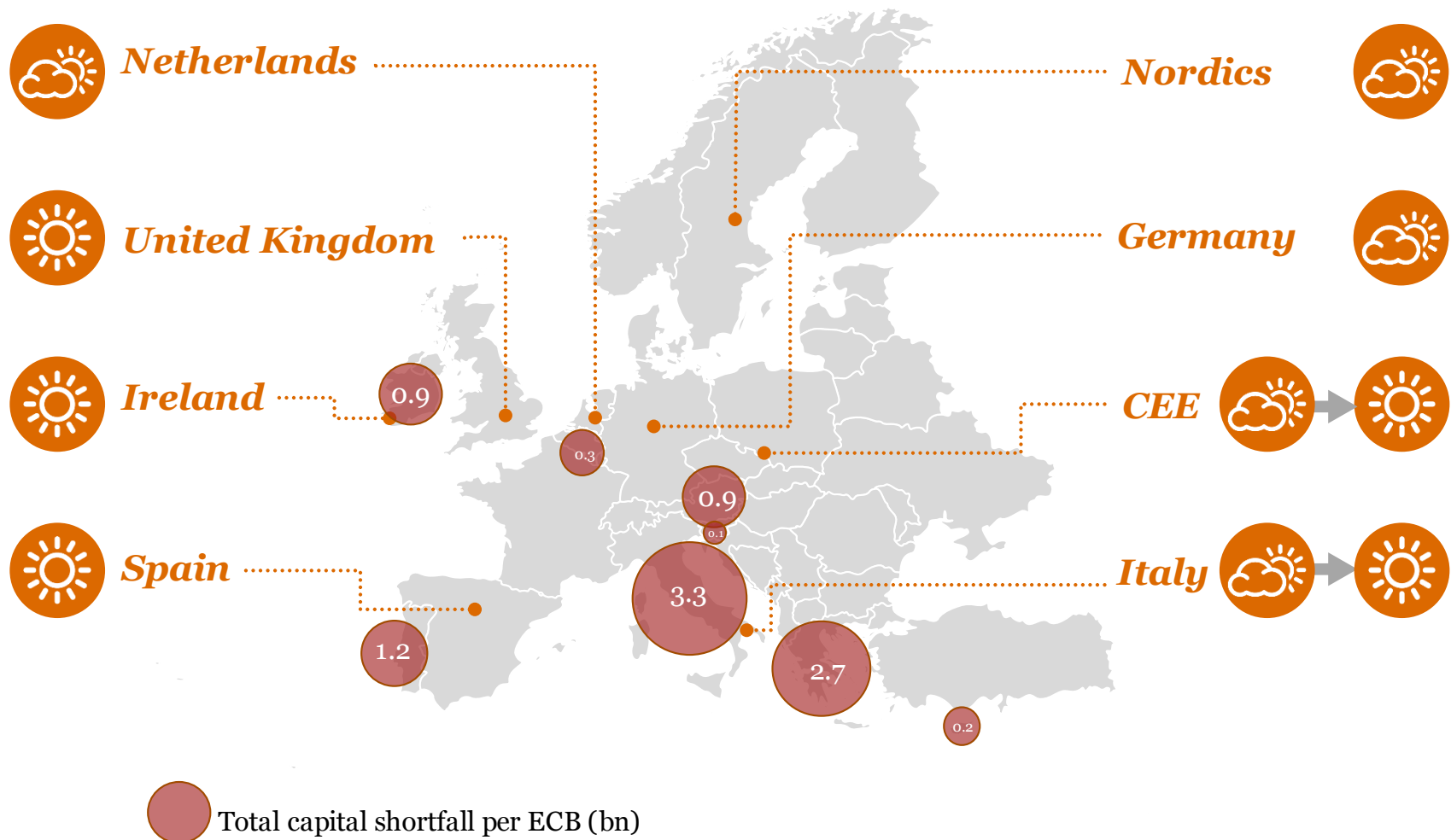
Return requirements – unlevered IRR



ECB tests - Capital shortfall

Country	Number of failed banks (excl technical failures)	Total capital shortfall (€bn)
Italy	4	3.3
Greece	2	2.7
Portugal	1	1.2
Austria	1	0.9
Ireland	1	0.9
Belgium	1	0.3
Cyprus	1	0.2
Slovenia	2	0.1

Transaction climate 2014/15



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