

Non-Core Loan Portfolio Sales Top €43 Billion in the First Six Months of 2014

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New research by PwC shows that sales within the €2.4 trillion European non-core loan pool have continued to increase over the first half of 2014 with portfolios with a face value of €43 billion being sold by a number of banks across the continent. In addition, PwC expects transactions in progress, with a face value of over €40 billion, to complete in the next few months. Real estate backed portfolios continue to be the most popular asset class by a significant margin. Transactions of performing portfolios comprise around 25% of those completed and in progress.

Richard Thompson, global leader for portfolio transactions at PwC, comments:

“At the beginning of 2014 we forecast total sales for the year of €80 billion, an increase of a third on last year - and it looks like transactions will easily exceed that. We are continuing to see a steady stream of portfolios coming to the market and a large number of portfolios are being prepared for launch after the summer holiday period.

“While a lot of the transactional activity to date has been non-performing portfolios, we are seeing an increasing number of transactions involving performing portfolios. With new sources of lower-cost money entering the market, there's an appetite for such portfolios, as well as a developing focus from some investors on building large scale financial services businesses.”

PwC estimates the total face value of non-performing loans across Europe to be €1.2 trillion - equivalent to around 3% of total banking assets. Spain, with the highest volume of non-performing loans, accounts for around €200 billion of this total.

PwC estimates that, in total, there are around €2.4 trillion of unwanted loans on bank balance sheets across Europe – around half of this represented by non-performing loans, and the remainder accounted for by assets which are performing, but unwanted.

Richard Thompson, continues:

“The current market for these assets extends far beyond the sale of non-performing loans as banks seek to transform and rebalance their businesses. The trend for a growing number of performing assets coming to market is therefore set to continue, leading to an increasingly diverse range of investment opportunities. The EU Asset Quality Review and stress tests are further prompts for continued bank restructuring.”

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