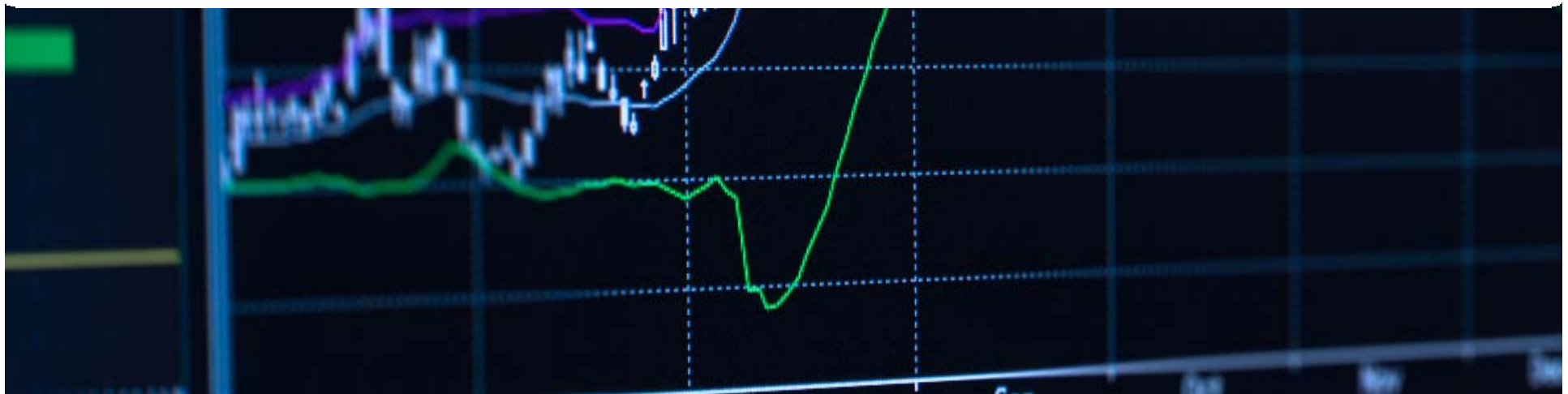


European NPL market An in-depth look



Key activity drivers

2016 – a record year in the making

Size of market



Outstanding non-core and NPL universe
c. €2trn

Market pressure



Pressure to clean house and focus on
return on capital

Regulations



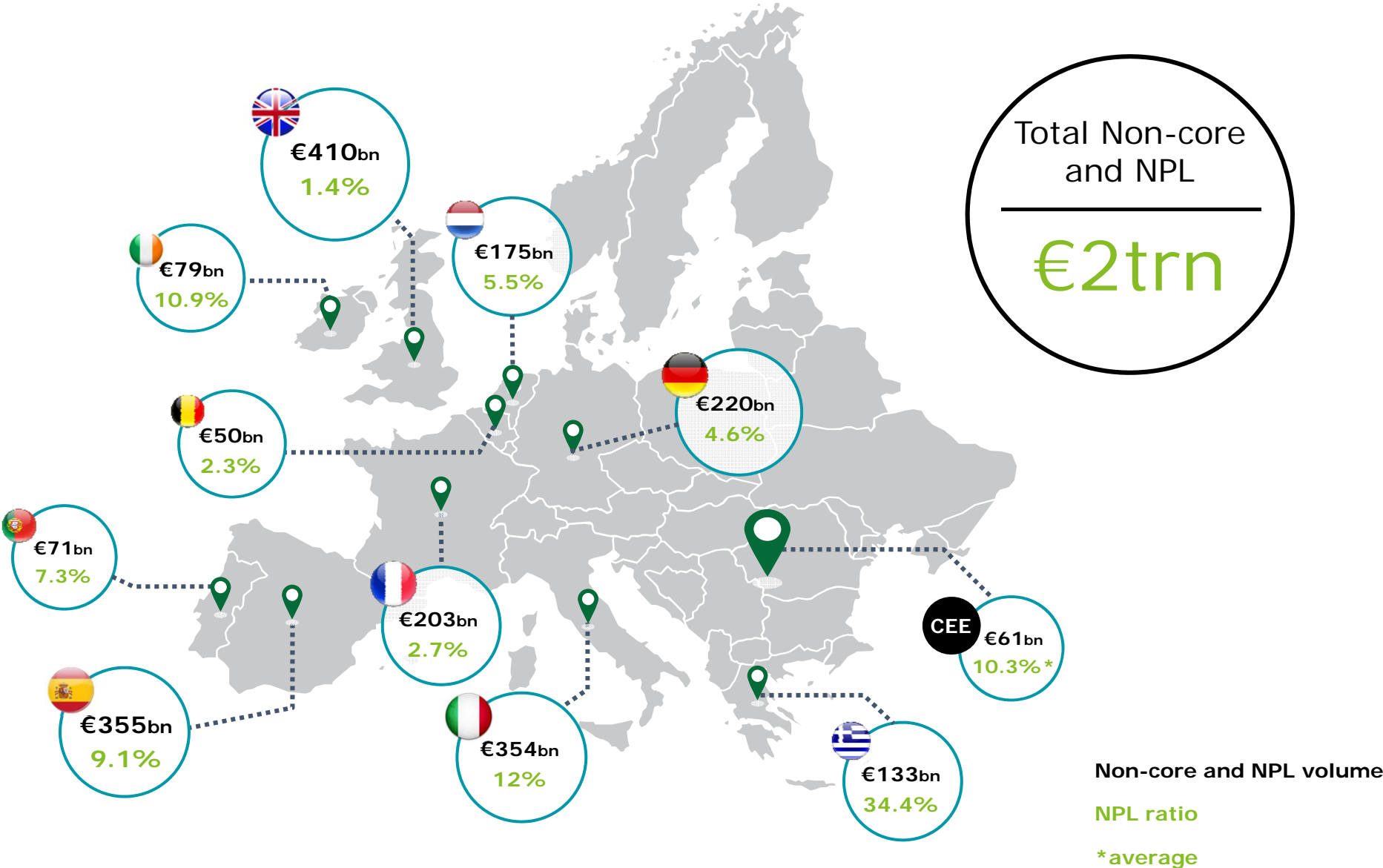
Ever increasing regulatory pressure and
oversight – Basel III, SII, IFRS, SSM

Investor demand



Ever growing buyer demand for
European assets – €100bn in capital
raised and rising

European market overview – Size and nature of market

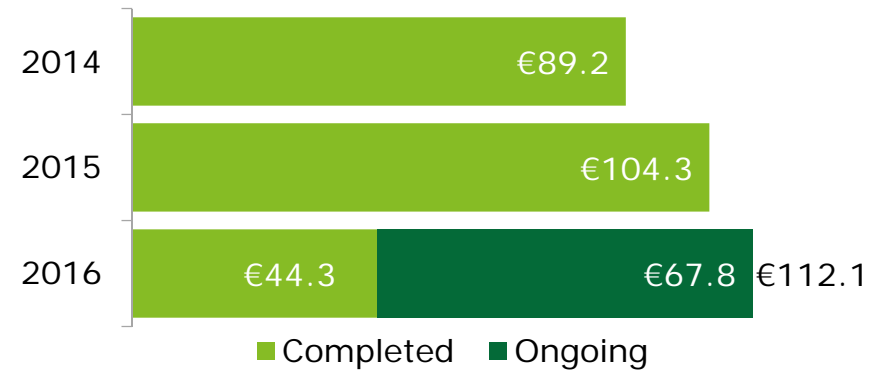


European market overview H1 2016

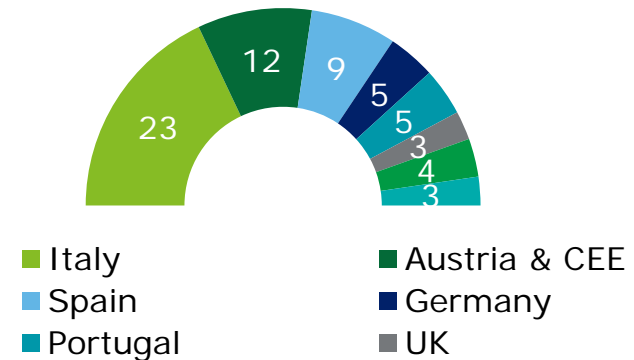
Activity levels expected to pick up into Q4 across Europe following a mixed start to the year.

- €112bn in completed and ongoing loan sale transactions in H1 2016
- Strong activity levels seen in Southern Europe, led notably by Italy and Spain
- Increased regulation, governmental reforms and higher capital requirements have added pressure on banks to divest
- We see a move towards sale of performing assets
- Volumes are expected to be c. €140bn for 2016

Activity by year (€bn)



of completed deals H1 2016

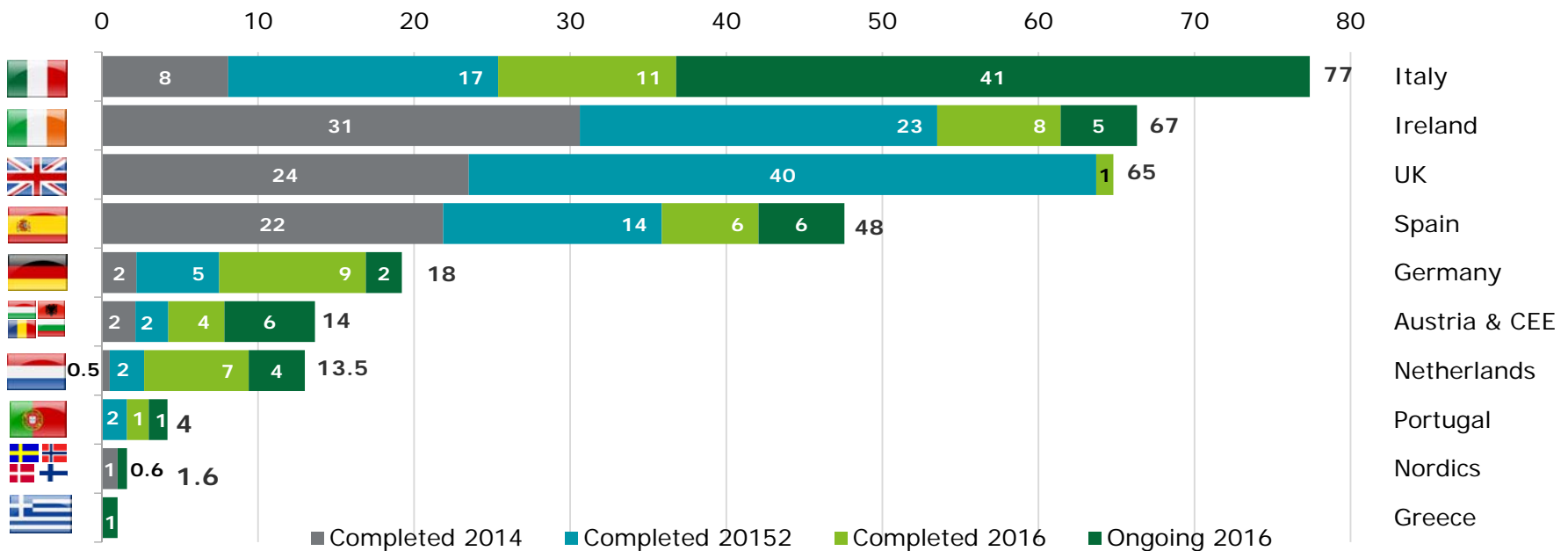


European market overview H1 2016

Loan sale market in Italy continues to grow

- Italy has seen substantial growth in activity with €11.4bn of deals completed in H1 2016 and €40.6bn of deals in the pipeline
- In comparison, Italy had €17.3bn in completed deals in 2015
- The uncertainty generated by Brexit had a considerable impact on slowing UK loan portfolio sales up to and since 23 June. A number of transactions were temporarily put on hold, but we believe activity will pick up in Q4

Activity by country (€bn)

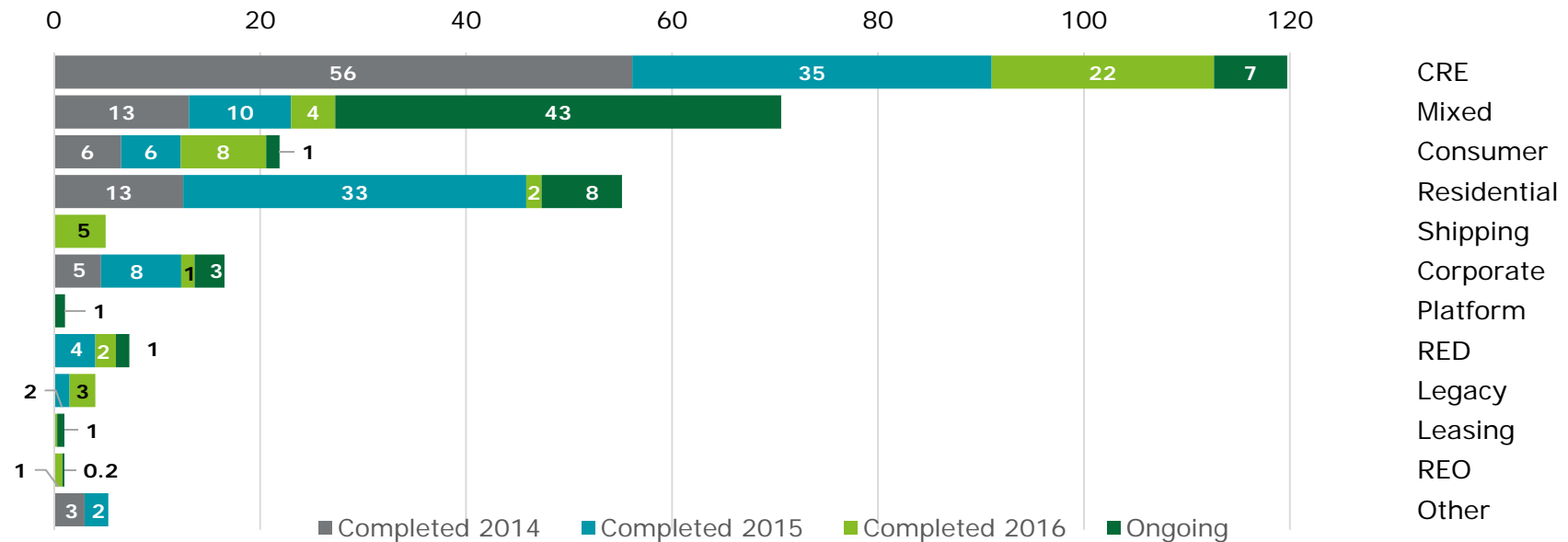


European market overview H1 2016

Real estate has historically been the most traded asset class

- Noticeable reduction in the sale of CRE loan portfolios in the last two years
- Large volume of loan portfolios consisting of mixed assets being sold in 2016. This is largely driven by activity in Italy, wherein half of NPL trades this year involved mixed loan books containing secured and unsecured assets

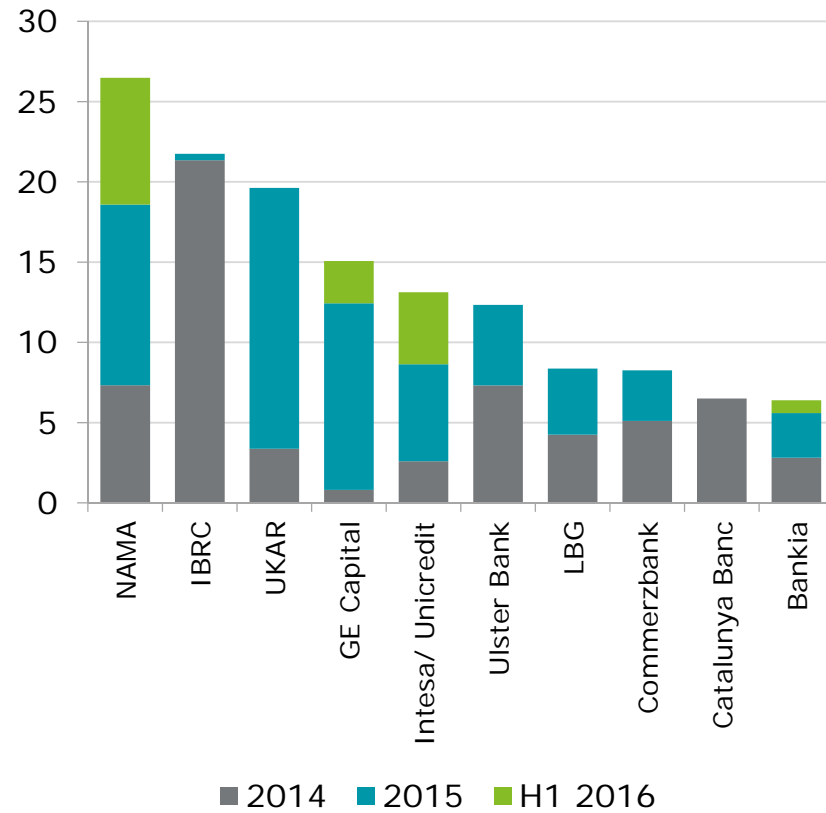
Activity by asset class (€bn)



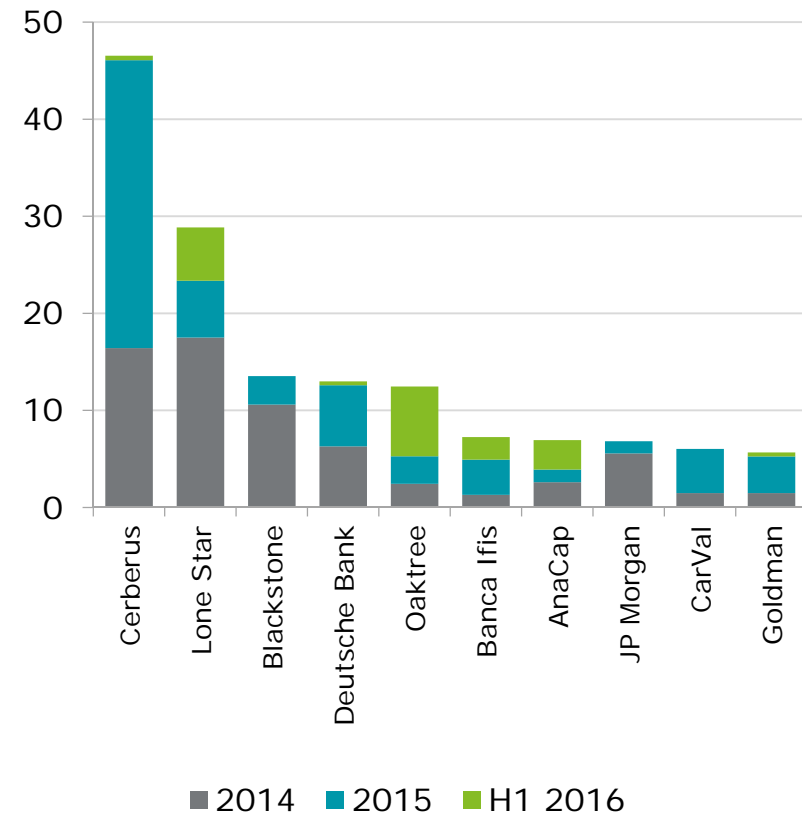
European market overview H1 2016

Top sellers and buyers

Top 10 sellers 2014 – H1 2016 (€bn)



Top 10 buyers 2014 – H1 2016 (€bn)



European market overview H1 2016

- Deal pipeline in Italy will continue to be driven by regulatory pressures
- Recent stress test results revealed that certain European banks still need to work on strengthening their capital buffers
- We expect a further move towards sale of performing assets
- There is still significant headway to be made in deleveraging terms as European banks still have large volumes of non-core assets

