

DISCLAIMER

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SURVEY ON SECONDARY MARKETS FOR NON-PERFORMING LOANS

Introduction

To get an overview of the state of the NPL secondary market in the European Union, the Non-Performing Loans (NPL) Advisory Panel launched a survey open to market participants in March-April 2024.

The main focus of the survey was the state of play of the NPL secondary markets, also in terms of actors/transactions and of barriers to their development, as well as consumer protection-related aspects.

This survey was addressed to different categories of respondents, in order to gather broad perspectives on various aspects of the market. Overall, 90 responses were received from members of the NPL Advisory Panel and beyond. The split by main area of activity, as shown in Table 1, shows a broad coverage of the different segments of the market (e.g., about 34% of responses from banking, insurance, leasing and factoring vs about 37% of responses received from servicers and 10% received from purchasers).

The country that accounted for most of the responses is Spain (15), followed by Germany (9) and Italy (8). The country coverage is quite broad, as responses from a total of 22 EU Member States were collected. Besides, responses from Norway, Switzerland and the United Kingdom were collected too.

The replies to the survey have been kept anonymous and have been analysed by the secretariat of the NPL Advisory Panel, only for the purpose of elaborating this summary of responses.

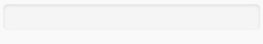
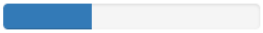
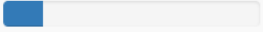
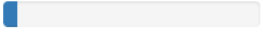
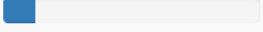
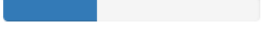
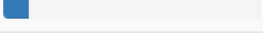
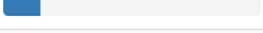
Statistics by question

1. Main jurisdiction

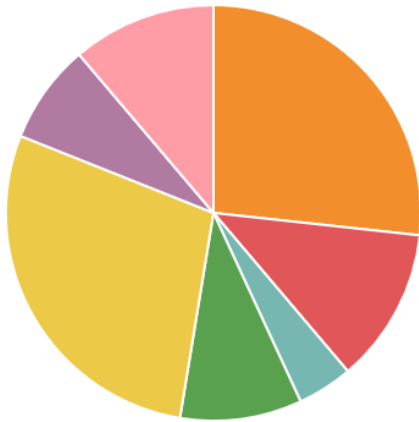
Country	Answers	%
Austria	3	3.3%
Belgium	4	4.4%
Croatia	2	2.2%
Cyprus	1	1.1%
Czechia	2	2.2%
Denmark	2	2.2%
Finland	2	2.2%
France	5	5.6%
Germany	9	10.1%
Greece	5	5.6%
Hungary	2	2.2%
Ireland	6	6.7%
Italy	8	8.9%
Lithuania	1	1.1%
Malta	1	1.1%
Netherlands	2	2.2%
Norway	1	1.1%
Poland	1	1.1%
Portugal	1	1.1%
Slovakia	4	4.4%
Slovenia	2	2.2%
Spain	15	16.8%
Sweden	1	1.1%
Switzerland	1	1.1%
United Kingdom	3	3.3%
No answer	5	5.6%

2. Category of Respondent

Name / Nature of activity (e.g., Public AMC)

		Answers	Ratio
Supervisor / Central Bank / Resolution Authority		0	0.00 %
Banking / Insurance / Leasing / Factoring		31	34.44 %
Financial / Legal Advisor or Transaction Platform		14	15.56 %
Asset Management Company / Bad Bank		5	5.56 %
Investment Fund		11	12.22 %
Servicer		33	36.67 %
Credit Purchaser		9	10.00 %
Other (please specify)		13	14.44 %
No Answer		4	4.44 %

Supervisor / Central Bank / Resolution Authority Banking / Insurance / Leasing / Factoring
 Financial / Legal Advisor or Transaction Platform
 Asset Management Company / Bad Bank Investment Fund Servicer
 Credit Purchaser Other (please specify)

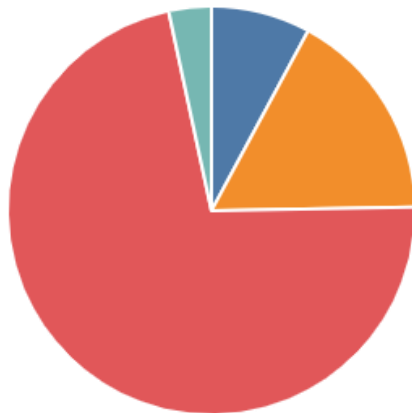


3. State of NPL Market

Where do you expect your country's stock of non-performing / Stage 3 loans to be over the next two years?

		Answers	Ratio
Less than current level		7	7.78 %
Approximately the same		15	16.67 %
Slightly more than current level		64	71.11 %
Much more than current level (>1.5x current level)		3	3.33 %
No Answer		1	1.11 %

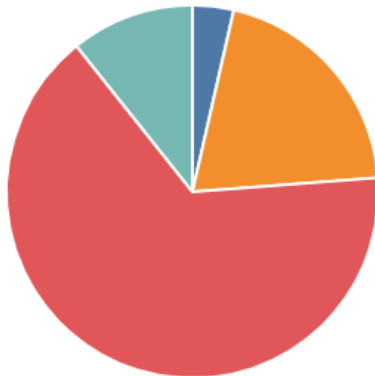
Less than current level Approximately the same
 Slightly more than current level
 Much more than current level (>1.5x current level)



Where do you expect your country's stock of sub-performing / Stage 2 loans to be over the next two years?

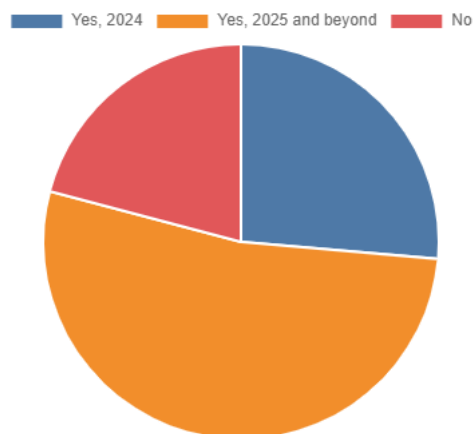
		Answers	Ratio
Less than current level		3	3.33 %
Approximately the same		17	18.89 %
Slightly more than current level		55	61.11 %
Much more than current level (>1.5x current level)		9	10.00 %
No Answer		6	6.67 %

■ Less than current level
 ■ Approximately the same
 ■ Slightly more than current level
 ■ Much more than current level (>1.5x current level)



Do you see an upcoming increase in NPL and, if so, when do you expect the new NPL formation to peak?

		Answers	Ratio
Yes, 2024		24	26.67 %
Yes, 2025 and beyond		48	53.33 %
No		19	21.11 %
No Answer		1	1.11 %

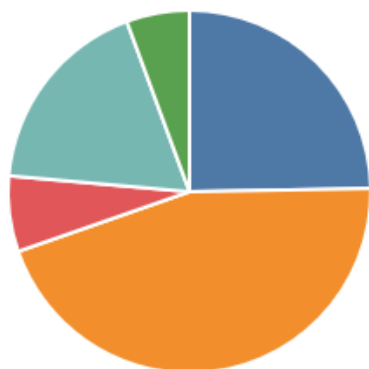
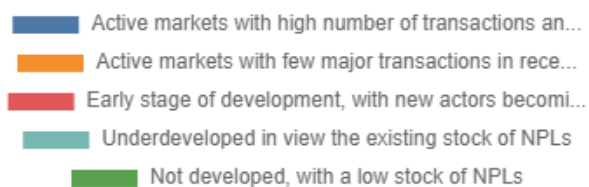


In your view, which sectors are most likely to see an increase in NPL levels? (select all that apply)

		Answers	Ratio
Corporate / SME lending		63	70.00 %
Commercial real estate		51	56.67 %
Residential real estate		26	28.89 %
Asset-backed finance		13	14.44 %
Auto loans		12	13.33 %
Credit cards		48	53.33 %
Unsecured business loans (e.g., working capital loans)		36	40.00 %
Unsecured consumer loans		50	55.56 %
Other		2	2.22 %
No Answer		2	2.22 %

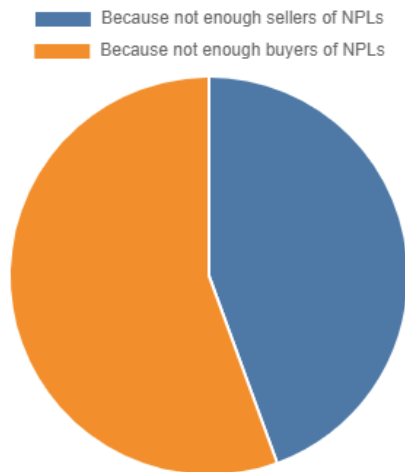
How do you assess the current state of NPL secondary market in EU markets where you are active in?

		Answers	Ratio
Active markets with high number of transactions and actors on demand and supply side		22	24.44 %
Active markets with few major transactions in recent years		40	44.44 %
Early stage of development, with new actors becoming active		6	6.67 %
Underdeveloped in view the existing stock of NPLs		16	17.78 %
Not developed, with a low stock of NPLs		5	5.56 %
No Answer		1	1.11 %



Why?

		Answers	Ratio
Because not enough sellers of NPLs		4	4.44 %
Because not enough buyers of NPLs		5	5.56 %
Other		0	0.00 %
No Answer		83	92.22 %



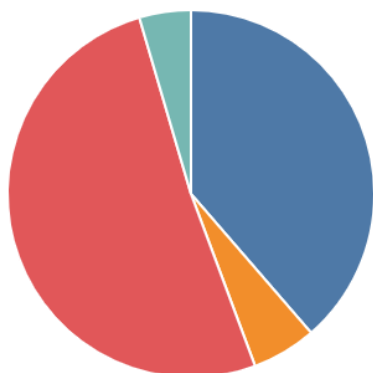
**If applicable, what type of assets do you see traded in the NPL secondary market most frequently?
(select all that apply)**

		Answers	Ratio
Commercial real estate		30	33.33 %
Residential real estate		51	56.67 %
Secured Corporate / SME lending (secured by assets other than in options "a" and "b")		39	43.33 %
Unsecured Corporate / SME lending (e.g., working capital loans)		44	48.89 %
Unsecured retail loans (e.g., credit cards, personal loans)		27	30.00 %
Asset-backed finance (e.g., finance for acquiring a specific asset other than property)		5	5.56 %
Auto loans		15	16.67 %
Secured Consumer Loans		13	14.44 %
Unsecured Consumer Loans		25	27.78 %
N/A		6	6.67 %
Other		21	23.33 %
No Answer		2	2.22 %

Considering existing NPL transactions in the countries you are active in, are there significant differences between expected and actual recovery rates?

		Answers	Ratio
Yes		34	37.78 %
No		5	5.56 %
No significant difference		45	50.00 %
N/A		4	4.44 %
No Answer		2	2.22 %

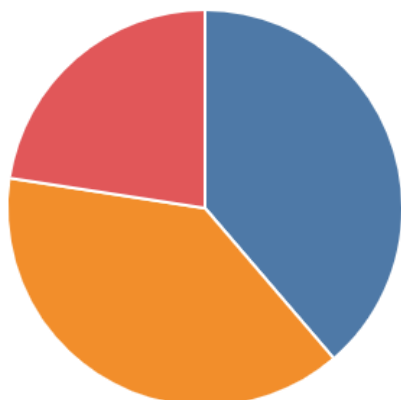
■ Yes
 ■ No
 ■ No significant difference
 ■ N/A



Of what kind?

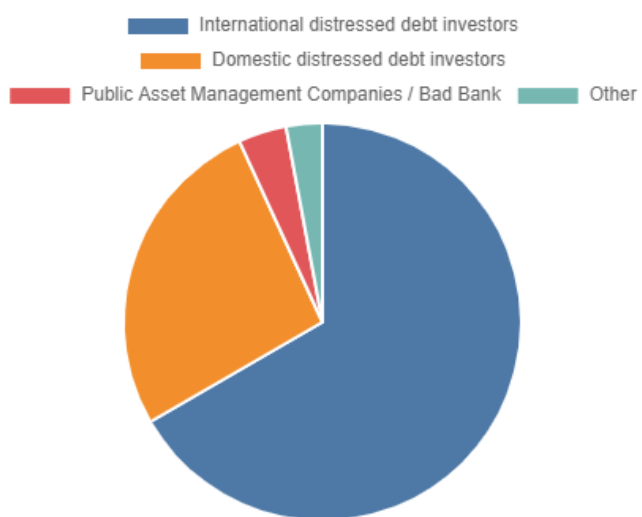
		Answers	Ratio
Slightly underperforming		12	13.33 %
Significantly underperforming		12	13.33 %
Slightly overperforming		7	7.78 %
Significantly overperforming		0	0.00 %
No Answer		59	65.56 %

■ Slightly underperforming
 ■ Significantly underperforming
 ■ Slightly overperforming



If applicable, who are the top NPL buyers in the EU markets where you are active in? (select all that apply)

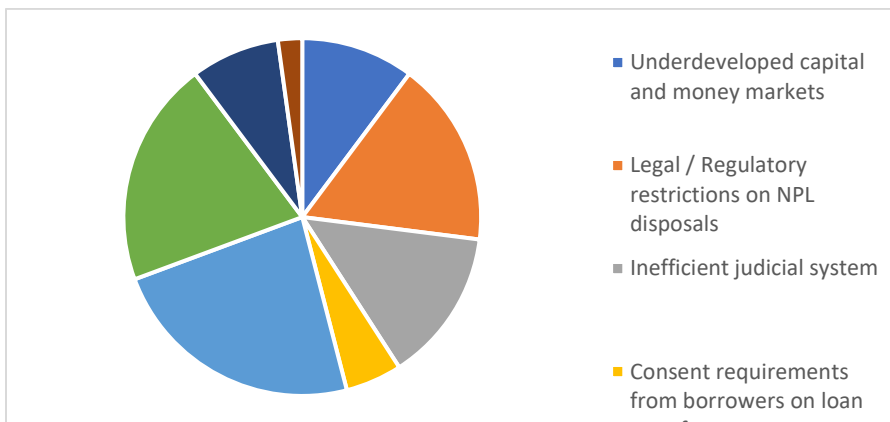
		Answers	Ratio
International distressed debt investors		68	75.56 %
Domestic distressed debt investors		27	30.00 %
Public Asset Management Companies / Bad Bank		4	4.44 %
N/A		0	0.00 %
Other		3	3.33 %
No Answer		3	3.33 %



4. Barriers to the Development of NPL Markets

In your view, what are the most significant barriers to NPL secondary markets in EU markets where you are active in? (select all that apply)

		Answers	Ratio
Underdeveloped capital and money markets (i.e., access to funding)		14	15.56 %
Legal / Regulatory restrictions on NPL disposals (e.g., transfer of ownership, transaction structure)		23	25.56 %
Inefficient judicial system		19	21.11 %
Consent requirements from borrowers on loan transfer		7	7.78 %
Limited level of NPLs		32	35.56 %
Pricing of primary market transaction		28	31.11 %
Other		11	12.22 %
No Answer		3	3.33 %

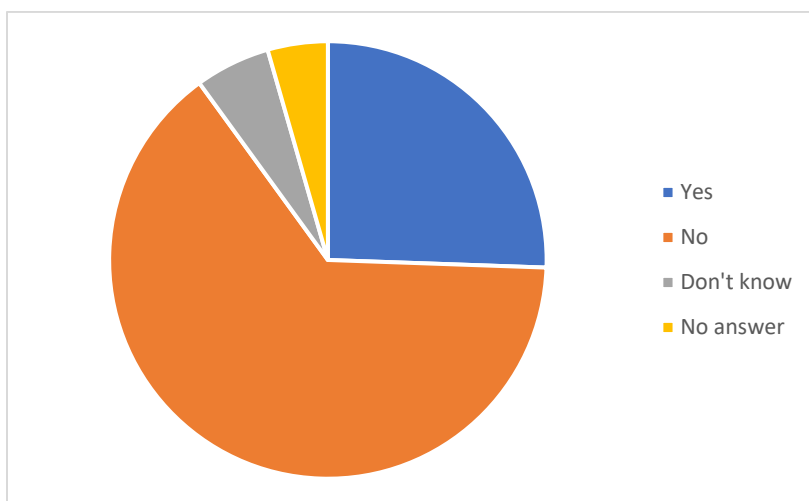


In your view, how developed is the secured loan servicing infrastructure in the markets you are active in?

		Answers	Ratio
The secured loan servicing industry has multiple players, both international and domestic		38	42.22 %
The secured loan servicing industry is somewhat active, made up of several domestic players, and requires some operational improvements in terms of personnel and IT development		24	26.67 %
The secured loan servicing industry is rather underdeveloped, with lenders predominantly relying on their own internal resources when it comes to loan servicing and workout		19	21.11 %
Other		2	2.22 %
No Answer		7	7.78 %

Do you consider costs of taking enforcement action in the courts as an impediment to the NPL market development in the countries you are active in?

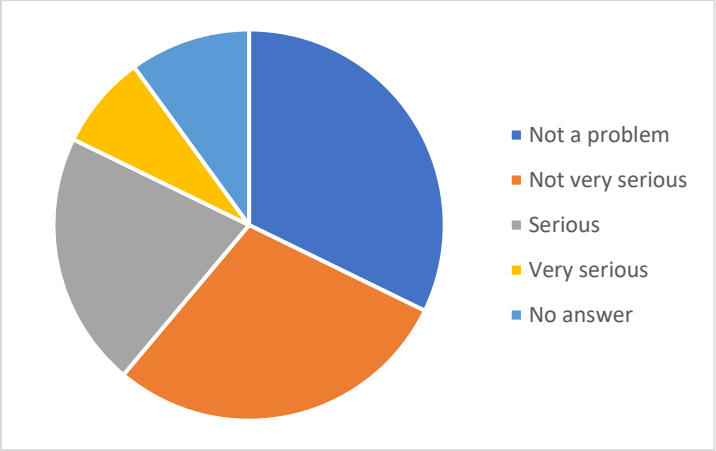
		Answers	Ratio
Yes		23	25.56 %
No		58	64.44 %
Don't know		5	5.56 %
No Answer		4	4.44 %



5. Use of Data

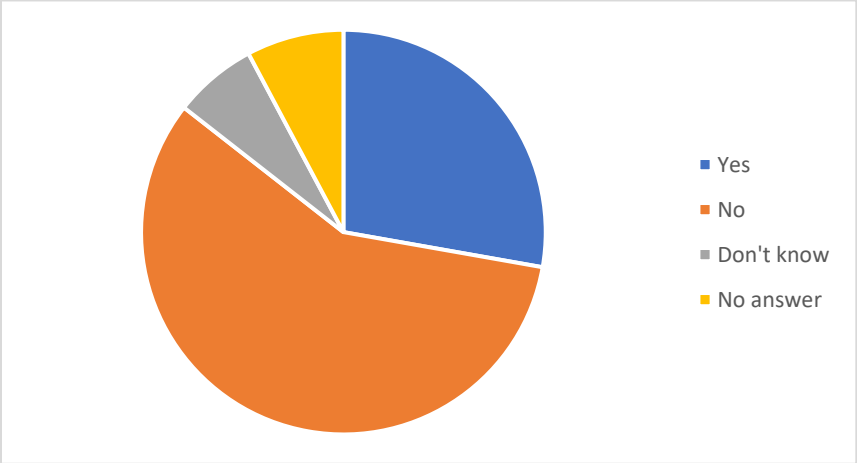
How serious a problem is data availability and data quality for NPLs in your main jurisdiction?

		Answers	Ratio
Not a problem		29	32.22 %
Not very serious		26	28.89 %
Serious		19	21.11 %
Very serious		7	7.78 %
No Answer		9	10 %



Do you use external data to value NPL?

		Answers	Ratio
Yes		25	27.78 %
No		52	57.78 %
Don't know		6	6.67 %
No Answer		7	7.78 %



As a seller, which pieces or information are most difficult to provide even though you expect a beneficial impact on prices? (select all that apply)

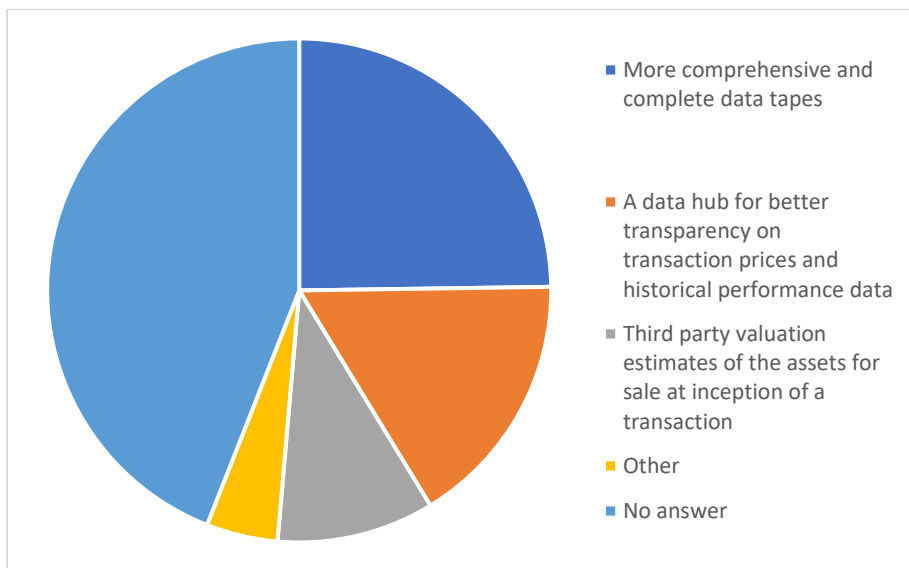
		Answers	Ratio
Details about potential deficient claims (e.g., missing legal documents, deceased borrowers, time barring)		19	21.11 %
Historical performance data (e.g., detailed break down of cash collected by type, historical recovery curves of all the loans that the seller has worked out)		17	18.89 %
Detailed history of workout measures attempted even if unsuccessful (e.g., Number of times the client was contacted, Payment plan or DPO proposals, Borrower responsiveness)		17	18.89 %
Other		2	2.22 %
No Answer		57	63.33 %

As a buyer, which pieces of information are often deficient that if delivered would allow you to bid higher? (select all that apply)

		Answers	Ratio
Details about potential deficient claims (e.g., missing legal documents, deceased borrowers, time barring)		17	18.89 %
Historical performance data (e.g., detailed break down of cash collected by type, historical recovery curves of all the loans that the seller has worked out)		15	16.67 %
Detailed history of workout measures attempted even if unsuccessful (e.g., Number of times the client was contacted, Payment plan or DPO proposals, Borrower responsiveness)		17	18.89 %
Other		8	8.89 %
No Answer		57	63.33 %

What measures do you consider most promising to help reducing data gaps and information asymmetries? (select all that apply)

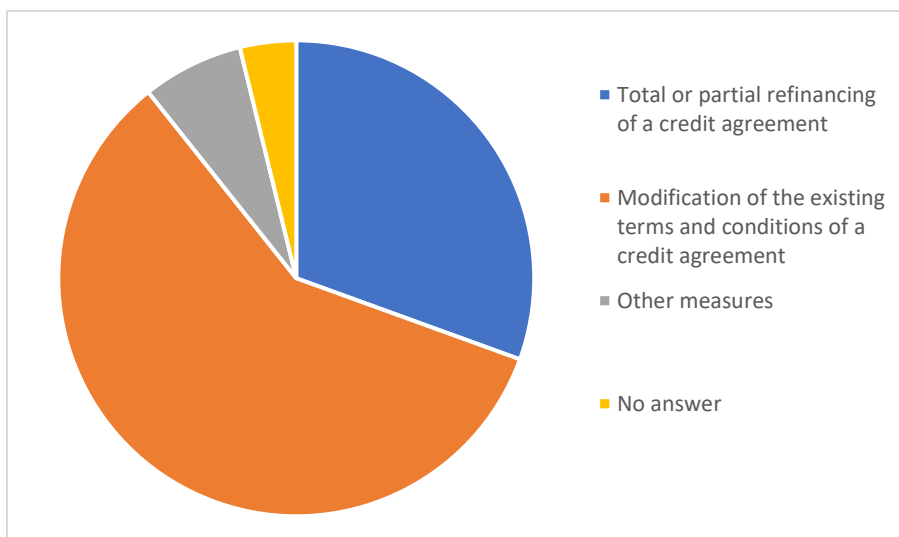
		Answers	Ratio
More comprehensive and complete data tapes		27	30 %
A data hub for better transparency on transaction prices and historical performance data		18	20 %
Third party valuation estimates of the assets for sale at inception of a transactions		11	12.22 %
Other		5	5.56 %
No Answer		48	53.33 %



6. On Forbearance and Debt Collection

Which types of forbearance measures have been most commonly offered to consumers before the initiation of enforcement proceedings? (select all that apply)

		Answers	Ratio
Total or partial refinancing of a credit agreement		40	44.44 %
Modification of the existing terms and conditions of a credit agreement		77	85.56 %
Other measures		9	10 %
No Answer		5	5.56 %

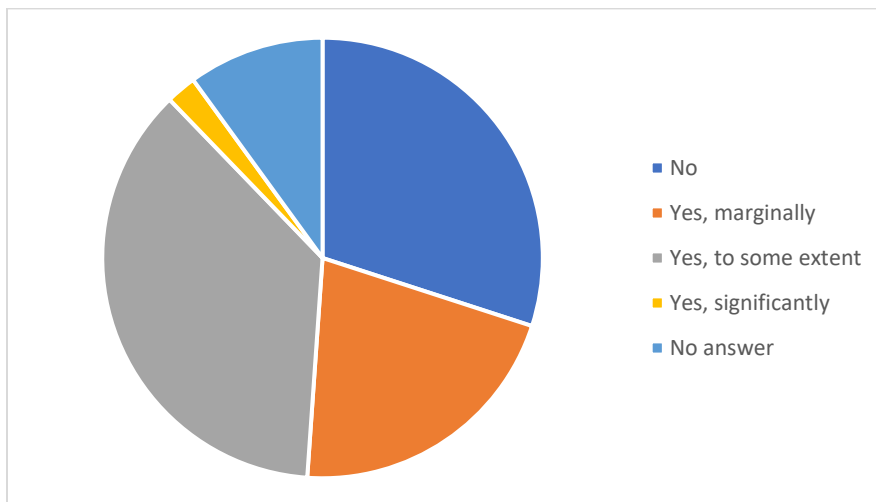


Which type of modification? (select all that apply)

		Answers	Ratio
Extending the term of the credit agreement		54	60 %
Changing the type of credit agreement		14	15.56 %
Deferring payment of all or part of the instalment repayment for a period		53	58.89 %
Changing the interest rate		21	23.33 %
Offering a payment holiday		46	51.11 %
Partial repayments		39	43.33 %
Currency conversions		3	3.33 %
Partial forgiveness and debt consolidation		27	30 %
Other		3	3.33 %
No Answer		16	17.78 %

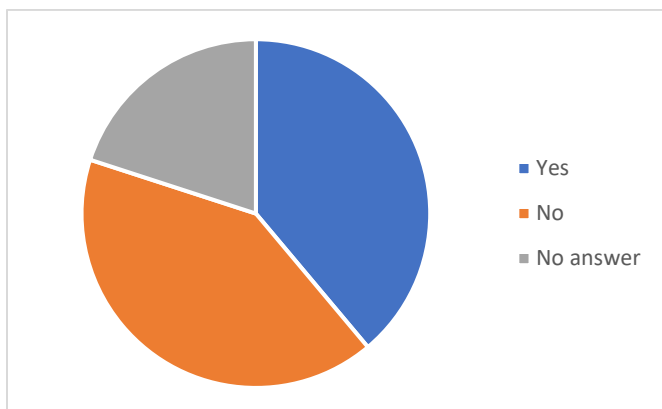
Did forbearance measures lead to a reduction in the total cost of the credit for borrower?

		Answers	Ratio
No		27	30 %
Yes, marginally		19	21.11 %
Yes, to some extent		33	36.67 %
Yes, significantly		2	2.22 %
No Answer		9	10 %



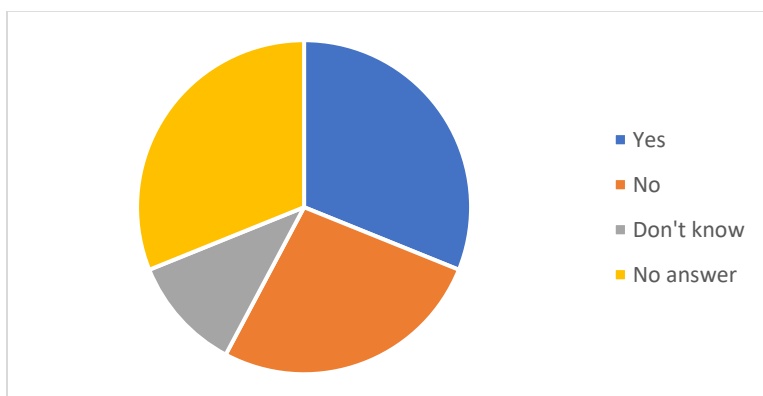
Are there measures in place to make sure that debt collection and the sale of loans on secondary markets is effectively ruled out in case there is no legal document to claim the debt?

		Answers	Ratio
Yes		35	38.89 %
No		37	41.11 %
No Answer		18	20 %



Do you have specific measures in place regarding SMEs in order to maximize the repayment of their loans and avoid default?

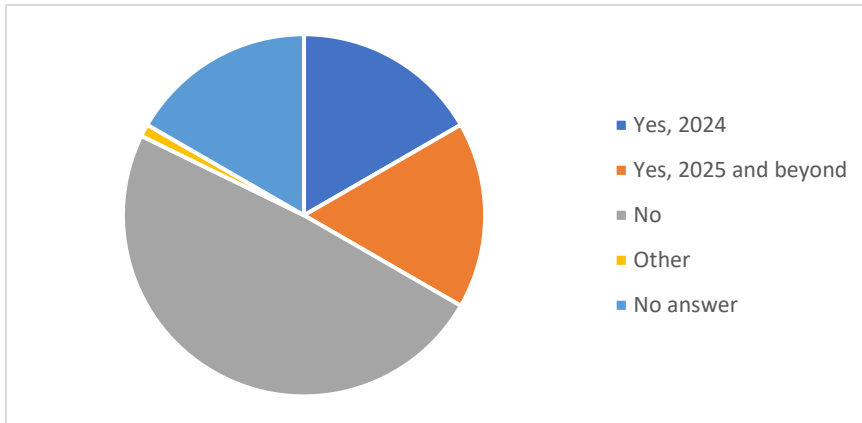
		Answers	Ratio
Yes		28	31.11 %
No		24	26.67 %
Don't know		10	11.11 %
No Answer		28	31.11 %



7. On Covid Loans

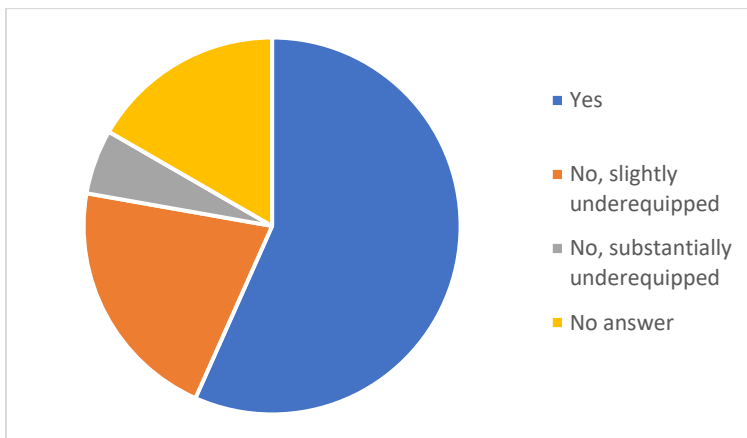
Do you expect Covid loans to experience higher default rates than other loans and thus have an impact on a possible increase of NPL?

		Answers	Ratio
Yes, 2024		15	16.67 %
Yes, 2025 and beyond		15	16.67 %
No		44	48.89 %
Other		1	1.11 %
No Answer		15	16.67 %



Do you think that banks are sufficiently equipped to deal with the work out of Covid loans?

		Answers	Ratio
Yes		51	56.67 %
No, slightly underequipped		19	21.11 %
No, substantially underequipped		5	5.56 %
No Answer		15	16.67 %



Do you see any transfer restrictions due to Covid loans?

		Answers	Ratio
Yes		25	27.78 %
No		52	57.78 %
No Answer		13	14.44 %

