## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreword</td>
<td>1</td>
</tr>
<tr>
<td>Commercial real estate</td>
<td>5</td>
</tr>
<tr>
<td>Unsecured retail</td>
<td>9</td>
</tr>
<tr>
<td>Secured retail</td>
<td>13</td>
</tr>
</tbody>
</table>
Foreword

2013 was an active year for loan portfolio transactions across Europe and the first half of 2014 indicates the market is enjoying another busy year.

On the demand side, we observe the following drivers of increasing bid prices:

► Improved investor sentiment being reflected in their view of collateral valuation and GDP growth prospects.

► The availability of leverage has increased significantly over the course of the last 18 months, with some significant advance rates available to acquirers of credit via both bank lending and securitisation markets.

► The loan servicing market is maturing and is starting to better assist buyers of credit in executing transactions and workout strategies. This servicing market maturity is being driven by both the increasing scale and development of incumbent players, and by divestments of collections and recoveries operations from banks in order to seed the third-party servicing market (Spain in particular has seen a number of these transactions).

EY recently conducted a Global Corporate Divestment Survey* to gain an insight into the drivers of change on the supply side, and as part of it asked respondents to consider the most important factor in selecting loan portfolios for disposal. The chart below indicates profits/losses on sale remains overwhelmingly the most important factor. In a continued low interest rate environment, and with capital requirements increasing, profits continue to be the scarce resource and are limiting banks’ ability to move on from the past and align balance sheets to stated strategy (customers, products and locations).

Notwithstanding the above, we expect the following factors to have the potential to significantly impact the supply side and reduce offer prices:

► The implementation of IFRS 9 which will require banks to hold provisions at a level associated with expected losses. IAS 39 currently requires banks to hold provisions at a level associated with incurred losses. The implementation of IFRS 9 can therefore only increase provisioning levels.

► The ongoing European Asset Quality review being carried out as part of the ECB’s Comprehensive Assessment ahead of implementation of the Single Supervisory Mechanism, through which the Eurozone’s largest banks will be regulated centrally by the ECB. The broad programme of activity associated with the Comprehensive Assessment is set out at a high level on the following page.

Against this background, this edition of EY’s Loan Portfolio Transaction Markets considers the UK and Irish loan portfolio transaction markets and specifically dynamics driving activity for the year ahead.

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**Ranked priority of strategic criteria used to select loans**

<table>
<thead>
<tr>
<th>Impact on P&amp;L</th>
<th>Data quality</th>
<th>Impact on opex</th>
<th>Impact on RWA</th>
<th>Impact on CTI</th>
<th>Is it core/non-core</th>
</tr>
</thead>
<tbody>
<tr>
<td>31%</td>
<td>16%</td>
<td>9%</td>
<td>11%</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>29%</td>
<td>11%</td>
<td>18%</td>
<td>9%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>18%</td>
<td>16%</td>
<td>13%</td>
<td>13%</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>

* Most important  Second most important  Third most important

* Company-specific data, analysis and commentary provided by FT Remark. 800 interviews with corporate executives surveyed in Q4 FY13 and Q1 FY14. 90 companies interviewed in the Financial Services sector.
Timeline of European Comprehensive Assessment

<table>
<thead>
<tr>
<th>Timeline</th>
<th>Comprehensive Assessment components</th>
</tr>
</thead>
</table>
| November 2013 to February 2014 (completed 1-2 weeks later than planned) | Supervisory Risk Assessment  
- Data request based on last six FINREP/COREP numbers extended to Nov 29.  
- Second data request (10,000 data fields) made at the end of November.  
- Third request made end of December focusing on risky loans and portfolios. |
| March 2014 to July 2014   | Asset Quality Review  
- Individual and portfolios of assets considered high risk will be reviewed. The review will cover all financial asset classes, including restructured loans, sovereign exposures, both on and off-balance sheet positions and trading and lending books. |
| July 2014 to October 2014 | Stress Test  
- Carried out in conjunction with the EBA, the Stress Test will test banks' balance sheets using revised opening balance sheet data provided by the Asset Quality Review. |
| November 2014 onward     | Results and Remediation Plans  
- The results of the Asset Quality Review and Stress Test will be combined to provide banks and the market with one result — a capital shortfall. Banks will need to agree medium-term remediation plans with the ECB. |

The impact of European Asset Quality Reviews

The components of the AQR are widely commented in EY's recent publication titled European Asset Quality Review (February 2014). We focus here on the nature of the exercise insofar as it impacts the carrying value of assets and therefore the drivers of potential supply to loan transaction markets.

Core to the credibility of the output of AQR will be its comparability. In order for the exercise to be deemed comparable across Europe, it will need to be executed in a consistent fashion. Part of the cost of consistency will be removing the potential for interpretation. We consider therefore that the assessment of asset quality will be more rules based than that which is currently applied under IAS 39 where a certain element of professional judgement is acceptable. We consider that the rules based methodology will impact asset quality in two distinct areas as follows:

1. Where NPL recognition and forbearance policies have been inconsistent/non-standard historically — these will need to be aligned to the very specific EBA definitions published in October 2013 and the very reorganisation of portfolios according to these rules will likely impact asset quality results.

2. Where a greater degree of judgement is present in provisioning calculations — this is particularly the case where there is judgement in respect of indications of impairment (e.g., where a bullet loan may be subject to refinancing risk); and where asset prices underpinning Loss Given Default (LGD) estimates (e.g., shipping assets) have been illiquid.
Based on these factors, we have identified the following areas that we consider could be more sensitive to the AQR procedures:

1. **Shipping**: Shipping loans have been subject to varying forbearance policies, and judgement has been applied with respect to LGDs given the relatively illiquid underlying shipping market.

2. **Commercial real estate**: European banks have large exposure to this sector and not all ECB countries have been subject to specific Asset Quality Review procedures.

3. **Italian SMEs**: SME assets are subject to a greater degree of judgement in respect of forbearance and associated provisioning. The scale of SME lending (relative to other asset classes) is significant in Italy.

### Potential impact of AQR activity on loan portfolio transactions

<table>
<thead>
<tr>
<th>Potential consequences of AQR</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Pre-emptive capital raisings/action</strong></td>
<td>Now</td>
</tr>
<tr>
<td>➤ For example proactive sales of subsidiaries and non-core minority interests for some, rights issues, booking of deeper provisioning as part of FY13 reporting (so as not to surprise the market with AQR results)</td>
<td></td>
</tr>
<tr>
<td><strong>B. Pre-emptive loan sales/workouts</strong></td>
<td>Now</td>
</tr>
<tr>
<td>➤ There is evidence to suggest that the sale/workout of single name corporate credits (where a combination of the syndication and forbearance issues noted above may arise in concentrated areas) has been an active area for about the last three months</td>
<td></td>
</tr>
<tr>
<td><strong>C. Emergency capital raising action</strong></td>
<td>Over the course of FY14 Summer</td>
</tr>
<tr>
<td><strong>D. Distressed M&amp;A for those that can’t raise capital in C</strong></td>
<td>End of FY14 Summer/Autumn</td>
</tr>
<tr>
<td><strong>E. Structured sale of loan books following deeper provisioning</strong></td>
<td>From mid-Summer</td>
</tr>
<tr>
<td><strong>F. Continued implementation of internal bad bank/non-core units and then programmes of sale from these</strong></td>
<td>Now and over the next 12 months</td>
</tr>
<tr>
<td>➤ Now and over the next 12 months</td>
<td></td>
</tr>
<tr>
<td><strong>G. Integration of distressed M&amp;A and systematic exits of non-core positions</strong></td>
<td>2015 and beyond</td>
</tr>
</tbody>
</table>

4. **Subsidiaries in the Eurozone periphery**: historically have applied a greater variety of NPL definitions and more, therefore, likely to be impacted by the EBA’s standard definition.

5. **Syndicated positions**: where the regulators will have the information to read across syndicate partners and seek consistency in provisioning, necessary for overall consistency and therefore comparable results.
2013 was a busy year for the real estate loan transaction market in the UK and Ireland. Increasing numbers of investors turned to real estate loans as investment opportunities, either as part of a 'loan-to-own' strategy or simply to achieve exposure to real-estate backed income. In 2013, we saw £6.9bn of loan balances transact in open auctions. 2014 is off to a strong start with the Irish Bank Resolution Corporation (IBRC) process coming to a close and £21.0bn of loans transacting in the UK and Ireland so far (£6.3bn excluding IBRC).

Chart 1: UK & Ireland NPL Transactions

<table>
<thead>
<tr>
<th>Year</th>
<th>NPL portfolios (UPB transacted) (LHS)</th>
<th>Loan platforms (UPB transacted) (LHS)</th>
<th>Number of transactions to date (RHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>5.3</td>
<td></td>
<td>21.0</td>
</tr>
<tr>
<td>Jan 2014</td>
<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>20 May 2014</td>
<td></td>
<td></td>
<td>8</td>
</tr>
</tbody>
</table>

Please see Appendix 1 for further detail.

Whilst the total amount of loan balances transacted in 2013 significantly exceeded the two preceding years (c. £4.0bn in 2012 and £3.7bn in 2011), the nature of the transactions has changed. Although non-performing loan trades still account for the majority of transactions (by number), in 2013 we also saw the sale of lending platforms. These included Eurohypo’s UK subsidiary, which was sold to Lone Star Funds and Wells Fargo, and the acquisition of Postbank’s London branch by GE Capital Real Estate. Both of these platform sales involved a significant proportion of performing or sub-performing loans – marking a trend that we believe could gather momentum across Europe as banks continue to address their non-core exposures.

In addition to Lloyds Banking Group’s continuing disposal programme, NAMA also started selling loan portfolios in the UK and Ireland. More significantly, however, the IBRC process has come to a close, with the sale of four CRE portfolios over the last three months. The total UPB transacted amounted to £14.7bn¹, with reported consideration in excess of £7.4bn.

Key trends

Pricing has improved

Improved investor sentiment in the UK and Irish real estate markets over the past 12 months has led to rising property values. This increase in collateral values, combined with reduced equity return requirements and improved availability and pricing of loan-on-loan financing, has driven up loan pricing.

The combination of factors has resulted in the gap between the underlying asset values and loan prices narrowing, which in turn has improved vendor returns and is encouraging greater supply.

A more mature market

A number of the more prominent buyers have now established experienced loan work-out platforms. These enable them to both price and, post acquisition, manage the assets in their portfolios more efficiently.

As more portfolios come to the market, some larger buyers continue to target opportunities in the UK and Ireland, but also other potential trades in Spain, Germany and the rest of Europe. In consequence of the increase in supply, some buyers are having to be more selective about which portfolios to bid for. This dynamic is slowly shifting the relationship towards a greater balance of power between buyers and sellers, albeit there is a significant amount of capital available and competition continues to remain fierce for most portfolios.

Performing and sub-performing loan sales

Whilst non-performing loan sales continue to dominate the market, a number of recent sales have included performing and sub-performing loans. We define ‘sub-performing’ loans as those that may not be refinanceable in the current market (typically due to high LTVs), but that continue to be serviced from cash flow generated by the assets and for which the lender would expect to recover the outstanding loan balance in full if the properties were sold.

To date, these loans have typically been sold as part of a broader platform or as part of a lender’s strategic exit from particular jurisdictions. Some of these transactions have resulted in investors forming consortia with a view to splitting the larger pool of loans into performing and non-performing sub-portfolios (e.g., Wells Fargo and Lone Star Funds for Eurohypo UK) and have attracted other investors that are looking to expand their loan books (e.g., GE Capital Real Estate) or acquire a platform on which to further build their activity. This trend is also gathering momentum outside the UK and Ireland.

¹ UPB relates to the four IBRC CRE portfolios transacted, and does not include Projects Sand and Evergreen – please refer to Appendix 1 for further detail.
Single loan/small portfolio trades & discounted pay-offs

There have been several loan transactions closed over the last 12 months where lenders have sold either large bilateral loans or their holdings in large syndicated facilities. These sales often take place off market or, more often, in restricted private auctions. We have also seen an acceleration in the trend of borrowers aligning themselves with other capital providers and offering discounted pay-offs to lenders, which, owing to the improvements in pricing, are now more likely to be acceptable to the lenders. Whilst there is no accurate way of estimating the scale of this market, we believe it represented at least an additional £1bn of loan balances transacted over the past 12 months. This estimate is based on our direct involvement in relevant situations since January 2013.

How will the next 12 months shape up?

The first half of 2014 has seen the market kept busy, with the closing of a significant number of loan portfolio sales that were launched in 2013 – e.g., the IBRC process.

The combination of improved loan pricing and the higher cost of capital attached to holding non-performing loans is creating an environment in which greater deal flow can be expected.

As lenders continue to accelerate their exit from non-core loans, we would expect more portfolios being brought to market to contain a mix of performing and non-performing loans. We would also envisage those portfolios to be increasingly focused on specific geographies (for example, where lenders are choosing to exit certain countries) and/or sectors.

The reduction in lenders' non-core books will be further accelerated by continuing discounted pay-offs from borrowers that now face more favourable financing markets to refinance and/or recapitalise their businesses.

Provided that the improved pricing and availability of debt funding holds, we would expect the flow of auctioned portfolios, off-market single loan/small portfolio trades and discounted pay-offs to gain further momentum in 2014/2015.

Notwithstanding the above, the UK and Irish CRE loan market needs to be taken in the context of increasing deal flow across Europe. This may have an impact on the level of demand, as most investors have a wider European investment remit.

EY experience

EY has been involved in more than £12bn that has transacted since the re-emergence of this market in UK and Ireland. We act on both the buy side and sell side for portfolios and single loan transactions, either in open auctions or in 'off market' transactions.
Increased demand side liquidity

During 2013, the sources of funds available to acquirers of unsecured loans increased significantly with the expansion of five notable pools of capital, as detailed below.

1. High yield bonds

2012 saw the debut of the high yield bond (HYB) to the industry with both Cabot and Lowell making successful issuances. Over the last 18 months we saw activity build in this area, with:

- Lowell’s additional £75mn Senior Secured Notes at 10.675% – issued at a premium, implying an effective rate of c.8.2%
- Arrow Global’s seven-year £220mn bond at 7.87%
- First Credit £100mn, private placement at 11%
- Marlin’s £150mn, seven-year public issuance at 10.5%
- Cabot’s additional bond tap of £100mn at 8.375%
- Lowell’s issuance of £115mn at 5.875%
- Cabot’s issuance of £175mn at 6.5% following the acquisition of Marlin

2. Traditional bank finance

Traditional high street lenders continue to fund the sector, albeit in many cases with reduced positions owing to the proceeds of some of the HYBs being used to refinance traditional Revolving Credit Facilities (RCF). However, those banks remain active lenders to the sector. In addition, the market was augmented with both Citi – participating in RCFs outside of Cabot for the first time in recent years – and Shawbrook entering the market.

3. International parents

We saw continued M&A activity in this sector throughout 2013. The most notable transactions included the JC Flowers/Encore acquisition of Cabot and the Hoist acquisition of The Lewis Group. Encore’s acquisition introduced the business to the UK for the first time, and Hoist extended its UK presence meaningfully with its purchase of The Lewis Group. Both of these groups have significant operations, cash flows and financing vehicles outside of the UK that augment domestic capital pools.

The more recent Marlin and Aktiv Kapital transactions show this trend continue in 2014.

4. Equity capital markets

The single most noteworthy event for the sector in 2013 was Arrow Global’s successful listing on the London Stock Exchange. This brought public equity to the sector for the first time.

5. Credit fund alliances

Credit funds’ active interest in the sector continued with their work in partnership with debt purchasers in order to gain access to the bank panels on which the debt purchasers sit. The pool of credit funds working with debt purchasers has expanded during the course of the last 12 months. We saw these alliances operating most successfully when addressing balance-sheet intensive pools of paying accounts.

Overall, the level of demand had a significant impact on pricing during the year. In our experience, 2013 prices hardened significantly relative to 2012 and continued to do throughout the year.

Continued supply side headwinds

Supply, albeit healthier than in 2009 and 2010, continues to be restricted to a small number of regular sellers with these augmented by occasional one-off transactions. One-off transactions in 2013 included the Government’s sale of Mortgage Style Student Loans, UKAR’s disposal of its unsecured operations (performing and non-performing) and the secondary sale of Equidebt’s back book.

Two of the five high street banks have now not sold debt for a period of between 18 months to two years. The main impediment to sales activity is compliance. With the regulation of the debt purchase industry moving from the Office of Fair Trading to the Financial Conduct Authority in April 2014, our view is that banks will wait until they develop a better understanding of FCA regulation and how it will be implemented before they return to selling as a primary recoveries strategy.

Banks that have continued to sell have introduced more rigorous and frequent audit programmes of debt purchasers. Audits have evolved considerably over the last 18 months. They have retained their focus on customer treatment, but this has been added to with special areas of focus including affordability (throughout 2012 and H1 2013) to overall risk governance frameworks (as we moved through 2013).
How will the rest of 2014 shape up?
Migration of regulation to the FCA will, in our view, dominate the shape of the market over the next 12 months:

Market supply will, in many respects, be dictated by the return/continued withdrawal of two of the major high street banks from the market. Successful implementation of FCA regulation, along with clear industry understanding, may give the two banks currently not selling the comfort to recommence their long-stalled activity in the market.

Market demand will, in our view, continue to exceed supply with the result that pricing will continue to harden in the absence of significant market growth.

The importance of FCA compliance to the market, and the nature of market supply (which as highlighted in our review of 2013 above has been somewhat constrained and lumpy), will continue to drive industry consolidation. This has already been signaled with Cabot’s acquisition of Marlin: a major step in industry consolidation in 2014. We expect to see greater consolidation, along with further IPOs over time.

We believe that the market’s balance of power will continue to move up the supply chain. Banks will retain the greatest share of power through their ability to dictate the levels of market supply and the participants (through their panel selection). However, we also detect that the balance of power between debt purchasers and credit funds will shift towards debt purchasers as their panel membership (as opposed to the credit fund’s liquidity) becomes the scarcer resource.

Irish market outlook for unsecured loan transactions
Irish bank’s collections and recoveries functions have, in recent years, rightly focused very heavily on mortgage arrears. However, stocks of unsecured recoveries have mounted up and are moving up banks’ agenda. Origination scorecards were, however, tightened throughout the crisis with very little unsecured credit being originated. As a result, the flow into recoveries functions is now starting to diminish and banks face the tough decision about whether to create an operating model suitable for their current stock of recoveries or for the ongoing flow. We advocate the latter which will therefore require one-off sales of historical stocks. We believe that we will see transactions of this kind in 2014, with these trades being facilitated by third-party servicers that have entered the market and are starting to mature. However, for credit funds, and debt purchasers looking to form partnerships with local servicers and address these potential bank disposals, the lack of credit bureau data and an as yet only nascent understanding of the impact of the Personal Insolvency Bill are creating barriers that will need to be overcome.

EY experience
EY has continued to be heavily involved as an adviser to the market both on corporate M&A and portfolio sales (primary and secondary).
Secured retail: a maturing market, so what next?

Continued evolution of the market

2013 was a busy year for transactions involving portfolios of secured assets (mortgages and second charge loans) and, just like the previous year, was characterised by a number of significant market developments.

One of the most significant primary deals was Heritable’s mortgage portfolio that was sold on behalf of the bank’s estate by EY’s Loan Portfolio Solutions team to Mars Capital (backed by Oaktree Capital).

The market for second charge loans also enjoyed a period of increased activity during 2013 and into 2014.

However, the notable feature of the year’s activity was a clear shift to more secondary deals. Between 2009 and 2012, most of the supply of secured portfolios to the market came from non-bank lenders or their investment bank funders. As most of those have now cleared their positions, the supply of these deals has diminished and been replaced by an increasing number of secondary deals (financial sponsors re-trading portfolios acquired during the initial period of transaction activity). The nature of these primary and secondary transactions also gave rise to a notable shift from non-performing to performing or re-performing portfolios.

As we forecast in our update last year, the move towards this type of asset class was facilitated by increased activity by bank acquirers with a more efficient cost of capital for such portfolios. However, these participants faced stiff competition from financial sponsors who were more easily able to access third-party leverage.

Alongside increased bank leverage we saw a number of loan portfolio securitisations, such as the deal by Mars Capital to fund the acquisition of the Heritable portfolio, a refinancing of portfolios acquired by Fortress Investment Group and Pamplona Capital Management. We expect to see similar activity continuing through 2014 and indeed we expect both primary and secondary vendors to use the securitisation markets to exit positions as an alternative to whole loan trading.
The UK outlook for the rest of 2014 and beyond

Overall, we expect 2014 to have a similar feel to 2013. There will be more primary deals, e.g., Basinghall and Kensington which were announced in the first quarter of 2014. However, given the number of acquired portfolios being administered by third-party servicers (we estimate £5bn–£6bn) we would expect secondary (and even tertiary deals) to become more prominent.

In the longer term, we are cautious about the further supply of primary deals. For a variety of reasons we do not see mainstream lenders being significant sellers of non-core or non-performing mortgages. Exceptions to this are more likely to involve products such as buy-to-let or second charge loans. There is some market discussion about securitisations being collapsed and the assets re-traded or re-financed. However, we believe that this will be a selective process, enacted only where such a transaction can improve on the existing cost of funds or advance rate.

A number of market participants have commented that the return hurdles required to win secured loans portfolios have dropped to single digits (unlevered). Given the greater leverage achievable on new origination, we expect many financial sponsors’ focus to switch towards backing originators of non-conforming secured loans such as Magellan Homeloans (mortgage lending to borrowers adverse credit) and Precise Mortgages (the first non-bank lender to receive FSA authorisation to offer buy-to-let (BTL) mortgages since the credit crunch).

We continue to have discussions with the natural holders of long-dated assets (insurers and pension funds) about the market for non-core secured loans. However, these conversations have begun to shift more towards new origination rather than portfolio trading. This is more familiar territory for these investors and it’s where we expect them to focus their efforts.

There were a number of transactions involving servicing platforms during 2013 and the beginning of 2014 saw this trend continue. We can see a clear consolidation opportunity in this market but these platforms can also give the buyer an option on new loan origination.

In conclusion, we see the continuing rise of the secondary market. There is still the possibility that we might see mainstream lenders becoming sellers of non-performing secured loans. If they did, this would become a game changer perhaps adding the asset class to the broadening number of asset classes we see being offered through the business as usual debt sale market.

Irish market outlook for secured loan transactions

The successful sale by Lloyds Banking Group of £610mn (face value) of owner-occupied and BTL mortgages to Apollo (for a rumoured £257mn), and IBRC’s disposal to Lone Star Funds and Oaktree Capital Management proved a significant development for the Irish market.

Given the perceived success of these transactions and the increased number of investors searching for opportunities in Dublin, together with Dublin property prices stabilising, and even increasing in some areas, we expect a continued healthy level of market activity for this asset class during 2014.

In contrast to the UK market, we would expect the supply into the market to come from the Irish banks as well as existing overseas institutions. Permanent TSB is reported to be preparing the sale of its €465mn Springboard Mortgages portfolio along with its €2.1bn Irish commercial real estate book.

As was the case in the UK, we would expect non-performing loans to lead the way but given the rapidly improving availability of leverage for Irish transactions we can see portfolios of performing assets following closely behind.

EY experience

EY acted as a sell-side adviser on a large number of secured retail loan portfolio transactions in the UK, as well as for UK clients overseas.
## Appendix 1: UK&I CRE loan portfolio transactions

### Real estate loan sales 2011-May 2014

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction detail</th>
<th>Vendor</th>
<th>Acquirer</th>
<th>UPB (£mn)(1) ongoing</th>
<th>UPB (£mn)(1) transacted</th>
<th>Discount(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ongoing</td>
<td>Project Button (1, 3) Irish RE loan portfolio</td>
<td>RBS</td>
<td>Ongoing</td>
<td>596</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Ongoing</td>
<td>Project Avon UK RE loan portfolio</td>
<td>Lloyds</td>
<td>Ongoing</td>
<td>625</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Ongoing</td>
<td>Project Drive (1) Irish and Polish RE loan portfolio</td>
<td>NAMA</td>
<td>Ongoing</td>
<td>188</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Apr 14</td>
<td>Project Tower (1, 4) UK and Irish RE loan portfolio</td>
<td>NAMA</td>
<td>Blackstone</td>
<td>1,458</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>Apr 14</td>
<td>Project Eagle Northern Ireland RE loan portfolio</td>
<td>NAMA</td>
<td>Cerberus</td>
<td>4,500</td>
<td>78%</td>
<td></td>
</tr>
<tr>
<td>Mar 14</td>
<td>Project Stone (1) UK and Irish RE loan portfolio</td>
<td>IBRC</td>
<td>Deutsche Bank, Lone Star Funds, CarVal &amp; Goldman Sachs</td>
<td>7,750</td>
<td>68%</td>
<td></td>
</tr>
<tr>
<td>Mar 14</td>
<td>Project Pebble (1) UK and Irish RE loan portfolio</td>
<td>IBRC</td>
<td>McKillen &amp; Colony Capital</td>
<td>667</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Feb 14</td>
<td>Project Salt UK and Irish RE loan portfolio</td>
<td>IBRC</td>
<td>Lone Star Funds</td>
<td>1,460</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Feb 14</td>
<td>Project Rock UK RE loan portfolio</td>
<td>IBRC</td>
<td>Lone Star Funds/Sankaty Advisors &amp; Canyon Capital</td>
<td>4,820</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Jan 14</td>
<td>Project Holly Irish RE loan portfolio</td>
<td>NAMA</td>
<td>Lone Star Funds</td>
<td>311</td>
<td>41%</td>
<td></td>
</tr>
<tr>
<td>Dec 13</td>
<td>Project East (5) UK hotel loan portfolio</td>
<td>Lloyds</td>
<td>Cerberus</td>
<td>147</td>
<td>39%</td>
<td></td>
</tr>
<tr>
<td>Nov 13</td>
<td>Project Club (1) Irish RE loan portfolio</td>
<td>NAMA</td>
<td>CarVal</td>
<td>208</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td>May 13</td>
<td>Project Aspen (1) Irish RE loan portfolio</td>
<td>NAMA</td>
<td>Starwood</td>
<td>675</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>May 13</td>
<td>Project Thames UK RE loan portfolio</td>
<td>Lloyds</td>
<td>Cerberus</td>
<td>527</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>Dec 12</td>
<td>Project Forth UK RE portfolio</td>
<td>Lloyds</td>
<td>Deutsche Bank/Kennedy Wilson</td>
<td>779</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Nov 12</td>
<td>Project Pittsburgh (1) Irish RE loan portfolio</td>
<td>Lloyds</td>
<td>CarVal</td>
<td>292</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>Nov 12</td>
<td>Project Lane Irish RE loan portfolio</td>
<td>Lloyds</td>
<td>Apollo</td>
<td>1,500</td>
<td>90%</td>
<td></td>
</tr>
<tr>
<td>Aborted</td>
<td>Project Pivot UK and Irish RE loan portfolio</td>
<td>AIB</td>
<td>Aborted</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>May 12</td>
<td>Project Harrogate UK and Irish RE loan portfolio</td>
<td>Lloyds</td>
<td>Oaktree</td>
<td>625</td>
<td>58%</td>
<td></td>
</tr>
</tbody>
</table>
### Loan portfolio transactions

**United Kingdom and Ireland update**

**Source:** Internal research

**Notes:**
1. Euro denominated balances have been converted to GBP using EUR 1.2.
2. Discount estimates based on publicly available information; discount based on UPB as detailed in this table.
3. The Project Button ongoing UPB excludes the €129mn syndicated loan secured by the Dundrum Town Centre in south Dublin, traded to NAMA in April 2014 at a reported par value.
4. The Project Tower transacted UPB excludes the €100mn tranche traded to Kildare Partners in March 2014, at a reported c. 80% discount.
5. The Project East transacted UPB excludes the €40mn tranche traded to Deutsche Bank in December 2013, at an unreported discount.
6. The Project Tower transacted UPB relates to the performing loan pool only, and excludes the £250mn of sub and non-performing loans.

The estimates included in the table above cover only those portfolios of real estate loans that have been sold through an open auction process. The data excludes infrastructure, residential mortgage and CMBS related trades. It also excludes loan portfolios sold ‘off market’ or bought back at a discount by the borrowers – another area where we have seen a significant increase in activity.

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction detail</th>
<th>Vendor</th>
<th>Acquirer</th>
<th>UPB (£mn)(1) ongoing</th>
<th>UPB (£mn)(1) transacted</th>
<th>Discount(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 12</td>
<td>Project Kildare</td>
<td>AIB</td>
<td>Lone Star Funds</td>
<td>542</td>
<td>60%</td>
<td></td>
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<tr>
<td></td>
<td>Irish RE loan portfolio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr 12</td>
<td>Project Prince</td>
<td>Lloyds</td>
<td>Kennedy Wilson</td>
<td>300</td>
<td>83%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Irish RE loan portfolio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sep 11</td>
<td>Project Royal</td>
<td>Lloyds</td>
<td>Lone Star Funds</td>
<td>923</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>UK RE loan portfolio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sep 11</td>
<td>Project Byron</td>
<td>Bank of Ireland</td>
<td>Kennedy Wilson</td>
<td>1,450</td>
<td>20%</td>
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<tr>
<td></td>
<td>UK RE loan portfolio</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jul 11</td>
<td>Project Isobel</td>
<td>RBS</td>
<td>Blackstone</td>
<td>1,360</td>
<td>30%</td>
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</tr>
<tr>
<td></td>
<td>UK RE loan portfolio</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>1,408</strong></td>
<td><strong>30,293</strong></td>
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**Loan platform trades**

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction detail</th>
<th>Vendor</th>
<th>Acquirer</th>
<th>UPB (£mn) ongoing</th>
<th>UPB (£mn) transacted</th>
<th>Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 13</td>
<td>Project Tower(6)</td>
<td>Deutsche Postbank</td>
<td>GE Capital</td>
<td>1,300</td>
<td>Undisclosed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(performing)</td>
<td></td>
<td>UK RE loan portfolio</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jul 13</td>
<td>Eurohypo</td>
<td>Commerzbank</td>
<td>Wells Fargo/Lone Star Funds</td>
<td>4,000</td>
<td>Undisclosed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>UK RE loan portfolio</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>-</strong></td>
<td><strong>5,300</strong></td>
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</tbody>
</table>

**Source:** Internal research

Notes:
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