

# Greece's NPL market grows and evolves

Several portfolios are up for grabs as the Greek market evolves towards securitisation, with an asset protection scheme also in the works

BY VIRNA ASARA

2019 is shaping up to be a record year for NPL activity in Greece with the systemic banks due to close a number of sales before year-end.

National Bank of Greece (NBG) has just launched the disposal of a new property-backed, non-performing loan portfolio known as Project Icon. The bank, which is being advised by Morgan Stanley on the process, is understood to have sent NDAs (non-disclosure agreements) to selected investors in early September, with the aim of receiving non-binding offers by 10 October. Binding bids are expected for mid-December.

The portfolio includes a total of 7,300 loans to 1,500 SMEs and micro enterprises with a principal of €1.5 bn, including €1 bn borrowed by 137 SMEs and the balance by micro enterprises. The loans are secured against 6,000 property assets valued at €1.1 bn, mostly consisting of commercial real estate (€800 mln).

Earlier this year NBG also closed the sale of Project Symbol to a consortium comprising Centerbridge Partners and Elliott Advisors. The sale involves around 13,000 SME loans with a face value of €1.6 bn and secured against 7,900 assets – largely commercial properties with a value of around €700 mln, as well as some €400 mln of residential assets and plots of land. This very granular portfolio is believed to have traded for €250 mln, or about 26% of the nominal value, according to those who track the market.

## PENDING DEALS

Likewise, Eurobank is understood to be on the verge of inking the disposal of Project Cairo, a €7.4 bn securitised pool of Greek non-performing mortgage loans, to US-based asset management giant Pimco. Eurobank is believed to be retaining the senior note tranche.

Pimco, a unit of German conglomerate Allianz, is also buying a majority stake of up to 80% in the largest management company in Greece, Financial Planning Services (FPS),

## NPL deals in Greece so far this year

VENDOR	PORTFOLIO	STAGE	BIDDER/S
NBG	Project Icon	Just launched	n.a.
NBG	Project Symbol	Closed	Centerbridge/Elliott Advisors
Eurobank	Project Cairo	Exclusivity	Pimco
Eurobank	Project Pillar	Closed	Pimco
Alpha Bank	Project Neptune	Second round	Apollo, Fortress, Bain Capital
Alpha Bank	Project Orion	First round	several parties

SOURCE: PROPERTYEU RESEARCH

which is fully owned by Eurobank and managed roughly €23 bn of assets.

Both transactions come hard on the heels of Pimco's acquisition in June of the mezzanine and junior notes of Project Pillar, a €2 bn NPL portfolio secured against 44,000 residential assets in the country.

Alpha Bank is also looking for a buyer for some of its bad loans. The lender is understood to have shortlisted US groups Apollo Global Management, Fortress Investment Group and Bain Capital for the second round of bidding for a €1.9 bn non-performing loan portfolio. The package, known as Project Neptune, includes soured loans secured against around 4,000 real estate assets. The virtual data room opened in early September and Alpha Bank is expected to select an exclusive party by the end of October.

Alpha Bank is also moving forward with the disposal of a €1.9 bn securitised pool of Greek non-performing mortgage loans known as Project Orion. Non-binding offers were received in early September from several parties including Lone Star, Bain Capital and Pimco. The portfolio includes some 36,000 loans of 19,000 borrowers with 40% of mortgage properties located in Athens.

## MARKET EVOLUTION

While growing in size and number of players, the Greek NPL market is also starting to shift from the sale of outright NPLs to secu-

ritisations, with Eurobank and Alpha Bank pioneering this trend (see Project Pillar, Cairo and Orion in table above). Meanwhile, the government and the Bank of Greece are making headway in getting approval for an asset protection scheme similar to the Italian GACS (Garanzia Cartolarizzazione Sofferenze), which would provide a sort of state guarantee on securitisations.

The scheme, which calls for the setting up of special purpose vehicles (SPVs) that would issue bonds with a government guarantee for senior tranches, is expected to further accelerate market activity, experts say. And while the initial target was set at €15-20 bn, the Greek ministry of finance recently revealed that this number could go up to €30 bn.

The viability of this scheme depends on the credit rating of Greek government bonds, as well as the level of the insurance premium that banks would be required to pay to the government, which is linked to the premium of credit default swaps.

'Securitisations are a way to expedite the sale of NPLs – and are perhaps more suitable for the granular nature of the portfolios still held by the banks. This of course calls for special tools for the underwriting and management of these loans,' commented Tassos Kotzanas, managing director of 8G Capital Partners, whose firm is reported to have developed proprietary automated valuation tools for Greece and Cyprus used in recent transactions. ■