



# In the market



**January 2017**

## Introduction

In this month's edition of In The Market, we look back on a busy month across the European banking sector despite the holiday season. The nationalisation of Banca Monte dei Paschi di Siena and the pending sale of Novo Banco represent resolution for the third biggest banks respectively, in two of Europe's most interesting banking markets. In the UK, MBNA's sale to Lloyds Banking Group demonstrated the strong demand for consumer credit amongst the largest UK banks, noting the UK's largest mortgage loan sale by UKAR is still to come in 2017.

As always, we have provided a link to the KPMG Deal Tracker, where we have captured key activity in our market, as well as thoughts from across KPMG including insights on stress testing and the upcoming 'Basel IV' discussions which were recently delayed until March.

Best regards,

**Andrew and Nick**



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## Highlights



### **Stress testing: A benchmarking analysis of SIBs**

During July and August of 2016, KPMG conducted a benchmarking assessment of 19 Global Domestic Systemically Important Banks (G-SIBs and D-SIBs) representing combined total assets in excess of US\$25 trillion.

Please click [here](#) for more information.



### **Pulse of Fintech Q3 2016**

KPMG published the latest in its' Pulse of Fintech series, reporting key equity transactions to VC-backed fintech companies globally, breaking out regional and sub-sectoral trends globally.

Please click [here](#) for more information.

# Deal tracker and statistics

Interactive dashboard summarising up to date European transaction activity and EBA stress test results can be found [here](#) along with installation and operating instructions.

## Key deals and activity



### UKAR

The UK Asset Resolution body is in the process of disposing a £16 billion portfolio of buy-to-let loans acquired from Bradford & Bingley.

A diverse group of bidders from banking and private equity are participating including Cerberus, Blackstone and TSB, with the winner acquiring the loans through a series of transactions scheduled in 2017/18.

The portfolio represents the largest Government financial asset sale in Europe and a large proportion of UKAR’s remaining asset base.



### Lloyds Banking Group (“Lloyds”) acquisition of MBNA

Lloyds have agreed to pay £1.9 billion (all cash) to acquire MBNA, the credit card company which primarily operates online and was previously owned by Bank of America.

Lloyds will have an estimated 26% of the UK credit card market following the acquisition.



### Banca Monte dei Paschi di Siena (“MPS”)

MPS represents the first state aid intervention under the BRRD rule and the ‘precautionary recapitalisation’ chapter.

Following the failure of the rescue plan ‘at market conditions’ outlined for MPS, the Italian government issued an urgent law decree to issue up to €20 billion public funds to help stabilise Italian banks. MPS is expected to strengthen its capital structure through three steps: (i) All subordinated loans to convert into new equity, (ii) retail sub-holders (total exposure €2 billion) will have the option to sell their shares to the Italian MFE (Treasury) and receive senior bonds, (iii) Italian State to provide for the residual capital shortfall (revised by ECB up to €8.8 billion).

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## Novo Banco

Lone Star was announced as the preferred bidder in the auction process for Novo Banco run by the Bank of Portugal (BdP) and the Portuguese Government.

Lone Star's offer was described by the Bank of Portugal as the most likely to assure "the stability of the financial system".

Reports have indicated that three bidders have participated in the sale process, being; Lone Star, a consortium between Apollo and Centerbridge, and the Chinese Investor Group Minsheng.

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## Wider insights



### Basel IV

As The Basel Committee ready the finalisation of revisions to approaches to RWA calculation, KPMG revisit the key changes that will impact banks.

These changes are expected to create more pressure on banking capital, further challenging existing business models.

Click [here](#) to read more.



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