



In the Market



November 2016

Introduction

Hello and welcome to 'In the market', KPMG's Banking Deal Advisory Client Newsletter.

Thanks to everyone who attended our Global Debt Conference in October. We were lucky have over 350 market participants in London for a fantastic afternoon, focused on many of the issues covered in this month's newsletter.

In particular, this month we've delved deeply into three of the fundamental issues facing European banks, being: (1) business model changes brought about through technological developments in our Fintech 100 and Meet EVA reports below, (2) the impact of low interest rates, non performing loans, costs and regulatory reform in our European Banking Profitability report and finally (3) the state of the property lending market in our Property Lending barometer 2016.

From a transaction perspective, there have been landmark deals executed in Italy, the Netherlands and Ireland over the past two months, which we've analysed in detail below. Our deal tracker, with the ability to manipulate and analyse underlying data through QlikSense, provides you with real time information regarding European banking M&A activity.

Finally, as highlighted last month we have continued to expand the usage of our 'KPMG Deal Room' since the Summer, with over 15 transactions live on KPMG's own virtual due diligence and bidding platform. If you would like further information, please contact the contact the KDR team [here](#).

Thanks and welcome to In the market.



Andrew Jenke

T: +44 (0)20 7311 1234

E: andrew.jenke@kpmg.com



Nick Colman

T: +44 (0)20 7311 1234

E: nicholas.colman@kpmg.com

Highlights



Property Lending barometer 2016

The latest edition of KPMG's survey of Europe's property lending markets reveals that conditions for financing real estate are favourable, and 75% of those surveyed want to maintain or grow lending for property investments — but the uncertainties around such sentiments are accumulating.

You can find the full report [here](#).



Fintech 100 and Meet EVA

Banks today face unprecedented challenge and disruption by technology focused companies from lending to payments to deposits. KPMG have produced two key pieces of research this month to address specific challenges today and the shape of the future of banking.

[Meet EVA – the future face of the Invisible Bank](#) explores a vision of a personalised, disaggregated and invisible banking industry in 2030.

[Fintech100](#) is a collaborative effort between H2 Ventures and KPMG and analyses the FinTech space globally. The report highlights 50 'Established' Fintech companies as well as the most intriguing 50 'Emerging Stars'.



European banking profitability

The weak economic environment in Europe, stubbornly low net interest margins, high levels of non performing loans, high cost-to-impact ratios and impact of regulatory reform are all contributing to continued low profitability amongst European banks.

KPMG's ECB Office and Regulatory Centre of Excellence have jointly published insights into low European banking profitability looking at the impact of these key drivers of banking profitability and the knock on impact on the wider economy. Read more [here](#).

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



Project Oyster

Ulster Bank completes the sale of €2.5 billion Project Oyster to Cerberus.

RBS subsidiary Ulster Bank completed the sale of €2.5 billion Project Oyster comprising of business, buy-to-let and owner occupier loans to Cerberus.

Oyster portfolio sale represents the completion of RBS's multiyear deleveraging strategy for Ulster Bank.



Banca Popolare di Bari securitisation

Davidson Kempner Capital Management bought the first securities tied to bad loans in an Italian government program designed to clean up lender balance sheets ('GACS scheme').

The hedge fund paid € 17.5 million for the equity and mezzanine tranches of a securitization from Banca Popolare di Bari SCpA, predicated to have a face value of € 24 million, according to a recent report by Moody's. This deal represents the very first transaction after the introduction of the GACS State-backed scheme. It closed at an implied valuation price of 30c/dollar for the underlying portfolio.



Project Yellow

FGH Bank entered into an agreement to sell the real estate financing activities of RNHB Hypotheekbank including a €1.7 billion portfolio and platform to CarVal Investors and Vesting Finance.

The transaction represents part of Rabobank's reduction of balance sheet and realignment of capital towards its core offerings in Dutch and Food & Agri markets.

Wider insights

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



Brazil – The next hotspot for distressed asset investors

Political turmoil, a painful recession marked by a two year 3% GDP contraction, a stubbornly climbing unemployment rate, and the highest corporate bankruptcy rate country history are combining to shape Brazil as an attractive distressed market investment over the next 3-5 years. Recognising this a number of legal reforms have been implemented to attract foreign capital, including shortening the recovery process and lowering entry barriers for international investors. Read more [here](#).



Vienna initiative NPL Monitor for the CESEE

KPMG in collaboration with the EBRD published an article on tax issues discouraging the sale of non-performing loans in Central and South Eastern European countries and how these impediments are being tackled by respective jurisdictions. This can be found [here](#).

The new issue of the semi-annual NPL monitor was published summarising the NPL landscape in CESEE. You can find this report [here](#).



Brexit newsletter

In order to keep clients abreast of breaking news and analysis on Brexit, KPMG publish a [weekly newsletter](#). Recent articles include views on sector deals, tax implications and the latest business reactions to changing Brexit expectations.

kpmg.com/socialmedia



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