

In the Market

July 2017



Introduction

Welcome to July's In the Market which can be found online [here](#).

It's been a busy month in the market, across Europe. In our July 'Highlights' section, we share our CEO Insights Report on 'Challenger Bank Perspectives' and KPMG Professionals' ideas around 'Balance Sheet Optimisation' for large corporations in a world of changing regulation. Furthermore, we report on the recent ECB NPL Stocktake for Q2 2017, and showcase our article on three recent cases of the BRRD in action to help stressed banks find a quick solution.

In transaction activity this month, we explore recent securitisations across Italy under the GACS scheme, and key deals in Spain and Portugal.

As always, underlying transaction data and our interactive dashboard can be found [here](#).

Best regards,

Andrew and Nick



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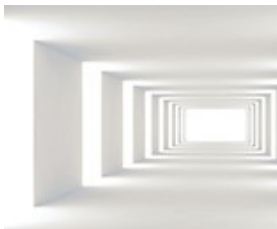


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Highlights



Challenging perspectives – KPMG Challenger Banking CEO Insights Report

KPMG has launched its first CEO Insights Report 'Challenging Perspectives'. The report reveals the insights of twelve challenger bank CEOs to better understand how they

are navigating change and achieving long term, sustained growth.

The report focusses on three main themes of i) Differentiation, ii) Customer centricity, and iii) Risk management.

Click [here](#) to download the full report.



Financial Markets Infrastructure – Catalysts for index disposals by banks

Increasing regulation is making index businesses less attractive to big banks, but data providers and stock exchanges are well placed for acquisitions.

KPMG Professionals explore the growth of index businesses and activity over the last 36 months as acquirers such as Bloomberg, Markit and LSEG remain on the lookout for more opportunities.

Click [here](#) to download the full report.



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Highlights (cont.)



Balance Sheet Optimisation – The returns dilemma

The average ROE for large European Investment Banks is 5% compared to the long run Cost of Capital which stands at 10%. The reasons for this gap are largely structural rather than institutional.

KPMG outlines the 4 steps required to successfully optimise banks' balance sheet with a view to reducing the returns gap.

Click [here](#) to read more.



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The Brexit Column: What banks can teach us

As banks have already planned for life after post Brexit, Our KPMG Brexit team look at what other industries can learn from European Financial Institutions on how to

adapt to the uncertainty Brexit brings.

Please click [here](#) to read more.



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ECB updates

Are there exceptions to dealing with failing banks?

Three recent cases illustrate that while the BRRD resolution tools can be used quickly and effectively in some circumstances, exceptions to the core BRRD approach may become the new norm.

This article analyses the contrasting approaches and outcomes of these three recent cases, namely (1) Banco Popular Español, (2) Banca Popolare di Vicenza and Veneto Banca, and (3) Monte dei Paschi di Siena.

Click [here](#) to read more.

Recovery Planning – Key questions for banks

As an overview, KPMG has produced a paper on how banks can develop credible recovery plans and the role of the BRRD.

The paper talks to how banks should identify credible options to survive a range of severe yet plausible stressed scenarios.

Click [here](#) to read more.

ECB second stock take of national NPLs

Following the official publication of the final ECB guidance to banks on NPLs, the ECB has published on June 30 its second stocktake on NPLs. This broad ranging, 278-page stocktake seeks to analyse the situation across 19 EU-countries as per December 2016.

Click [here](#) to read more.



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Key Banking M&A Activity

UniCredit sells Project Fino to PIMCO and Fortress

UniCredit announced the signing of Project Fino by Pimco and Fortress that will allow the securitisation vehicles to purchase the respective segments relating to Pimco and Fortress' stakes in the EUR 17.7 billion portfolio as defined in Project FINO Phase 1.



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Bain Capital Credit acquires €1 billion NPLs in Spain and Portugal

Bain Capital Credit has acquired non performing and sub-performing loan portfolios for an estimated balance of €1 billion from Caixa Geral de Depositos and Banco Ibercaja.

The Portuguese debt acquired are predominantly to SMEs and large Corporates secured by real estate assets, whilst the Spanish debt consists of loans to residential development land and real estate assets as well.



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European commission approves Lone Star acquisition of Novo Banco

After clearing regulatory hurdles, Novo Banco has begun the bond buyback at discount to generate capital ahead of its sale to Lonestar.

The bond buyback continues to be contested by bond holders and its failing could trigger resolution of the bank.

Banco Sabadell completes partial sale of Project Gregal

Banco Sabadell has confirmed the sale of two NPL portfolios to D.E. Shaw and Lindorff for €200 million and €300 million respectively, with a remaining tranche of €300 million still on the market.

The final tranche for sale will be confirmed within the first weeks of August. The remaining bidders include PRA, Cabot Financial and IntrumJustitia.



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Italian bank Credito Valtellinese completes NPL securitisation

Credito Valtellinese has completed the securitisation of €1.4 billion portfolio of NPLs, and joining a list of banks making use of the GACS scheme.

The capital structure is split with c.€460 million of senior debt and c.€60 million of mezzanine and junior debt.

Banca Monte dei Paschi di Siena confirms disposal plan for €26.1 billion NPL portfolio

The bank has announced it will dispose its portfolio of bad loans via a securitisation structure through the GACS scheme.

The senior tranche, which will hold a GACS guarantee will be valued at c.€4 billion, and the mezzanine and the junior tranche will be acquired by the Atlante II Fund at a value of c.€1.7 billion.



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