



In the Market

August 2017



Introduction

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

This month, we bring you the latest quarterly Pulse of Fintech report with analysis of Fintech investment trends alongside a sector lens on payments M&A including Vantiv's acquisition of Worldpay.

Following on from our July article on the different treatments of failing banks we look at the sale of a controlling stake in Banco Popular's Real Estate portfolio to Blackstone as well as KKR's acquisition of Pepper.

And finally, as we all resurface after the holiday season, it's an opportune time to reflect on post-Summer deal flow and transactions we expect to keep the market busy.

It's fair to say that the second half of 2017 is widely expected to see more deal activity than the same period last year, which was arguably stifled by the post-EU referendum malaise across western Europe. Twelve months on however, and amongst a spate of mega deals – including Santander's €30 billion Banco Popular NPL portfolio sale, Monte dei Paschi di Siena's €27 billion NPL portfolio sale through a securitisation structure and Bank of Cyprus' €1 billion REO portfolio sale – we expect to see in excess of €50 billion of transactions to close or hit the market across Europe from September onwards.

Aside from a number of 'mega deals', 2017 also saw record-breaking fundraising within the private equity and alternative investor communities – this dry-powder coupled with more readily available leverage will serve to drive further demand for assets globally. Consequently, for most, we anticipate the trend of 'over-subscribed' deals to continue in the run up to Christmas, whilst for others it will be a time for critical focus on those deals where they expect to be most competitive. Either way, we expect a very busy period for all involved.

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

Best regards,

Andrew and Nick



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Highlights



Pulse of Fintech Q2 2017

KPMG's Pulse of Fintech was published in Q2 2017 with analysis of investment and key trends.

The report demonstrates a quarter on quarter rebound in Fintech investment

as well as exploring blockchain commercialisation, the expansion of back office fintech and the major opportunities driving insurtech.

You can access the latest edition of the report [here](#).



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US payment processing firm Vantiv acquires Worldpay

Vantiv has acquired Worldpay for £9.3 billion after Advent and Bain Capital successfully listed the company on the LSE in 2015. The merged company will have a secondary listing in London.

The resulting company will be the largest payments processor in the world is poised to capitalise on expansion in digital payments as cash payments lose popularity.



French Ingenico Group acquires Swedish payments firm Bambora from Nordic Capital

Ingenico Group acquired Bambora for €1.5 billion reflecting the wider strength of payments businesses as consumers migrate from cash to

using mobile devices to pay for goods and services.

Fintech M&A – Payments



Regulation driving M&A in European payments

A recent wave of consolidation M&A within the European payments financial technology sector is set to continue firms follow the growth of digital payments whilst seeking benefits

of scale and the market reacts to the implications of Payment Services Directive 2 (PSD2). PSD2 is expected to lead to sharing of banks' customer data with third-party service providers, opening up areas of retail banking to disruption.

KPMG have published a regulatory summary on the recent regulatory developments in Payments [here](#).

June and July have seen a flurry of consolidation in a mature part of the fintech ecosystem, which we have explored below.



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Visa Inc. and Permira agree to invest in Swedish payment firm, Klarna AB

Permira has acquired a 10% stake in Klarna for approximately \$250 million. The investment came on the heels of Klarna being awarded its

banking licence, a milestone on its strategy to establish a wider retail banking offering.



Revolut and WeSwap in fundraising rounds

Rival fintech travel money and payment companies Revolut and WeSwap completed fundraising rounds within days of each other in July.

The companies quoted strong growth through FX volatility in the wake of Brexit

Key Banking M&A Activity



Banco Popular – Blackstone

Banco Popular have approved the sale of a majority stake in its Spanish real estate portfolio allowing the bank to no longer consolidate them on their balance sheet.

Banco Santander, who bought Banco Popular after it was put into resolution, have offered bridge financing.

We discussed the contrasting outcomes for failing banks including Banco Popular in an article in July's edition. You can read this [here](#).



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KKR's bid for Pepper announced on Australian Stock Exchange (ASX)

Pepper Directors have announced a scheme of implementation deed with a KKR bidco on the ASX, recommending shareholders vote in favour of the acquisition.

Pepper's revenues predominantly come from lending in Asia and Australia and servicing in Europe.



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State Bank of India

Shares of State Bank of India (SBI), India's largest lender with more than one fifth of the market share, fell 5.5% on announcement of June quarter earnings where the gross

Non-performing assets increased to 9.97% from 6.90% quarter on quarter.

Indian banks are sitting on more than USD 220 billion of stressed assets and the news comes as the Government and the Reserve Bank of India explore different NPA resolution policies creating significant opportunities for investors in this space.

You can read more on Indian stressed assets [here](#).



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Unicredit brings Project Firenze to market

In the context of its broader deleveraging strategy, the Unicredit Group has put €1 billion portfolio of non-performing loans mainly

comprising of unsecured assets (70%) under the name Project Firenze.

Indicative offers are due by early September.



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Greek Bank deleveraging

As Greek Banks have progressed on their de-leveraging commitments outside Greece, they are starting to focus on Greek portfolio de-leveraging, a long awaited theme

for NPL investors. Eurobank is rumoured to be taking binding bids for a consumer unsecured portfolio with a Gross Book value in excess of €2.5 billion, Piraeus is rumoured to have mandated UBS to sell a SME/Corporate Real Estate backed portfolio with a Gross Book value in excess of €1.0 billion, while local media suggest that Alpha Bank and National Bank of Greece are preparing to bring to market consumer unsecured portfolios.



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