



In the Market

October 2017



Introduction

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

KPMG's annual Challenger Bank publication reports on a thriving UK challenger bank sector by broadly segmenting them into Classic, Contemporary and Nouveau Challengers and reflecting on returns, regulation, technology and customer experience. Given the importance to challengers of the Second Payment Services Directive (PSD2), open banking standards and platformisation this month we have brought you three fintech articles covering benchmarking, operational readiness and policy recommendations.

In addition to updates to our monthly transaction tracker, we are excited to share updates to KPMG's Peer Bank. In addition to existing comparison of KPIs and metrics Peer Bank now includes a high level Basel IV impacts calculator on an individual bank basis. In the coming months Peer Bank will further improve with updated data and functionality.

In terms of transaction activity, we highlight performing loan transactions from Ireland in the form of Permanent TSB's residential mortgage-backed security issuance (RMBS) and Danske's €1.8 billion trade, various live transactions in Italy and an emerging pipeline in Greece.

Read the full In the Market newsletter October edition for more detail.

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

Best regards,

Andrew and Nick



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Highlights



UK Challenger Bank – Annual Report

Since 2008, more than 50 institutions have been granted banking licenses, with the 'challenger' space becoming increasingly saturated. KPMG explores categorisations of the new entrants

and 5 drivers for growth in the sector and future prospects.

Please click [here](#) to read the full article.

For more information, please contact [Richard Iferenta](#) or [Matthew Watkins](#).



European Property Lending Barometer – Annual Report

KPMG's annual Property Lending Barometer aims to provide a country by country analytical overview of the approach of banks to real estate financing. In particular

the report shines a lens on real estate loan portfolio transactions and restructuring of impaired loans.

Please click [here](#) to read the analysis.

For more information, please contact [Alexandra Skeggs](#), or [Andy Pyle](#).

Highlights (cont.)



KPMG economists on UK housing market

In recent months, the UK has shown increasing signs of a weaknesses in the residential housing market. KPMG economists have produced a paper reviewing these shifts and

sharing their five year projections on a regional level.

Please click [here](#) to read the analysis.

For more information, please contact [Yael Selfin](#), Chief Economist

ECB and Regulatory Updates



ECB NPL Quantitative Expectations & Provisioning targets

The ECB published on 4 October a [prudential guidance relating a provisioning backstop](#) for non-performing exposures (NPE), defining

the provisioning calendar for new NPEs as of 1 January 2018. While this only concerns new flows, there is concern by the industry it may put additional pressure on European banks. It also raises numerous questions around accounting, regulatory, data and NPE strategy and management. The ECB public hearing is on 30 November. See [here](#) for more details.

For more information, please contact [Eric Cloutier](#).



KPMG's Peer Bank updated for Basel IV calculation

KPMG Peer Bank is a benchmarking tool designed to compare peer-to-peer insights for banks. It was built using the recent EBA stress tests and transparency exercises, yielding over 150,000 data points and 100

ratios and indicators. It has now been enhanced with a Basel-IV Calculator, allowing banks to assess potential Basel-IV effects, such as the high-level impacts on credit (Internal Rating Based Approach and Standardised Approach), market, operational and CVA risks. For additional information, please visit the [KPMG Peer Bank website](#) or contact us.

For more information, please contact [Eric Cloutier](#).



EBA guidelines for Resolution

Based on the latest European experience with resolution planning and supervisory reporting, the EBA has initiated a [review of its guidelines](#) to improve reporting efficiency and the harmonisation of practices

for resolution planning. This includes changes to templates and data requirements, clarifications on the scope (in line with BRRD) and guidance on items such as precautionary or early intervention. The consultation period is until 11 December. The new framework is expected to be operational in 2019. Find out more [here](#)

For more information, please contact [Eric Cloutier](#).

Fintech Insight



Fintech – Forging the Future executive survey

KPMG professionals have conducted a global executive survey of financial institutions to benchmark efforts to remain competitive in the face of technological disruption.

Read the survey findings including characteristics and practices of Fintech leaders [here](#).

For more information, please contact [Murray Raisbeck](#) or [Sarah Walker](#).



Fintech – PSD2 regulation operational preparation

As the January 2018 deadline for 'PSD2' and the UK's Open Banking Standard approach, KPMG professionals explore how banks are operationally preparing for the change.

To read the report on Open Banking please click [here](#).

For more information please contact [Jürgen Wagner](#).



Fintech – Key policy recommendations

KPMG's Strategy team have published a report commissioned by The City of London Corporation on Fintech in London.

To read the report and key policy recommendations for London please click [here](#).

For more information, please contact [Paul Merrey](#) or [Sarah Walker](#).



FCA's report on financial lives of UK adults

Last week, the FCA published "Understanding the financial lives of UK adults", the result of their Financial Lives Survey 2017, which creates a picture of UK adults' use

of financial services, their vulnerability, payment difficulties, and level of debt. The full report can be read on the FCA's website.

For more information, please contact [Simon Walker](#) or [Sarah Walker](#).

Key Securitisation Activity



PTSB tracker back book securitisation

Permanent TSB successfully transacted its latest RMBS, Fastnet Securities 13. The portfolio, backed by €800 million of seasoned owner-occupied (PDH) loans, priced at the

tight end of guidance, with the class A notes (EUR 413.1 million, margin of 35bps over 3M Euribor) priced at 100.264. Fastnet demonstrates the usefulness of securitisation as a means for Irish banks to reduce NIM drag on their backbooks and demonstrates increasing international appetite for Irish mortgage debt following Danske Banks's €1.8 billion performing portfolio sale earlier this month.

For more information, please contact [Michael O'Sullivan](#) or [Brian Shefflin](#).



Caixa Economica Montepio Geral bringing first Portuguese NPL securitisation to market

The binding offers on the mezzanine and junior tranches of first rated NPL securitisation in Portugal are

expected by the end of this month. The notes, issued by Hefesto STC, have been rated by DBRS and are backed by a pool of secured and unsecured Portuguese NPL originated by Caixa Economica Montepio Geral. The pool will be serviced by Whitestar Asset Solutions and HipoGes.

For more information, please contact [Rodrigo Lourenco](#) or [Fabrizio Sicilia](#).

Key Banking M&A Activity



Bank of Ireland UK acquires Marshall Leasing for £42.5 million

Marshall Leasing was established in 1979 and has a fleet of more than 6,000 vehicles providing a range of contract hire fleet services including fleet management, risk

management, contract purchase and daily rental, aimed at the SME sector.

On completion, Marshall Leasing will become part of Northridge Finance, BOI UK's car and asset finance business helping Northridge to continue to develop and diversify its business.

For more information, please contact [Andrew Nelson](#) or [Matthew Watkins](#).

Key Portfolio Activity



Danske Banks select PIMCO and Goldman Sachs as preferred bidders for €1.8 billion performing book

PIMCO and Goldman Sachs have acquired Danske's €1.8 billion Proteus portfolio of performing

residential loans for a price believed to be in the region of 95c on the euro.

The transaction represents the last major portfolio in Danske's exit from Ireland and is notable due to the investor appetite on tightly yielding Irish mortgage debt, particularly from insurer.

For more information, please contact [Brian Shefflin](#) or [Michael O'Sullivan](#).



Carige shortlists bidders for Project Sword and Project Gerica

Carige has taken Davidson-Kempner-Prelios, Bayview-CRIF partnership, Lindorff and FonSpa for its €1.4 billion NPL Portfolio and management platform.

The portfolio is split between 70% secured and 30% unsecured loans and is codenamed Project Sword. The deal also includes Project Gerica, a portfolio management platform which has a 10 year management agreement for the stock of NPLs.

For more information, please contact [Domenico Torini](#) or [Carlo Savani](#).

Key Portfolio Activity (cont.)



Project Rossini receives Phase 2 binding offers from final 3 bidders

Bain, Cerberus and Fortress have submitted binding offers for REV's €1 billion portfolio. The portfolio includes mostly residential assets, but also industrial and commercial assets.

For more information, please contact [Domenico Torini](#) or [Carlo Savani](#).



Eurobank confirms sale of €1.5 billion NPL portfolio Project Eclipse to Intrum

Eurobank has agreed to sell a €1.5 billion NPL portfolio to Intrum. The portfolio consists mainly of unsecured consumer loans and is

part of a wider deleveraging programme in the region, which expects to see Greek banks disposing of up to €40 billion NPLs by 2019.

For more information, please contact [Vasilis Kosmas](#) or [Anete Daukste](#).



Caixa Geral de Depositos ('CGD') to dispose of €2.7 billion Spanish and Portuguese NPLs

CGD, Portugal's largest bank by assets has identified a €2.7 billion NPL portfolio to be sold in tranches consisting of REOs, Corporate and

Residential Loans. The portfolio has a large amount of Spanish assets as well.

CGD is looking to halve its NPL ratio to 8% by 2020 and this sale comes on the back of the successful completion and sale of Project Andorra, a €476 million NPL portfolio sold to Bain Capital Credit.

For more information, please contact [Rodrigo Lourenco](#) or [Arun Sharma](#).

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