



# In the Market

November 2017



## Introduction

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

In this month's edition, we discuss the new regulatory changes imposed by the European Central Bank (ECB) on resolution planning, and the potential impact from the EC's consultation on a prudential backstop for NPLs. We have also launched our Q3 Pulse of Fintech report which analyses the M&A and investment trends across fintech companies in the US and Europe, and our tax team brings to you the impact of Philip Hammond's Autumn Budget.

After last month's Challenger Banks publication, FirstRand has acquired Aldermore with Anacap supporting the 313p per share offer for Aldermore. The acquisition follows a wave of M&A in the UK Challenger Bank space.

In Europe, Mars Capital have launched their second Irish NPL RMBS in the form of Grand Canal 2 structure and BAML have launched the first CMBS structure in the UK.

As European loan portfolio transactions swell in the final half of 2017, we report on the sale of Project Sword and the Gerica management platform by Banca Carige, and on Projects Amoeba and Eclipse in Greece.

As always, you can access our deal tracker [here](#)

Best regards,

**Andrew and Nick**



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## Highlights



### The European Commission statutory prudential backstops for NPLs

On 10 November 2017, the European Commission (EC) launched a public consultation (until 30 November) for a statutory prudential backstop for NPLs.

The content is very close to the ECB's NPL prudential backstop published on 4 October 2017 (also for consultation). The EC backstop covers all EU-27 banks and would include automatic mechanisms with Pillar 1 measures. Separately, the EC Council has issued a legal opinion concluding that the ECB does not have the mandate the provisioning backstop as a form of soft law. The ECB maintains its position that it is only a guideline. This update is likely to postpone the consultation's entry into force.

Please see the EC consultation [here](#) and the ECB consultation [here](#).

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

## Highlights (cont.)



### Resolution: An evolving journey in Europe

KPMG published its new paper on bank resolution and the challenges posed. Three main areas are of critical importance for resolution planning, namely the need for robust

operational continuity, sufficient loss absorbing capacity, and valuation preparedness.

This paper discusses the challenges facing large banks in Europe around the resolution topic and how they can implement viable solutions that meet the needs of customers, investors and regulators.

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

This supplements our previous thought leadership on recovery planning from July (available [here](#)).

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



### The Pulse of Fintech – Q3 2017

In Q3 2017, total global investment in fintech companies reached €8.2 billion across 274 deals. KPMG analyses the investment and M&A trend across the fintech industry over the last five years, the range of

valuations across the Americas and Europe and what future trends we can expect from disruptors such as blockchain companies.

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

For more information, please contact [John Lavender](#), [Ian Pollari](#), [Murray Raisbeck](#), [Brian Hughes](#), or [Arik Speier](#)



### Leveraged Finance

From November 2017, the ECB increased its monitoring of European Banks' Leveraged Finance activities. While this does not intend to prevent credit institutions from providing financing solutions to leveraged

borrowers, the real impacts remain to be seen. Similar guidelines in the US resulted in a reduction in leveraged activity amongst banks

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

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



### UK Budget highlights

The Chancellor's budget gave few surprises to the financial services sector on Wednesday 22 November, however there are some key changes which should be carefully considered.

KPMG explores the impact of the budget, including i) hybrid and corporate interest restriction rules, ii) WHT exemption for debt traded on a MTF, iii) indexation allowance to be frozen on gains made on or after 01 January 2019, and iv) non UK resident companies holding property in the UK to be liable for UK tax from 01 April 2019.

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

For more information, please contact [Mark Wrafter](#).

## Key securitisation activity



### BAML confirm sale of first European conduit CMBS of 2017, Taurus 2017-2 UK

The single loan CMBS is backed by 127 properties at REV of £545.6 million. BAML had previously helped Blackstone finance the acquisition of the Brockton

Capital/Dunedin portfolio by lending £440 million, and selling down the mezzanine tranche at £74 million.

Currently, investors are able to invest in the floating rate tranches ranging from BB- to A- ratings. Pricing is expected to be around 90bps over 3mL and up to 200bps over 3mL for the B and C notes. All notes will mature by 2022.

For more information, please contact [Alexandra Skeggs](#) or [Fabrizio Sicilia](#).



### Mars Capital to offer second Irish RMBS of 2017

Mars Capital Ireland has announced a new Irish RMBS, Grand Canal Securities 2, which will be backed by performing and non performing residential mortgages

The current structure will offer investors a chance to invest in both the senior and mezzanine tranches of the structure. The structure will be priced at a discount margin of between 100-200bps over 1mE for the A note, up to 300bps over 1mE for the B note and between 500-700bps over 1mE for the C and D notes respectively.

The total structure has a size of €542.4 million.

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



### Banca Popolare di Bari launches second NPL securitisation

Banca Popolare di Bari has commenced its second NPL securitisation under the Italian GAC structure. The bank has transferred a portfolio of €350 million loans

which includes a mix of secured and unsecured assets.

For more information, please contact [Domenico Torini](#) or [Fabrizio Sicilia](#).

## Key banking M&A activity



### Aldermore is acquired by FirstRand

The acquisition of Aldermore Bank Plc by FirstRand follows AnaCap's 2017 divestment of its stake in the lender. The deal continues a wave of consolidation in the challenger bank sector following deals such as the take private of Shawbrook Bank by Pollen Street and BC Partners, and Sabadell's acquisition of TSB.

The 1.5x Net asset valuation multiple paid by FirstRand is lower than comparable transactions such as those noted above, which were towards the 1.8x region.

The challenger bank space has seen much activity over the past 12-24 months. To read our October Challenger Bank publication please click [here](#).

For more information, please contact [Matthew Watkins](#) and [Sarah Walker](#).

## Portfolio activity



### Cerberus acquire €760 million Project Rossini from REV

Cerberus were successful in acquiring Project Rossini, an approximately €760 million NPL portfolio secured by a mix of commercial and residential real

estate assets, from the Italian bad bank REV. The portfolio was composed of large debtors with exposures of more than €10 million. Bain Capital Credit and Fortress Investment Group also presented binding offers for the portfolio.

The acquisition is set to be one of the largest direct sales of secured NPL portfolios in Italy. REV continues to manage nearly €9.0 billion of portfolios previously owned by Banca Etruria, Banca Marche, Carichieti, and Carife.

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



### Banca Carige confirms sale for Project Sword and Gerica platform

Banca Carige has confirmed the sale of its €1.2 billion NPL portfolio and the Gerica NPL platform to Credito Fondiario. The portfolio which was

dubbed Project Sword and is expected to be followed by the sale of Creditis; the bank's consumer credit business.

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



### Eurobank confirms sales of Unsecured loan portfolio

Eurobank Egasias SA has confirmed the sale of a €1.5 billion unsecured loan portfolio to Intrum Hellas DAC. The portfolio

has been delegated to the FPS (Financial Planning Services) who will service the book

For more information, please contact [Nick Colman](#) or [Vasilis Kosmas](#).



### Intesa Sanpaolo sells €600 million loan portfolio to Mediobanca

MBCredit Solutions has acquired a €600 million consumer non performing loan portfolio from Intesa Sanpaolo.

The portfolio consists of 65,000 unsecured consumer credit card loans.

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



### Piraeus Banks launches €1.5 billion NPL portfolio sale

Piraeus bank has launched a €1.5 billion NPL portfolio. Project Amoeba expects to receive indicative offers by January 2018, with the portfolio

secured by a mix of residential and commercial properties.

The bank is expecting to reduce its NPE balance to €20 billion by 2020.

For more information, please contact [Nick Colman](#) or [Vasilis Kosmas](#).

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