



# In the Market

March 2018



## Introduction

[Deal tracker](#)[Previous editions](#)

Welcome to March's In the Market, which can be found online alongside previous editions [here](#).

This month we review a number of European regulatory advancements including IFRS 9, the European Commission's NPL 'Action Plan', and the EBRD's framework for NPL acquisitions. The latter has been introduced by Brussels to help nurture deleveraging activity within CESEE where NPL ratios are generally greater than 10%.

With respect to banking activity, Arrow Global acquired servicers Europa Investimenti and Parr Credit in Italy, having previously acquired Mars Capital, enhancing Arrow's pan-European servicing business. B2Holdings acquired French servicer NACC and Project Venus, one of the largest loan portfolio sales yet, completed in Greece. We continue to monitor securitisation activity across Europe, with Santander pricing its UK RMBS Holmes Master Issuer Series 2018-1 structure, consisting of UK mortgages with a gross balance of up to £4.5 billion. We also review the successful sale of Project Purple to CarVal Investors; and Metro Bank's transfer of its acquired UK performing loan book from Cerberus and Capital Home Loans.

Our European Banking Transaction Tracker has been updated and can be found [here](#).

As always our previous editions can be found [here](#).

Best regards,

**Andrew and Nick**



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## Highlights



### ECB and IFRS9 – impacts on banking supervision

IFRS 9 has been flagged as a key priority for the ECB in 2018. KPMG professionals review the potential impact the new regulation will have on European Banks and on all four of the SREP's key elements, including:

1. Governance and Risk Management;
2. Risks to capital as IFRS 9 could create some volatility in capital ratios;
3. Risks to liquidity through challenging banks' future cash flows;
4. Business models and SPPI requirements leading to higher provisioning and capital requirements.

Please click [here](#) to find out more.

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

## Highlights (cont.)



### Basel 4: The way ahead

In December 2017, the Basel Committee on Banking Supervision finalised the Basel 4 standards, creating debate as to how these would affect risk weighted assets

and the regulatory capital banks will be required to hold under the new rules.

Please click [here](#) to find out more.

For more information, please contact [Daniel Quinten](#) and [Fiona Fry](#).



### Substantial regulatory updates for NPLs in March

March has been a very busy month for NPL regulatory updates in Europe. The European Commission provided an update on its NPL Action Plan; there was a final addendum to

the ECB Guidance on NPLs regarding supervisory expectations for prudential provisioning; and the EBA published draft guidelines on the management of NPL and forbore exposures.

Please click [here](#) to find out more.

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



### NPL Data: Building Resilience

Regulatory requirements to improve banks' NPL data are evolving fast, raising concerns from banks on where to start to respond to this 'moving target'. Practical steps can be made by banks to enhance their NPL data

efficiently and in a cost effectively in order to meet these requirements.

Please click [here](#) to find out more.

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



### EBRD's Framework for NPL acquisition making headway

Since the launch of its NPL investment framework in November 2017, the EBRD has made significant progress. A total of 15 projects (EUR 20 billion by GBV) are currently in EBRD's pipeline

and the first transactions are anticipated to be signed shortly. KPMG is acting as sales advisor on some of the ongoing transactions.

Please click [here](#) to find out more.

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

## Key banking M&A activity



### Arrow Global strengthens presence in Italy

Arrow Global, the UK-based private debt and distressed credit alternative asset manager, acquired Europa Investimenti, an Italian investor and manager of NPLs, for an equity value

of €62 million. In a second deal, Arrow Global acquired Parr Credit, an Italian NPL servicer for €20 million.

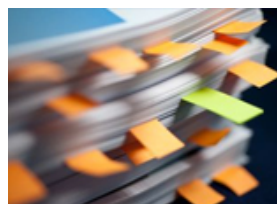
For more information, please contact [Domenico Torini](#) and [Carlo Savani](#).



### B2Holding ASA acquires NACC

B2Holding, a Norway based provider of debt solutions has acquired fellow debt collection servicer NACC for an estimated €90 million from Pragma Capital. The strategic acquisition increased the B2Holding's exposure to the French NPL market.

For more information, please contact [Arnaud Demeocq](#) and [Arun Sharma](#).



### Fintech ClearScore acquired by Experian

ClearScore has been acquired by Experian for £275 million, only two years after its founding. The acquisition price was reportedly five times larger than other average

comparable UK tech transactions and shows further evidence of consolidation in the sector.

For more information, please contact [Robert Hibbert](#) and [Arun Sharma](#).

## Key securitisation activity



### Al Rayan debuts Sharia-compliant RMBS

The first European sharia compliant securitisation (Tolkien Funding Sukuk No. 1) was placed on the UK markets by Birmingham-based Al Rayan Bank. The £250 million securitisation was acquired by UK investors.

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



### Santander prices UK RMBS Portfolio

Santander has priced its UK RMBS Holmes Master Issuer Series 2018-1. The underlying portfolio comprises of over 92,000 loans with an unpaid balance of £4.5 billion. The average current LTV is 60.2% and average seasoning is just over 10 years.

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

## Portfolio activity (cont.)



### **Rabobank signs with CarVal for Project Purple**

Rabobank's FGH Bank has signed an agreement with CarVal for the sale of Project Purple, a EUR 1.3 billion portfolio mostly consisting of performing loans. Following the sale,

FGH is reportedly expected to wind down its activity over 2018.

For more information, please contact [Erik Rood](#) and [Andrew Jenke](#).



### **Morgan Stanley and Deutsche Bank lead financing of Banco Popular's loan book**

Morgan Stanley and Deutsche Bank have been selected as the lead financiers for Blackstone's

acquisition of a 51% stake in Banco Popular's €30 billion Project Neptune portfolio. The deal was the largest deal in the region and presents one of the largest financing opportunities in Europe this year.

For more information, please contact [Andrew Jenke](#) and [Carlos Rubi](#).



### **DDM Holding acquires distressed asset portfolio**

DDM Holding AG has announced an agreement to acquire a distressed asset portfolio with a gross balance of approximately €240 million. The

portfolio contains secured corporate receivables in the Balkans, with more than 90% of the value derived from Slovenia and Croatia.

For more information, please contact [Nick Colman](#) and [Anete Daukste](#).



### **Metro bank acquires UK mortgage portfolio from Ceberus and Capital Home Loans**

Metro Bank has agreed to purchase a performing loan portfolio of UK mortgages for £523 million. The loans were originated by Permanent

TSB's UK subsidiary, which were sold to Cerberus in 2016. Largely composed of variable Buy-to-Let mortgages, 98% of the loans are linked to the Bank of England base rate. The portfolio is secured against property with 49% in the South East and the remainder across the UK.

For more information, please contact [Andrew Jenke](#) and [Arun Sharma](#).



### **B2Holding wins Project Venus**

B2Holding, a Norway based provider of debt solutions, has signed a binding agreement with Alpha Bank for the acquisition of a portfolio of Greek retail unsecured NPLs with

total outstanding balance of EUR 3.7 billion, of which principal is EUR 2.0 billion. B2Holding and Alpha Bank agreed a consideration of EUR 90 million.

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

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