In the Market

June 2018

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Introduction

Welcome to June's In the Market, which can be found online alongside previous editions here.

In this month's In the Market, we review an active European credit market with Piraeus Bank selling the first CRE NPL portfolio in Greece, Cerberus winning Gruppo Delta's €2.2 billion Project Arcade and Deutsche Bank and Davidson Kempner acquiring a performing loan portfolio from Commerzbank in Italy. UK Asset Resolution continues to sell off its assets and brought the £850 million Project James to market, the largest equity release portfolio sale in years.

In other M&A activity, we examine the potential mega-merger of UniCredit and Société Générale, as well as the increasing consolidation of the European payments industry with two €1 billion plus deals announced in the past month, as well as a further, smaller deal. Closer to home, the UK government continues to sell Royal Bank of Scotland shares and the 'guarantor loan' provider and market leader Amigo announced plans for an IPO.

In Italy, the securitization market remains hot with Banca Monte dei Paschi, Banco BPM and Credito Valtellinese announcing they had entered the final stages of their €24.1 billion, €5.1 billion and €1.7 billion securitizations respectively.

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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Portfolio activity

Piraeus Bank sells two large portfolio, including the first CRE NPL portfolio sale in Greece

Piraeus Bank and Bain Capital have signed an agreement for the sale of a CRE NPL portfolio, called Project Amoeba. The portfolio has a GBV of €1.45 billion with €1.95 billion of legal claims. The transaction is expected to be followed by other secured transactions in Greece as activity continues to grow in the region.

AND

Piraeus Bank has agreed to sell an unsecured NPL portfolio to APS Holding. Comprising €2.3 billion legal claims and €400 million on-balance sheet gross book value, the portfolio consists of 220,000 loans and is the fourth such loan sale this year.

For more information, please contact Nick Colman and Vasilis Kosmas

Portfolio activity (cont.)

Gruppo Delta chooses Cerberus as exclusive bidder for Project Arcade

Project Arcade is close to completion after Cerberus was selected over Banca Ifis for Project Arcade, a €2.2 billion non-performing, unsecured consumer loan portfolio.

The portfolio consists largely of consumer and automotive loans (c.75%) with the remainder consisting of salary and factoring loans. Gruppo Delta is controlled by the main Italian banks including Unicredit, Banca Monte dei Paschi and Banco BPM.

The transaction had previously been delayed due to the perceived impact on the region from the sale.

For more information, please contact Domenico Torini and Carlo Savani.

UK Asset Resolution's Equity Release Portfolio, Project James, comes to market

An £850 million portfolio of lifetime mortgages has been brought to market by UK Asset Resolution, the UK's bad bank. The portfolio was originally sourced by Bank of Scotland Ireland (BoSI) where the mortgage is repaid by the underlying collateral once the borrower becomes deceased.

KPMG produced an article in last month's In the Market on Equity Release mechanisms; please click here to read more.

For more information, please contact Alexandra Skeggs and Arun Sharma.

BBVA closes largest developer credit portfolio to Canadian Pension Fund

The Canadian Pension Plan Investment Board (CPPIB) has acquired a €1 billion developer credit portfolio from BBVA. The portfolio has developments across Spain and is the largest deal of its type to have completed in Spain.

For more information, please contact Andrew Jenke and Carlos Rubi Motes.

CaixaBank have confirmed the acquisition of NPL servicer Servihabitat

CaixaBank has confirmed they have acquired a 51% stake in Servihabitat for approximately €175 million from TPG Partners.

Servihabitat is one of Sareb's largest servicers, managing the bad bank's distressed assets in Spain.

For more information, please contact Andrew Jenke and Carlos Rubi Motes.

Portfolio activity (cont.)

Commerzbank sells Italian performing portfolio to Deutsche Bank and Davidson Kempner

Commerzbank has continued the winding down of Eurohypo's operations in Italy by selling a €280 million secured, performing portfolio in Italy. Dubbed Project Borromini, a significant portion of the loans are linked to the Citylife development in Milan.

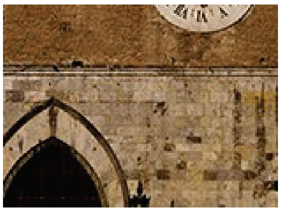
For more information, please contact Domenico Torini and Carlo Savani.

Key securitization activity

Banca Monte dei Paschi finalizes €24.1 billion NPL securitization

Europe's largest ever NPL securitization has completed with Banca Monte dei Paschi announcing it has obtained ratings on the senior tranche. GACS guarantees have been requested and are expected to be received shortly. Credito Fondiario was appointed the master servicer of the portfolio. With the bank close to collapsing only a few years ago, the transaction will be seen as a significant step for BMPS.

For more information, please contact Fabrizio Sicilia.



Banco BPM close to completing Project Exodus

Banco BPM has moved one step closer to the successful securitization of its €5.1 billion of non-performing loans by agreeing to sell the portfolio to a securitization vehicle. Upon completion, the bank will approach the Italian government for the GACS guarantee to be issued. Pricing is expected at around 30% of GBV.

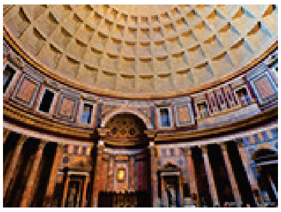
For more information, please contact Fabrizio Sicilia..

Credito Valtellinese's Project Aragorn completes

Credito Valtellinese (Creval) announced that the senior notes for the €1.7 billion Project Aragorn NPL securitization were assigned with 95% of the mezzanine and junior notes sold. The bank has begun the process of obtaining the GACS guarantee from the Italian government.

For more information, please contact Fabrizio Sicilia.

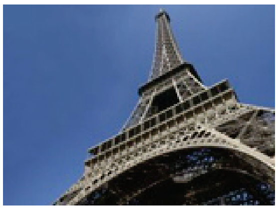
Key banking M&A activity



UniCredit and Société Générale considering merger

Italian bank UniCredit is exploring opportunities to merge with the French Bank Société Générale. No formal offer has been made yet but Société Générale's board is thought to have discussed the possibility. Both banks are considered to be systematically important to the European banking sector so any merger is likely to receive significant regulatory scrutiny.

For more information, please contact Domenico Torini and Carlo Savani.



Further consolidation in the European payments industry

Denmark-based Nets and German-based Concardis, two of Europe's largest payments processors, have agreed to a multibillion merger, which together will have annual revenues of €1.3 billion and €500 million EBITDA. In a second deal, SIA, a European payments technology provider, has acquired First Data's card processing business in CEE and SEE for €375 million.

On the eve of its IPO, Paypal acquired iZettle, the Swedish payments startup, for $2.2 billion, double the valuation the company was targeting for its IPO.

The payments industry has seen significant activity recently with Vantiv acquiring Worldpay and CVC and Blackstone acquiring Paysafe, as well as private equity firms purchasing Nets and Concardis in the past year.

For more information, please contact Robert Hibbert.

UK government sells 7.7% stake in Royal Bank of Scotland

The UK government's stake in RBS decreased to 62.4% following the first sale of the bank's shares in three years. Although the government lost £2.1 billion on the sale, the Treasury is expected to pursue the politically contentious share sell-off through 2018.

For more information, please contact Matthew Watkins.

Key banking M&A activity (cont.)

UK loan provider Amigo expected to list on the London Stock Exchange

With an estimated 90% of the UK market, Amigo, a provider of 'guarantor loans', has announced its plans to list on the London Stock Exchange. The company grants loans to borrowers with poor credit histories, which are guaranteed by family or friends with better histories, and has a loan book of £647 million as at March 2018.

For more information, please contact Andrew Jenke and Arun Sharma.

Other highlights

Managing the transition to new risk-free rates

Interbank offer rates are critical benchmarks, underpinning an estimated $370 trillion of contracts globally. The transition to new global risk-free rates will be a significant change and a profound transformation for the financial markets. KPMG's report Evolving LIBOR summarizes the key challenges and steps banks need to take ahead of implementation in 2021.

Please click here to find out more.

For more information, please contact Colin Martin.

KPMG's financial services M&A predictions for 2018

The first quarter of 2018 saw US$78 billion of deals, up from US$55 billion in Q1 2017, although there were fewer deals. KPMG predicts a 10% increase for 2018 in financial services M&A in light of regulatory changes, increased focus on M&A to drive transformation in insurance, buoyant Asian and US economies, increasing activity from private equity players and rising interest rates.

Please click here to find out more.

For more information, please contact Stuart Robertson, Ram Menon and Silvano Lenoci.

The road ahead for the exchange traded fund industry

With increasing regulatory scrutiny, disruptive technology and investor preferences, the exchange traded fund industry faces significant headwinds to flourish in a new market. KPMG have released the report Europe's ETF Ecosystem: The Road Ahead discussing the industry with experts from across the future of the industry.

Please click here to find out more.

For more information, please contact Tim West.

Other highlights (cont.)

Private equity has begun to reimagine the diligence process

Competitive pressures are encouraging leading PE funds to reassess their M&A processes. There has been a shift in focus from leverage and multiple arbitrage to operational improvement. KPMG considers the reasons behind this and gives an overview of the main market trends.

Please click here to find out more.

For more information, please contact Mike Mills.

Global perspectives on cyber security in banking

KPMG recently brought together a number of our regional Global Cyber Security practice leaders for a roundtable discussion to discuss the key developments and market trends in cyber security for banking. With regulators imposing new regulations around the world, such as GDPR in the EU, banks face a complex landscape and different compliance regimes.

Please click here to find out more.

For more information, please contact Charles A. Jacco and David Ferbrache.

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