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2016 Financial Services
M&A Predictions
Rising to the challenge

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Welcome to the 2016 edition of Deloitte UK's Financial Services Industry M&A Predictions.

2015 has seen a significant volume of M&A activity within the Financial Services Industry. Our team has never been busier supporting clients on game-changing transactions. The Banking sector has seen a continuation of non-core divestments by major banks, while the acquisition of TSB by Sabadell is likely just the first of many in the UK challenger bank space. The Insurance sector continues to be extremely active with major consolidation taking place. The investment management sector, is seeing a higher volume of medium and smaller sized transactions, whilst larger corporates have been more strategically selective.

Barring a major economic collapse, 2016 will surely see a continuation of this high level of M&A activity, driven by three broad themes: technological disruption, a flight to scale and regulatory pressures.

The desire to increase scale and ever-changing regulation have long been, and will continue to be, drivers of significant M&A activity. It is the huge technological disruption of the Financial Services Industry that fascinates me and I believe will bring many innovative mergers and acquisitions in 2016 and beyond. We look forward to the challenge.

I hope that you find this document thought-provoking, and we look forward to discussing the implications for your business.

Ian Sparshott

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2016 Financial Services M&A Predictions

Rising to the challenge

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Insurance



A new wave of digital technology looks set to change how risks are underwritten, how insurance products are distributed and even what is considered an insurable risk. We look at the M&A impact of this disruption to the traditional Insurance industry model.

Why is big the new beautiful? 2015 saw widespread consolidation activity across the property and casualty (re)insurance sectors. We explore the recent consolidation, what has driven this activity and how this will continue into 2016.

Regulatory change is a constant. We assess the potential impact of emerging regulatory themes, including Solvency II, and their impact on M&A in the Insurance sector.

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Banking



Technological innovation has created new entrants, who together with digital disruption, are offering products which challenge the traditional banking model. We explore the theme of market disruption and technology in Banking and the implications for M&A.

Return on equity of smaller retail banks in the UK has recently outperformed the larger incumbents. Without market growth, return on equity will position the smaller players as potential acquisition targets and may impact on disposal considerations of the traditional high street banks.

Increased clarity about the prudential regulatory framework, more activity on implementation of changes as key deadlines approach, and growing convergence of regulatory initiatives internationally will spur an increase in regulatory-driven M&A in 2016. The complexity of the regulations and their interactions will make comprehensive impact assessment essential, prolonging the transaction timeline.

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Investment Management



The adoption of digital channels across all demographics is creating a catalyst for disruption in Investment Management which larger incumbents are still grappling to understand, whilst new digital entrants battle to achieve meaningful scale.

The investment management world continues to see sustained M&A given its scalable business model, the long tail of medium sized managers which exist and the increasing pressure on fee margins. We consider whether big really is better in terms of profitability and returns.

Regulatory change, including RDR, MiFID II, CRD IV and pension reforms, all require investment managers to reassess whether they have the best business model to take advantage of the market opportunities created.

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It has been another very busy year for M&A in the Financial Services Industry with over £265.1 billion of deals announced worldwide by the end of Q3 2015,¹ and the return of large, transformational deals, such as the \$28 billion acquisition of Chubb by fellow insurer, Ace. This activity has covered all sectors of Financial Services, with acquirers including UK-based corporates, private equity and inbound investment from continental Europe, China and Japan.

Over the course of 2015, we have seen three key underlying trends that we expect to continue during 2016, and to drive M&A activity in the Financial Services Industry:

 **Market disruption and technology** – a range of disruptive forces are impacting the Financial Services Industry, with the rise of peer-to-peer networks in the Banking and Insurance sectors being a key theme. Other factors include the implementation of new digital underwriting solutions in the Insurance sector, increased competition in the payments arena from new, technology driven entrants and the continued development of online distribution by the Investment Management industry.

We predict that this disruption will not only provide consumers with new and improved services, but also drive M&A activity as existing players find their business models under pressure from new products and entrants, and look to acquisitions to plug in missing services and skills.

 **Size matters** – consolidation in order to achieve top-line growth and diversification, as well as improved profitability via cost synergies, has long been a driver of M&A activity. The underlying drivers for consolidation in the Financial Services Industry are broad in nature and include the capital benefits of diversification achieved in insurance combinations, the desire to broaden business models along the value chain in the investment management sector and the attractiveness of challenger banks, with their outperforming levels of return on equity but low levels of market share, as acquisition targets.



Regulatory change – recent years have seen a significant change in the regulatory environment and the pace of change shows no sign of slowing. With new regulations such as Solvency II, MiFID II, the introduction of IFRS 9 and a further round of European Central Bank stress tests coming into effect during 2016 we expect Financial Services institutions to have to re-evaluate their business models, plans and balance sheets to make sure they are in the best possible position to deal with these changes and to take advantage of the opportunities presented.

These three significant trends and their impact on M&A are explored in more detail in the articles that follow.

We hope you enjoy them, and would be happy to discuss in detail the implications and opportunities for your business.



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¹ Deloitte Analysis based on data from Thomson One Banker, 6 October 2015

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Market disruption and technology



A new wave of technology appears set to disrupt the Insurance industry, and could lead to a loss of relevance for traditional insurers who fail to adapt. Some insurers are investing heavily in in-house digital capabilities, while others are making acquisitions or joint venturing with a tech-focused business as a way to get ahead, or just keep up with the pace of change.

Why is the industry poised for disruption?

Although Insurance is often viewed as staid, the UK industry has been through two significant periods of disruption in the past three decades. Direct Line reinvented motor insurance by selling it over the phone in the 1980s. More recently, the launch of price comparison websites in 2001 changed how consumers purchase insurance.

In the last few years, new technology companies such as Guevara, which offers peer-to-peer car insurance, have sprung up with the potential to disrupt the industry further. In addition, a number of large technology companies with a track record of innovation have entered the insurance market. For example, Google launched a US motor comparison website² in 2015 and currently has 13 other partnering arrangements with insurers.³

How will disruption drive M&A?

What are these potential disruptive factors? In *Insurance disrupted: General insurance in a connected world*, Deloitte highlighted the nine applications that could have the biggest disruptive impact on general insurance (GI) over the next ten years.⁴ In this article we consider three which may have the greatest potential near-term M&A impact:

1. Telematics-based and connected services

Telematics technology is not new. It has been available in the motor industry for more than a decade, and more recently from a limited number of insurers for home and healthcare.⁵

However, to date telematics products in the UK have formed a relatively niche market, used by less than five per cent of motor insurance customers.⁶ The main area of penetration is young drivers, who face prohibitively high insurance premiums and who are nearly twice as likely to use telematics products than the average driver.⁷

The greater potential to disrupt GI may arise from wider use of technological capabilities, including the ability to anticipate or avoid loss events, or to minimise risks.

2. Google Applies Pressure on Insurance Innovation, Dax Craig, 3 August 2015. See also <http://recode.net/2015/08/03/google-applies-pressure-on-insurance-innovation/>

3. Why innovation is at the heart of the insurance industry's evolution, Ben Rossi, 14 July 2015. See also <http://www.information-age.com/it-management/strategy-and-innovation/123459829/why-innovation-heart-insurance-industrys-evolution>

4. Insurance disrupted: General insurance in a connected world, Deloitte LLP, 2015

5. Allianz and Deutsche Telekom enter into a digital alliance, www.telekom.com, 6 June 2014, <https://www.telekom.com/media/consumer-products/239280>

6. As UK awaits insurance green paper Italy sees big telematics insurance boost, Jonathan Coe, 28 October 2013. See also <http://www.telematics.com/uk-awaits-insurance-green-paper-italy-sees-big-telematics-insurance-boost/>

7. An online survey of 3,933 UK adults conducted on behalf of Deloitte by YouGov plc 27 March – 2 April 2015



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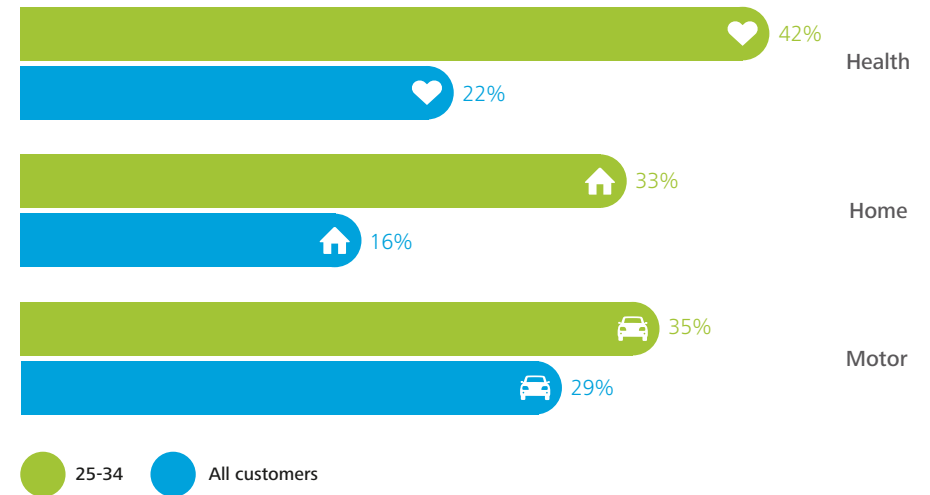
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SmartThings, which was acquired by Samsung in August 2014, allows customers to synchronise connected gadgets in their homes to a single smartphone app.⁸ The app has the ability to notify a user in the event of a water leak or intruder. In 2014 domestic home insurance claims for such losses totalled around £700 million⁹ in the UK, and therefore the potential benefit of this technology in an insurance context is clear to see.

A Deloitte survey shows that there is already a demand for such products, which will likely increase in the future (see Figure 1).¹⁰ Traditional insurers may be able to gain a competitive advantage in this developing area through the acquisition of companies with such technological capabilities.

Figure 1. Proportion of customers who would like a service that detects potential issues or problems and provides assistance, by age



Source: Deloitte/YouGov 2-7 April 2015

Sample: Health 25-34 (38) all (654); home 25-34 (46) all (877); motor 25-34 (108) all (1,424)

8. Samsung Acquires SmartThings, A Fast-Growing Home Automation Startup, www.Forbes.com, 14 August 2014

See also <http://www.forbes.com/sites/aarontilley/2014/08/14/samsung-smartthings-acquisition-2/>

9. UK Insurance Key Facts 2014, Association of British Insurers. See also <https://www.abi.org.uk/~/media/Files/Documents/Publications/Public/2014/Key%20Facts/ABI%20Key%20Facts%202014.pdf>

10. An online survey of 1,424 UK adults conducted on behalf of Deloitte by YouGov plc 2 April – 7 April 2015



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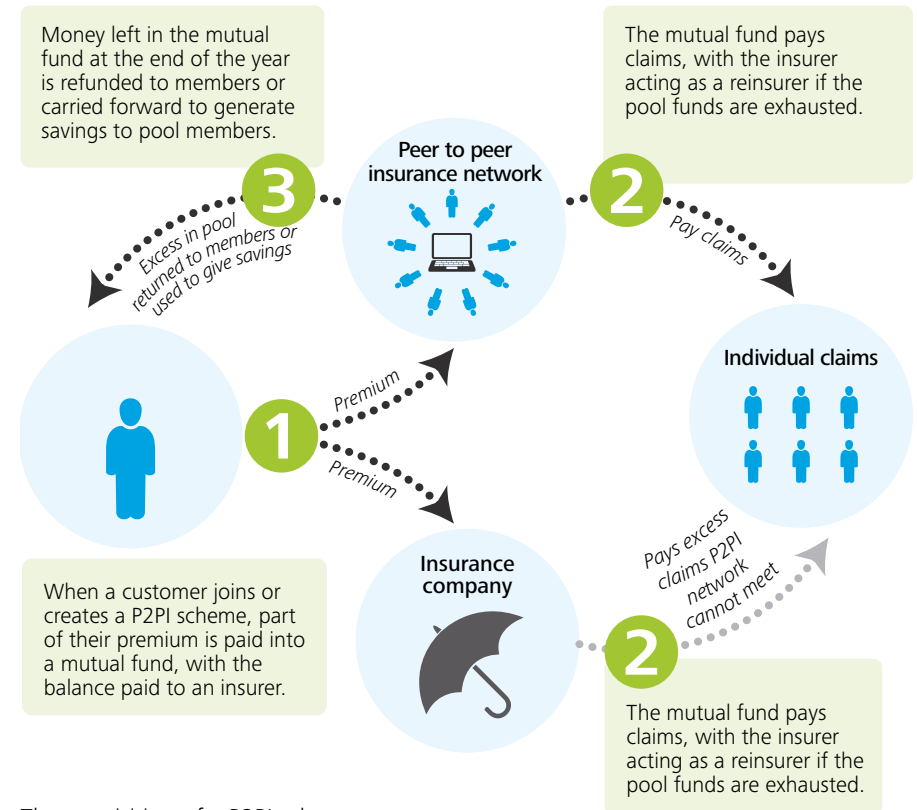
2. Peer-to-Peer Insurance

Social media has facilitated peer-to-peer insurance (P2PI), allowing similar groups of people to share risks through online networks and therefore benefit from lower premiums (see Figure 2). In many respects this is similar to the mutual model, which has been prevalent in the insurance sector for hundreds of years.

UK-based P2P motor insurer Guevara quotes potential premium savings of around 30 per cent on average¹¹, while Friendsurance, a German P2PI company, says members save on average a third on property insurance.¹² There are a number of ways that members can save money, including lower incidence of fraudulent claims, a better risk-selection process and lower acquisition costs.

If P2PI gained significant scale, it could represent a threat to incumbent insurers. Demand for insurance through established providers would fall, as their role becomes limited to covering claims not able to be paid by the P2PI network. It could also lead to adverse selection for traditional insurance, with poor risks being excluded from P2PI networks.

Figure 2. Peer-to-peer insurance model



The acquisition of a P2PI scheme administrator may represent a way for traditional insurers to protect market share, as the demand for insurance products changes.

11. Guevara website, <https://heyguevara.com/>

12. Disrupting Insurance with Friendsurance, BlueDun, 13 November 2014. See also <http://blue-dun.com/2014/11/13/disrupting-with-friendsurance/>



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3. Sharing economy

Substantial growth in the sharing economy has been facilitated by digital solutions which have led to a revolution in collaborative consumption, with companies such as Uber, Airbnb and Taskrabbit becoming household names.

The sharing economy means that the concept of property ownership is becoming blurred, with individuals increasingly using assets they do not own. We expect that this will affect the insurance market, with people becoming insured as users rather than owners of assets as standard.

In the long run, this could mean that an insurance policy covers all risks associated with a consumer, rather than the risks associated with individual assets, meaning that insurers would have to change the way in which risks are priced. Technologies that are able to monitor and dynamically price risks in the sharing economy could become acquisition targets for larger insurers looking to evolve their business model.

Conclusion

While many of these disruptive factors remain in their infancy, they have the potential in time to fundamentally change the structure of the insurance sector.

To adapt to these changes some insurers are choosing to invest heavily in in-house research and development of digital capabilities. However, for others an acquisition strategy targeting innovative new entrants or business partnering may be the best way to get ahead, or just remain relevant, in an increasingly digital and disrupted market.



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Insurance

Size matters



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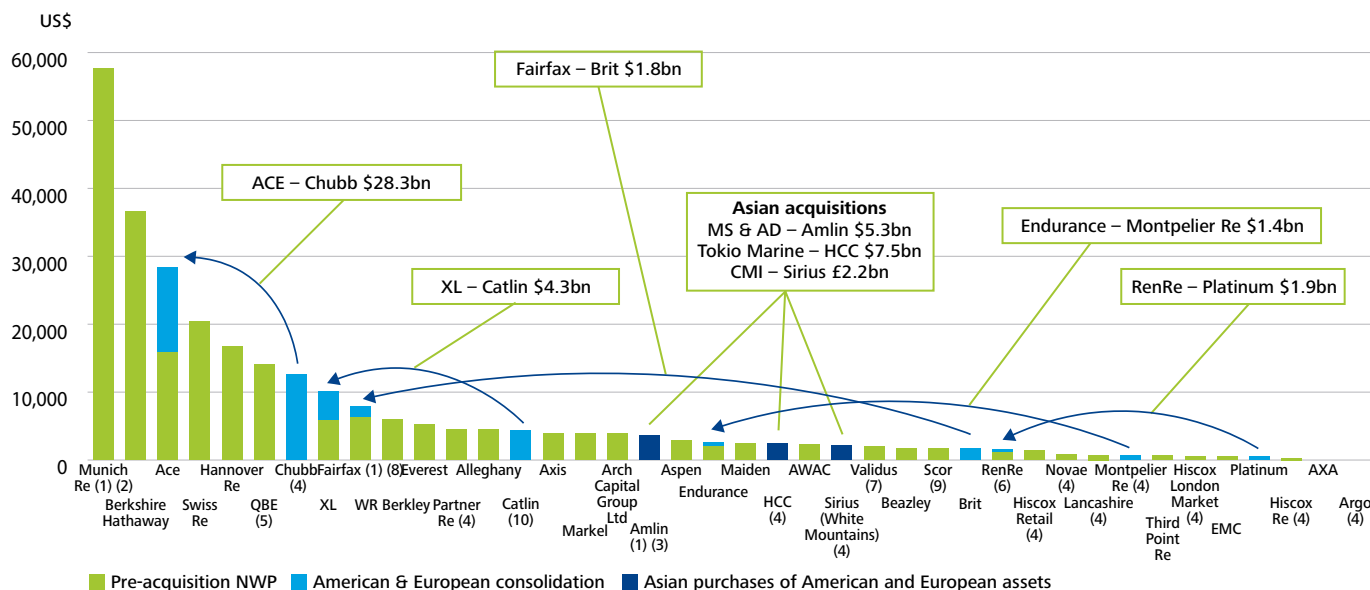
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2015 has witnessed in excess of \$100 billion¹³ of deals across the global (re) insurance¹⁴ industry, by the end of Q3 2015, compared to \$73 billion and \$47 billion for the whole of 2014 and 2013, respectively. Transformative large-scale deals also returned, with

the largest ever transaction in the industry when Ace agreed to buy Chubb for \$28 billion in July 2015.¹⁵ Consolidation has permeated the entire global value chain, from primary carriers to reinsurers and from brokers to insurance service companies (see Figure 3).

Figure 3. Impact of M&A on property and casualty reinsurance and insurance NWP FY14 (US\$)



Source: Statutory Accounts

Note (1) NEP used in lieu of NWP, (2) Reinsurance element of Munich Re comprised of Reinsurance Segment and a proportion of the Munich Health segment (in line with the GWP split of Munich Health between primary insurance and reinsurance as disclosed on page 91 of the 2014 Annual Report), (3) No comparables for FY13, (4) No reliable disclosure of reinsurance, (5) NEP used in lieu of NWP. Reinsurance balance includes Inwards Reinsurance only as no split of "Direct and Facultative insurance" is provided in the Annual Report., (6) RenRe's segmental reporting in their Annual Report does not split the Lloyds segment between insurance and reinsurance. As such the Lloyds segment has been allocated to the P&C bucket above., (7) Validus Re and reinsurance element of Talbot (from the Syndicate 1183 2014 financial statements) included within Reinsurance. AlphaCat, an asset manager investing in private reinsurance transactions, has not been included within Reinsurance for the purpose of this analysis., (8) Segment "Insurance and Reinsurance - Other" of £231.6 in FY14 (£83m in FY13) has been included within P&C as no split is provided within the Annual Report, (9) Life reinsurance NEP used in lieu of NWP, (10) Split between reinsurance and P&C (before bad debt charges) per disclosure in 2014 Annual Report applied to the total Group NWP

13. Dealogic (as reported in the Financial Times 21 September 2015). See also: <http://www.ft.com/cms/s/0/d0208076-6035-11e5-9846-de406ccb37f2.html#axzz3nmwPMxZh>

14. (Re)insurance refers to both primary risk carriers and also reinsurers of primary risk carriers.

15. ACE to Acquire Chubb for \$28.3 Billion in Cash and Stock, 1 July 2015, <http://news.acegroup.com/press-release/corporateglobal/ace-acquire-chubb-283-billion-cash-and-stock>



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The vicious circle: How did we get here?

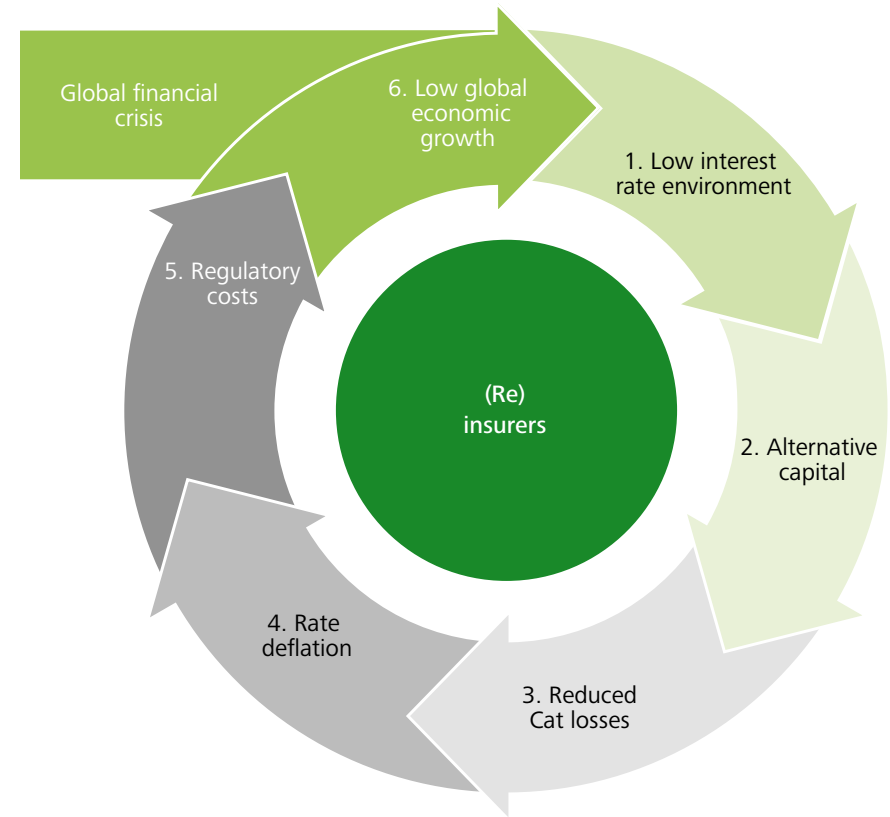
Although many of the deal drivers differ across the market segments, a number are sector-wide. Since the onset of the financial crisis, the sector has been embroiled in a vicious circle as depicted in Figure 4.

1. The low interest rate environment dented (re)insurers' investment yields. It is estimated that, on average, for every one per cent decline in investment yield, an eight per cent reduction in the combined ratio is required to maintain a constant return on equity.¹⁶

2. Driven by the historic low returns in traditional asset classes, alternative capital in the form of insurance linked securities (ILS) has flowed into the reinsurance market. Aon Benfield estimates alternative capital represents \$68 billion (or 12 per cent) of global reinsurance capital.¹⁷ While growth in alternative capital is moderating, it is likely to be maintained.

3. Aon Benfield also estimated that as of 1 September 2015 there were \$16 billion of insured losses in the global catastrophe market, representing 26 per cent of the ten-year average.¹⁷ The reduction in catastrophe losses since 2011, and the absence of a severe US windstorm since 2005, has sustained the level of excess capital and encouraged additional capital to flow as returns on ILS have been buoyed by the low catastrophe losses.¹⁷

Figure 4. The (re)insurance vicious circle



16. www.iii.org/sites/default/files/docs/ppt/ceos-031915.pptx
17. Aon Benfield, Reinsurance Market Outlook, September 2015 Aon Benfield, Reinsurance Market Outlook, September 2015 <http://thoughtleadership.aonbenfield.com/sitepages/display.aspx?tl=533>

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4. This excess capital has continued to drive down premium rates as (re) insurers compete for market share. Amlin PLC reported six per cent renewal rate deflation in US catastrophe reinsurance between 2012 and 2014.¹⁸

5. (Re)insurers continue to contend with an ever-increasing regulatory burden, incurring a growing level of cost to trade. The PRA estimates that it will cost the UK insurance industry £3 billion to implement Solvency II.¹⁹

6. Compounding these challenges has been anaemic global economic growth over the period, which has prolonged the low interest rate environment, completing the feedback loop.

Breaking out of the 'vicious circle'

Reinsurers have devised a number of ways to deal with these challenges, for example:

- entering primary risk-carrying markets either organically or by acquisition, for example Swiss Re's consortium bid for the Dutch insurers VIVAT and a.s.r

- managing the flows of alternative capital, such as Amlin and Swiss Re's ILS management arms
- returning excess capital to shareholders through buy-backs or special dividends.

The favoured solution for many businesses is consolidation, which provides an opportunity to cut costs through synergies, to compete for bigger lines and to create capital diversification benefits. The majority of the Bermudian carrier deals presented in Figure 3 cite one or more of these benefits as being a driver of the deal.

This has combined with the strong appetite for geographical expansion on the part of Asian investors. For example Japanese and Chinese investors, driven by their own market challenges, acquired HCC, Amlin, Sirius and VIVAT to generate significant (re)insurer M&A at unprecedented pricing levels.

The premium rate decline has also had an impact on brokers, stimulating corporate activity in this sector.²⁰ The transformative Willis and Towers Watson proposed merger is a good example, as the last of

the big three brokers without a significant insurance consulting arm seeks to broaden its service to clients, reduce its reliance on broking revenues and cut costs.

Conclusion

Without significant global economic improvement and/or unprecedented catastrophe loss experience, we anticipate that the fundamentals and market dynamics driving recent consolidation will likely intensify. Therefore, we would not be surprised to see more major (re)insurance consolidation in 2016.



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18. Amlin PLC 2014 annual report

19. <http://www.theactuary.com/news/2013/04/solvency-ii-is-an-object-lesson-in-how-not-to-make-law/>

20. Aon reported organic reinsurance brokerage decline between the six months ended 30 June 2014 and the six months ended 30 June 2015



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Insurance Regulation

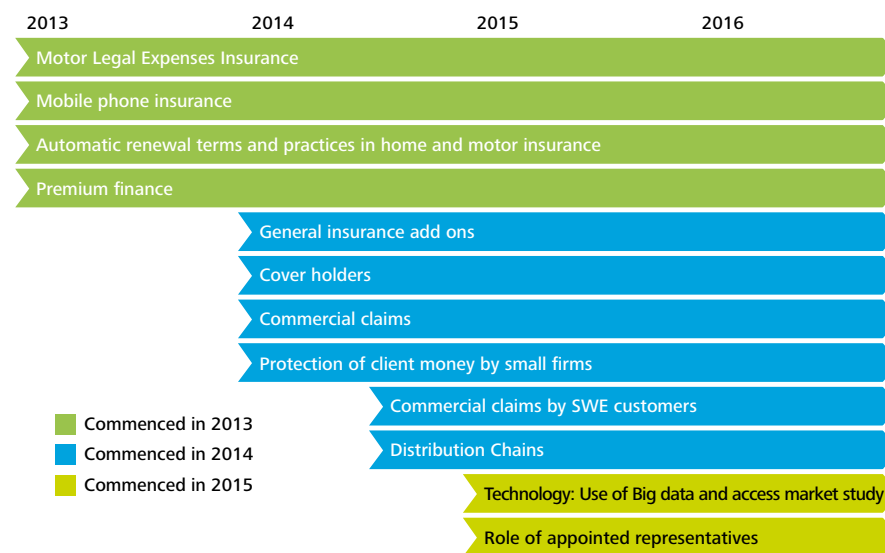
Regulation has been a key driver of the increase in M&A in the insurance sector. In particular, the constraints and costs of operating in the regulated insurance market has meant that for some, organic growth has not been sufficient to satisfy shareholders. This has driven players to consider M&A. For others, regulation has prompted them to leave the market or to optimise their balance sheet.

Increasing scope of regulation

Regulation in the insurance market has become increasingly onerous and complex. For example, 31,000 businesses offering consumer credit to customers have recently had to obtain new permissions from the Financial Conduct Authority (FCA) after regulatory responsibility transferred from the Office of Fair Trading. This is not a like-for-like replacement: the change brings many new retail, asset finance, automotive, leasing and credit firms into the scope of the FCA's customer-focused regulatory approach.



Figure 5. Regulatory focus areas as set out by the FCA in their annual business plans 2013-14 – 2015-16



Source: FCA Business Plans 2013-14 – 2015-16

The pace of regulatory change (as shown in Figure 5) has increased since the FCA came into being, which along with the increasing costs of compliance creates a particular burden on smaller and medium-sized firms. The scope and intensity of the FCA's regulatory focus is also highlighted by the high number of so-called "skilled person" or Section 166 reviews commissioned by the FCA (see Figure 6).

A Section 166 review can cost the investigated firm in excess of £1 million, and often leads to material ongoing costs from governance and controls improvements. The increase in regulatory costs has resulted in an increasing flow of smaller insurance firms being put up for sale due to the high level of investment required to develop and maintain appropriate systems and controls.



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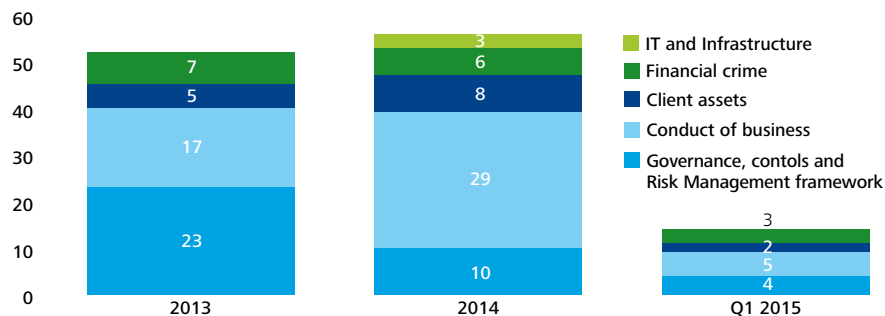
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Figure 6. Number of skilled person reviews commissioned quarterly by the FCA 2013 – Q1 2015



Source: FCA, 2013 – Q1 2015

One emerging regulatory theme is the oversight of regulated insurance activities conducted by third parties. This can be more challenging for large networks and business models reliant on major strategic third-party partnerships. This includes sales, claims handling and administration activities by outsourcers, cover-holders and appointed representatives. The FCA has issued a number of thematic reviews on claims handling. Lloyd’s of London has issued new minimum standards for cover-holder oversight. The FCA consistently expects a customer-focused and risk-based oversight model, with more attention paid to conduct.

This has put pressure on firms to consider an acquisition as the most effective way to control the conduct of third parties they deal with. In other areas, firms are looking to streamline the number

of relationships they have with third parties, which could lead to smaller firms becoming distressed if business flows from insurers and brokers decline.

The impact of Solvency II

The Solvency II Directive (2009/138/EC) (Solvency II) comes into force on 1 January 2016. Its aim is to clarify and harmonise EU insurance regulation, with a particular focus on regulatory capital and risk management. While many predicted that Solvency II would be a material driver of consolidation and market exits, the M&A response to date has been relatively muted, albeit with some exceptions such as Aviva’s acquisition of Friends Life. This deal was seen by some market commentators as a way of Aviva strengthening its balance sheet with Friends Life’s cash generation abilities before the introduction of Solvency II.

The impact of Solvency II is expected to be greater among European insurance groups, which have historically been subject to less onerous capital requirements. Smaller insurers may also find it difficult to remain competitive with the additional regulatory capital requirements and greater compliance and reporting responsibilities. For larger businesses, there may be an incentive to divest less profitable or more capital-intensive businesses under Solvency II.

Conclusion

With no immediate slowdown in the pace of regulation expected, regulatory risk and compliance costs, and more onerous capital requirements will continue to act as drivers of M&A. The broadening scope of regulation, which is capturing new businesses in the insurance value chain, has the potential to affect the structure of existing business models and the level of vertical integration in the sector.



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Market disruption and technology



The traditional banking model has been challenged by a number of factors:

Technological innovation

In May 2015, 76 per cent of UK adults had a smartphone, a 6 percentage point increase on the prior year and 14 percentage points higher than two years ago.²¹ Internet and mobile phone penetration have transformed consumer financial activity, allowing consumers and businesses to connect in new ways. This trend has been detrimental to banks' current product offerings and branch networks.

Regulatory intervention

Regulation introduced in recent years has urged banks to monitor their activities and capital position more rigorously, often leading them to exit non-core and capital-intensive products. This has created a void (for example in the personal and SME lending market) which new, more nimble entrants have filled, often driven by technological disruption.

Changing consumer preferences

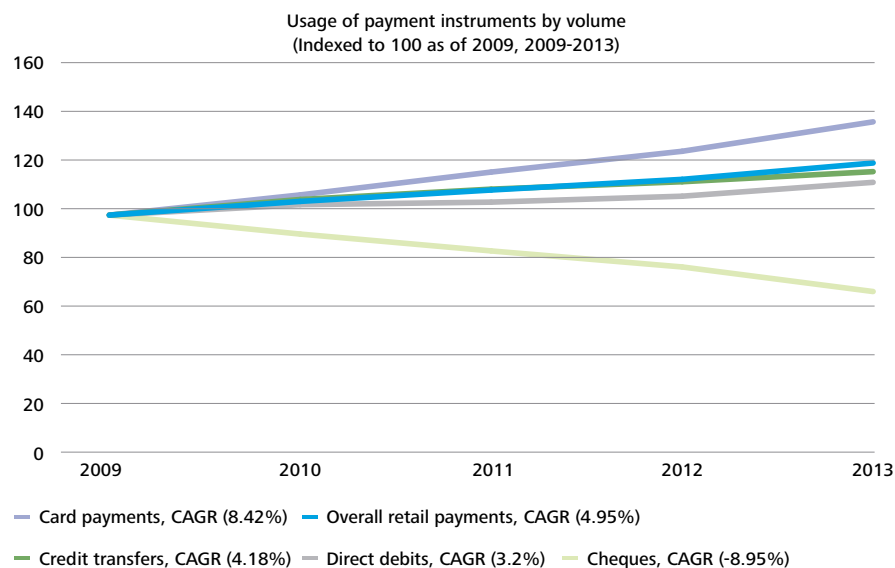
Consumer sentiment towards banks changed as a result of the financial crisis. This caused consumers to be receptive to new banking models and products from new entrants. In addition, the financial crisis has meant that many incumbents have had their market share eroded in a number of product offerings, such as payments and foreign exchange transfer.

Where do we see change for banks and the implications for M&A?

Payments

Banks have historically been the dominant players in payments businesses in Europe and in the rest of the world.²² Payments businesses are highly cash-generative, have good forward visibility of earnings and have shown strong historical growth. (see Figure 7)

Figure 7. Historical growth of card payment usage, Europe

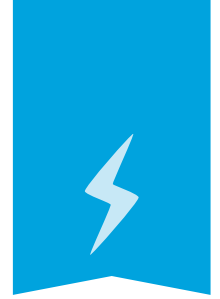


Source: Payment Statistics for 2013, ECB, 9 September 2014, p. 2.
See: <https://www.ecb.europa.eu/press/pdf/pis/pis2013.pdf?06ec75f717136eb1186fc5c1e3b2d89>

21. Mobile Consumer 2015: the UK cut, Game of phones, Deloitte LLP, 2015. See also: <http://www.deloitte.co.uk/mobileuk/assets/pdf/Deloitte-Mobile-Consumer-2015.pdf>

22. Payments Disrupted, Deloitte LLP, September 2015. See also: <http://www2.deloitte.com/content/dam/Deloitte/uk/Documents/financial-services/deloitte-uk-payments-disrupted-2015.pdf>





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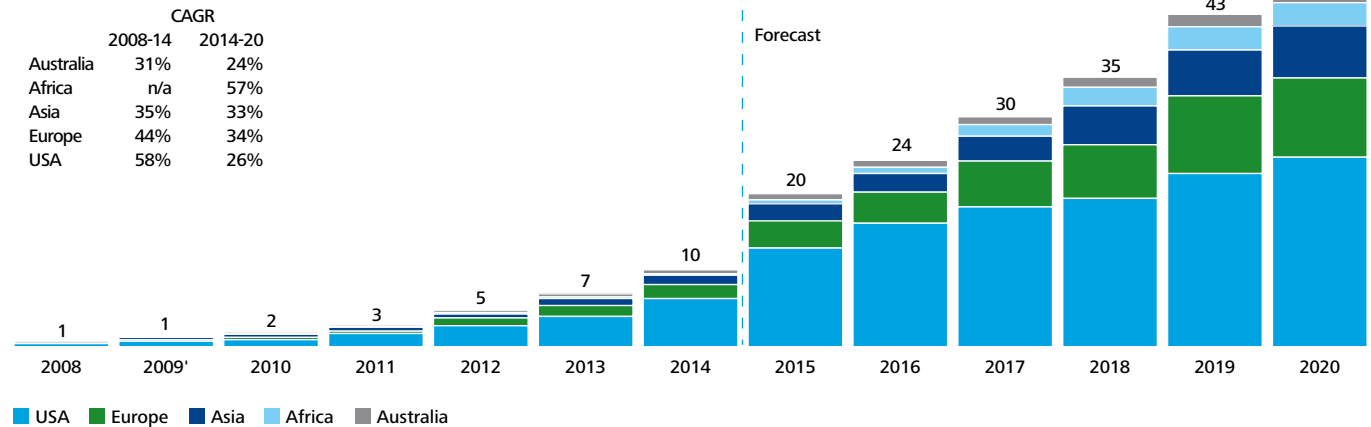
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Figure 8. Total value of FinTech investments, \$bn



Source: Five Banking Innovations from Five Continents: USA, Europe, Asia, Africa, Australia, Market Research, February 2015, p.31.
See: <http://content.marketresearch.com/five-banking-innovations-white-paper>

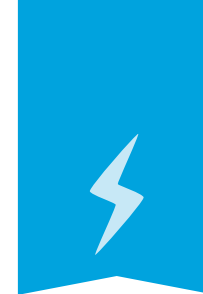
These factors, together with new and innovative products such as Apple Pay, Bitcoin and Zapp are attracting investment, and are likely to continue to do so. Given the number of start-ups and continuing investment requirements of new technology, there is an opportunity to invest, and this has been largely provided by financial investors attracted to the growth and cash generation (see Figure 8).

In addition, increasing regulatory scrutiny (PSD/PSD2, SEPA and IFR) and the introduction of the UK's Payments Systems Regulator from April 2015 is fostering

competition and could lead to banks divesting of their payment operations.

Online payments and foreign exchange providers have seen a significant amount of innovation, new entrants and growth, and are changing the way consumers and businesses transfer money between countries (recent successful examples include HiFx and TransferWise). There has also been M&A activity with Bridgepoint's acquisition of Moneycorp in 2014 and Optimal Payments' acquisition of Skrill in 2015 being recent examples.

New entrants are likely to be faced with a strategic choice: seek further investment to reach scale or be acquired, as banks and non-banking participants seek to grow and/or prevent further erosion of their market share.



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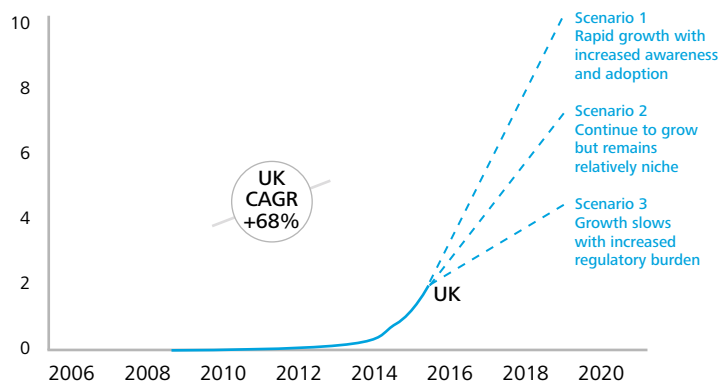
Platforms

The platforms sector is diverse and includes peer-to-peer (P2P) business and consumer lending platforms, crowdfunding, trading and personal wealth platforms.

The P2P lending market is still in its infancy, representing £1.2 billion (around 0.5 per cent) of the total UK personal and unsecured lending market in 2014 (see Figure 9). The market could reach £10 billion by 2020 assuming rapid growth and increased awareness and adoption by consumers. Given the embryonic nature of the market, venture capitalists have

historically been active in this sector. However, this may change as businesses mature and show stronger track records of performance which may facilitate some M&A activity in 2016. The sector may also see consolidation, as participants seek to benefit from economies of scale, both in terms of capital expenditure and running costs.

Figure 9. P2P lending market size
Cumulative loans to-date £bn 2010-2014 Actual – 2020F



	2014
Implied P2P gross lending	c.£1.2bn
Total personal unsecured loan gross lending	£54bn
Total SME gross lending	£167bn
Total personal unsecured and SME lending	£221bn
P2P as a % of the market	0.5%

Note: The above analysis is not a formal commercial due diligence assessment but is only intended to provide a high level overview of the market.

Source: Peer-to-Peer-Finance-data-sheet-Q4, Peer2peer Finance Association, April 2015.
See also: <http://p2pfa.info/wp-content/uploads/2015/05/Peer-to-Peer-Finance-data-sheet-Q4-vf1.pdf>
Bank of England, Bankstats, Table A5.6 and A8.1, December 2014. See also <http://www.bankofengland.co.uk/statistics/pages/bankstats/current/default.aspx>

Key growth drivers

Supply side drivers	Last 3 years	Next 3 years
Individuals seeking higher return in a low interest rate environment	▲	?
Technology/digitisation	▲	▲
Regulation	▲	?
Demand side drivers		
Credit constraints of banks	▲	▼
Borrowers' attitudes to digital/awareness of P2P platforms	▲	▲



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Financial software

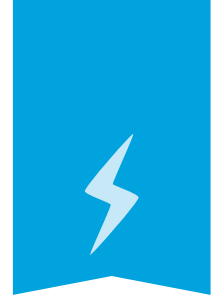
The financial software market is dominated by large, well-established international technology providers. They offer a range of solutions for financial institutions including accounting software, core banking systems, payments and risk management software. There has been a limited number of new entrants or technological disruption in the market, due to the high costs of switching and the dominance of the incumbent players. Banks will, however, require further investment at some stage, potentially partnering with innovators in this area, to future-proof their software and architecture in order to remain competitive.

Conclusion

Technological innovation has created new entrants who are offering products that challenge the traditional banking model and that may erode banks' market share in certain sectors. In addition, new regulation has caused banks to manage their capital rigorously and to exit non-core and capital-intensive products. Banks have had to reconsider their financial services proposition, either by developing offerings in-house, partnering with innovators or, at times, making speculative investments in their sectors. These dynamics are all likely to continue into 2016 and beyond, driving M&A activity.



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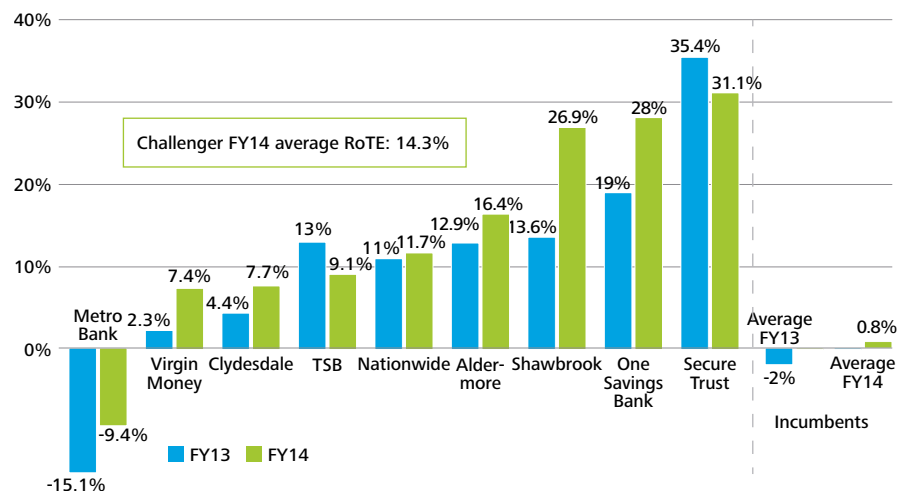
Since 2010, the UK Government has sought to reform the banking industry through focused attention on four key areas: supervision, structure, culture and competition. The regulatory and political efforts to inject competition into the banking sector have paved the way for new start-ups over the past few years. These new entrants (“challenger” banks²³) hold total assets of £257 billion and offer greater choice to consumers, which has incentivised innovation and competition within the banking sector.

Challenger banks

Recently, we have seen these challenger banks outperforming the incumbents²⁴ on a Return on Tangible Equity (RoTE)²⁵ basis (See Figure 10). The main drivers behind this outperformance include:

- being unencumbered by historical conduct issues
- using refined, purpose-built, technology relative to the arguably aged systems incumbents utilise

Figure 10. Return on Tangible Equity of selected UK Banks FY13-FY14



Source: FY14 Annual Reports and Accounts

- adopting a fresh approach to customer interaction, including innovation around online and mobile options, and more targeted and modern branches.

Challenges for the challenger banks

However, challenger banks have also faced inhibitors to growth, which will continue to affect their performance. The smaller challengers are at a significant disadvantage to their larger counterparts, as they generally operate

under the prescriptive standardised method of calculating Risk Weighted Assets (RWA). This method, relative to the more sophisticated advanced internal ratings-based approach method, adds a material capital burden to those who employ it. The challenger banks face a significant cost outlay and a requirement for detailed historical data to support a move to the advanced method. However, it may become more prevalent in the more ambitious challengers.

23. For the purpose of this article we have defined the challenger banks as Aldermore, Clydesdale, Shawbrook, Virgin Money, One Savings Bank, Secure Trust, Metro Bank, Nationwide and TSB

24. Incumbents are: The Royal Bank of Scotland, HSBC, Lloyds Banking Group, and Barclays Bank

25. TE is calculated by subtracting intangible assets, goodwill and preferred equity from the company's book value.



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Additionally, at a macro level the eight per cent bank surcharge applied to banks operating in the UK announced by UK Government in its 2015 Summer Budget arguably disproportionately affects the smaller banks, and has been a major source of contention among the challengers. Some argue that this tax unfairly penalises the new crop of banks for the mistakes made by the incumbent universal banks during the financial crisis.²⁶

What are the implications for M&A?

Despite these issues challenger banks have been producing strong returns. This success means that they may become attractive acquisition targets. We have identified two broad groups of acquirers.

The first group of potential purchasers are the challengers themselves, who, in order to expedite growth, may seek to consolidate the industry. In this regard, there may be a strategic advantage for the banks that have employed the advanced Internal Ratings Based RWA calculation as there may be opportunity to release capital on certain asset classes following the acquisition of a competitor.

The second group of potential acquirers are foreign-owned banks looking for a foothold in the UK. The obvious recent example of this is the acquisition of TSB by Sabadell. Other foreign players looking for exposure to the assumed continued UK economic recovery may consider such an acquisition.

At the other end of the spectrum, many of the UK incumbent retail banks are continuing to implement changes to their businesses. This has featured both the disposal of certain European operations and the sale of asset classes. The balance sheet transformation has been driven, in part, by preparation for Basel III and other similar regulatory changes.

Sales by incumbent banks and portfolio disposals from other credit organisations may present the opportunity for the challengers to add volume to their platforms, improving economies of scale.

Conclusion

We expect that the divergent fortunes of all the participants in the UK banking industry will drive M&A in the sector during 2016. We think that the challengers will be the most active participants either through industry consolidation of peers, as buyers of portfolios or as potential targets themselves.



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26. Summer Budget 2015: HM Revenue and Customs Tax Information and Impact Notes, 8 July 2015. See also: <https://www.gov.uk/government/publications/bank-corporation-tax-surcharge>

Banking Regulation



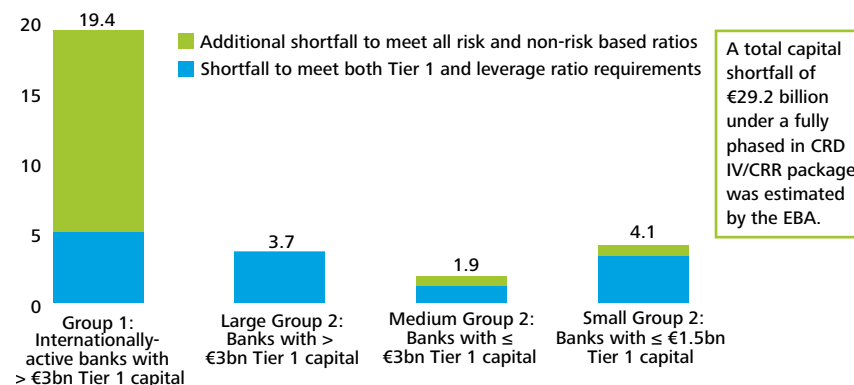
The regulatory environment for banking continues to evolve as governments, regulators and accounting bodies develop a more robust and resilient financial system. In the process, the increase in regulatory cost and new restrictions imposed by regulation are forcing banks to fundamentally review their business models and strategies. Of course this broad trend is not new, but as deadlines for implementation draw closer, and the combined effect of regulations becomes sufficiently clear, banks are beginning to finalise decisions regarding their future strategy.

An area of focus in 2016 will be the response to increased capital requirements, concentrating efforts on raising and redeploying capital to areas where there is core strength, to generate higher risk-adjusted returns, and leading to M&A activity.

Capital requirements

New EU requirements on regulatory capital are already being phased in and will take full effect from 2019. European banks are proactively managing the transition.

Figure 11. Capital shortfall of European banks against fully-phased in requirements, €bn



Source: CRD IV – CRR/Basel III monitoring exercise results based on data as of 31 December 2014, European Banking Authority paper, 15 September 2015

In September 2015, the European Banking Authority (EBA) published an assessment of 364 European banks against the fully-implemented requirements that will be in place from 2019, based on financial information as at the end of 2014.²⁷ Overall, while capital shortfall is a critical issue for a handful of banks, there does not appear to be a system-wide shortfall concern. Monitoring results show that the largest banks ('Group 1') in particular, have steadily increased their capital ratios over time.

The EBA found that approximately 90 per cent of the banks surveyed already met the 3 per cent leverage ratio requirement, i.e. that capital would equal at least 3 per cent of total assets. Almost all banks met the minimum risk-weighted asset requirement of 4.5 per cent Common Equity Tier 1 (CET 1). Many banks fell short against a target level of 7.0 per cent, but this shortfall was decreasing.

Figure 11 illustrates the EBA's findings in respect of shortfalls, estimated on the basis of the fully-implemented

27. There were 53 Group 1 banks. These are defined by the EBA as having CET1 capital in excess of EUR 3 billion and as being internationally active. Grouping based on data as at 31 December 2014





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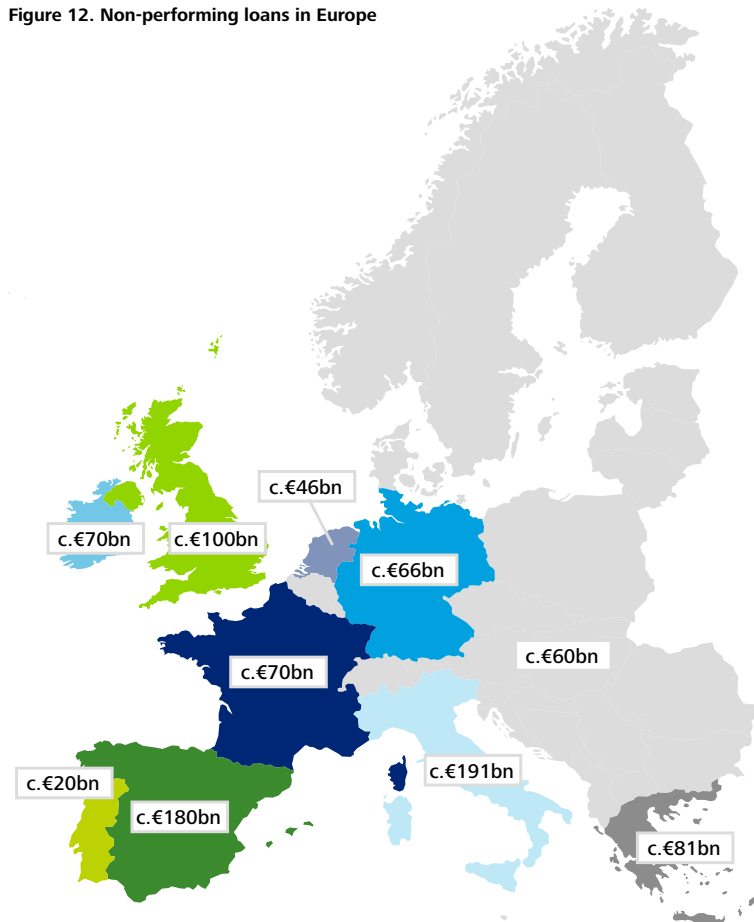
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Figure 12. Non-performing loans in Europe



Source: Deloitte estimates

requirements. The total shortfall against risk-based requirements and the leverage ratio requirement for Group 1 banks is EUR 19.4 billion. For other banks ('Group 2') the shortfall is EUR 9.7 billion.

Despite the positive aggregate picture, there remain issues for banks to tackle at the portfolio level. According to Deloitte estimates, more than EUR 2.2 trillion non-core assets and over EUR 800 billion non-performing loans were on European bank balance sheets as at 31 August 2015.²⁸ Figure 2 shows the distribution of non-performing loans in Europe, and we expect to see continued activities in 2016 to release and redeploy the tied-up capital.

Moving goalposts

The challenge for banks becomes greater when other initiatives are taken into account. In particular, even as target capital ratios are fixed, regulators are refining the way that risk exposures and capital are measured.



28. Portfolio Lead Advisory Services: Q3 – 2015, Deloitte LLP, August 2015

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IFRS 9, the new financial instruments accounting standard that will replace IAS 39 from 2018, introduces new requirements for classifying, measuring and accounting for financial assets and liabilities. Under the new standard, losses will need to be recognised on an expected rather than incurred basis, with transitional implications for capital.

According to Deloitte's fifth Global IFRS Banking Survey (September 2015), most banks anticipate that rules on credit exposures will increase loan loss provisions by 50 per cent, and will exceed those calculated under CRD IV/ CRR rules, largely due to the requirement to provide for lifetime expected losses.²⁹

Changes to capital requirements are happening alongside the introduction of other regulatory initiatives. A recent example is the announcement the UK Government made in its 2015 Summer Budget that the annual Bank Levy applied to banks operating in the UK, based on their balance sheets, would be gradually cut from its current 0.21 per cent to 0.1 per cent in 2021. Moreover, by 2021, the levy would apply to banks' UK balance sheets only.

While the reduction in the banking levy offers some relief for banks, only around 30 banks pay the Bank Levy, due to the £20 billion threshold for a bank's liabilities and other exemptions. A new surcharge will be levied at eight per cent of profits on all banks operating in the UK with profits above £25 million from 1 January 2016, which will affect profitable challenger banks the most in relative terms.

This new surcharge may lead to divestment of UK operations in favour of other European countries, and consolidation of challenger banks to improve scale and operational leverage, given the increased challenges faced in competing with the Big Four UK banks.

Conclusion

In summary, we expect to see increased banking M&A activities in 2016 given the greater clarity of the regulatory framework and growing convergence of initiatives. In parallel, we also expect to see banks and potential investors to be disciplined in assessing the deals to ensure that these activities are considered in the context of long-term strategic goals of optimising their capital resources and risk-adjusted returns.



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29. Fifth Global IFRS Banking Survey: Finding your way, Deloitte LLP, September 2015. See also: <http://www2.deloitte.com/global/en/pages/financial-services/articles/fifth-banking-ifrs-survey.html>



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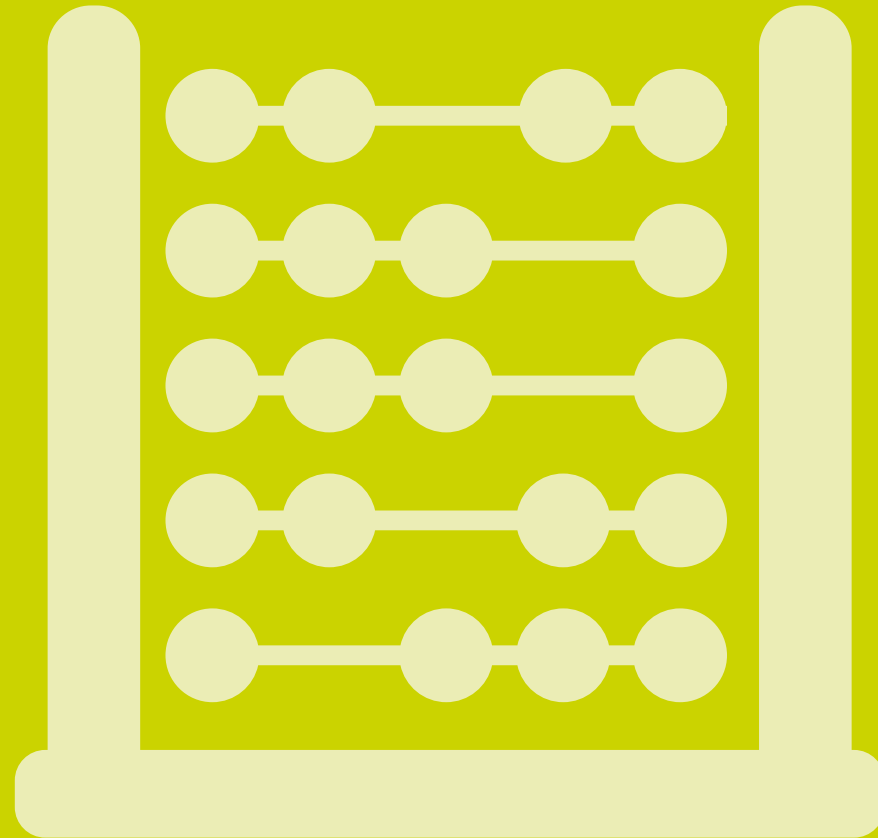
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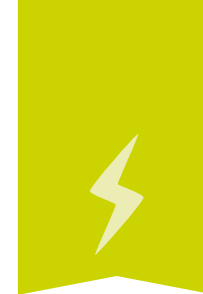
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Market disruption and technology



The investment and wealth management sectors are facing huge transformation in the coming five years as digital technology and data analytics transform the value chain, from manufacturing and distribution to operating models.

The technology is here, as are new entrants

The technology is largely here. Recent years have seen the launch of new entrants with Direct-to-customer (D2C) digital propositions alongside more established platforms. While these remain nascent in terms of scale and profitability, the mainstream use of digital channels across most demographics is recognised as an opportunity for those who develop innovative propositions and direct them at the right client segments. The regulatory changes to advice charging (and the creation of an 'advice gap' in the mass market) that we discuss in the later regulatory article have also been a catalyst.

The scope for disruption is broad and potentially radical

The D2C wealth sector, while still small relative to intermediated or face-to-face (F2F) channels, has grown quickly (see Figure 13) particularly through the use of online platforms, now well established. However, further innovation continues to emerge.

For instance, the advent of automated ('robo') advice in Financial Services was the main disruptive trend identified in Investment Management in a recent report from the World Economic Forum.³⁰ It potentially commoditises traditionally high-value services, reduces the cost of delivering investment expertise helping address the main market 'advice gap' but risks eroding the mass affluent market.

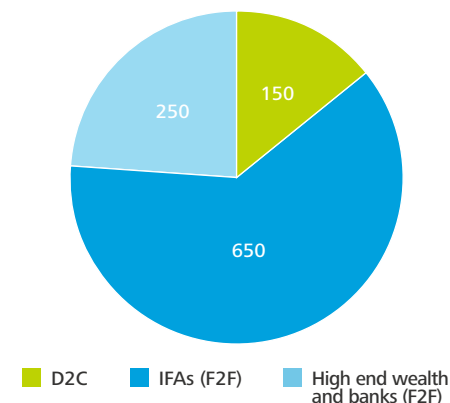
At its widest, the possibilities for digital feel quite radical and could include a variant of social trading (already present in other geographies), where individuals share investment strategies as part of the channel architecture. Clever financial literacy or 'saving simulators' for young adults could also help capture clients at the start of their saving lifecycle.

The sector needs a strategy to address key questions

This presents the industry with a number of challenges, including how to orchestrate its F2F and digital channels and how to maintain its relevance to consumers in the digital age. The strategic questions are vast.

- Do incumbents invest internally in digital propositions or seek bridgehead acquisitions of smaller and more innovative businesses?

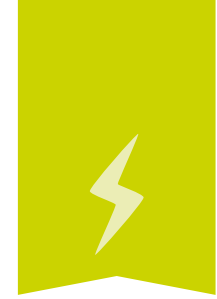
Figure 13. UK retail assets under management by channel, 2014 (£bn)



Source: Deloitte estimate



30. The Future of Financial Services – How disruptive innovations are reshaping the way financial services are structured, provisioned and consumed, World Economic Forum in collaboration with Deloitte Touche Tohmatsu Limited, June 2015



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- From an operating model perspective, what new digital capabilities do investment and wealth managers now need? Software development and publishing?
- Can product manufacturers risk remaining part of an intermediated model, without direct access to their client base?
- Is there an emerging advantage for captive investment managers, operating within banks or insurers with direct retail customers, versus the independent and still largely intermediated manufacturers?
- Will increased automation facilitate the ability of large new entrants with rich data analytics, captive customer bases and household brands to enter the market and compete with incumbents more effectively?
- What might the impact be on operations (on fund administration, transaction processing, risk management and compliance, reconciliations and investor reporting)? How significant would the cost savings opportunity be, and what is the capital investment required?

How fast will things change?

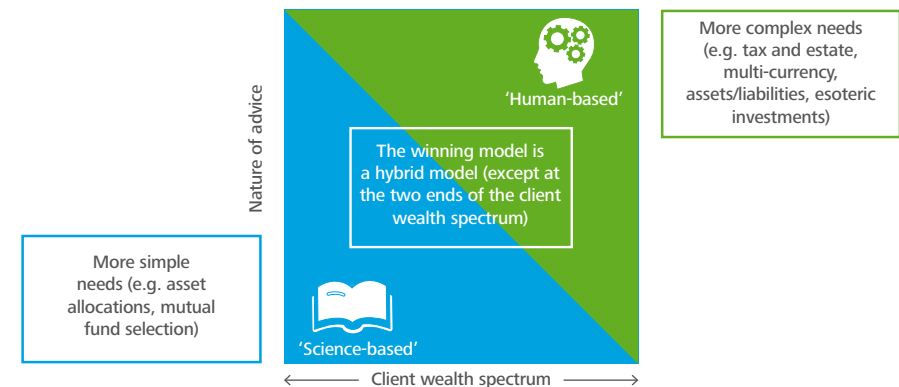
Our view is that most of the industry has been relatively slow in reacting to the digital opportunity. However, we believe, this only represents a medium term risk due to the following structural constraints:

- In terms of distribution the F2F channel remains much larger than D2C, affording incumbents time to react.
- Many middle-aged and wealthier clients may appreciate digital reporting, but retain a natural preference for F2F where complexity and/or material financial decisions are involved.

- Whilst currently consulting on simplified distribution and 'robo' advisors the regulator is likely to ensure some degree of human interaction is obligatory on all but the most simple of financial products.
- The pace of impact of digital on manufacturing and operations may also be constrained by management caution in the near term.

Consequently, there is a window for sector participants to develop a winning digital vision and strategy, as well as define how they will achieve it.

Figure 14. Nature of advice



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From an M&A perspective, we have already seen the start of larger players acquiring or investing in smaller businesses with D2C propositions, as well as seeking to integrate vertically, and therefore participate more fully across the value chain.

Conclusion

The breadth of capabilities needed to thrive will expand beyond what traditionally has been in-house for an investment or wealth manager. In our view, businesses which successfully combine capabilities across digital, analytics and behavioural economics are likely to be of highest strategic value. We believe the next five years will be genuinely transformative, and that the sector is only at the start of this process.

As the sector grapples with technological disruption, we expect to see a trend of innovative smaller players with compelling but sub-scale propositions emerging, and then being acquired or partnering with scale operators.



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Investment Management

Size matters



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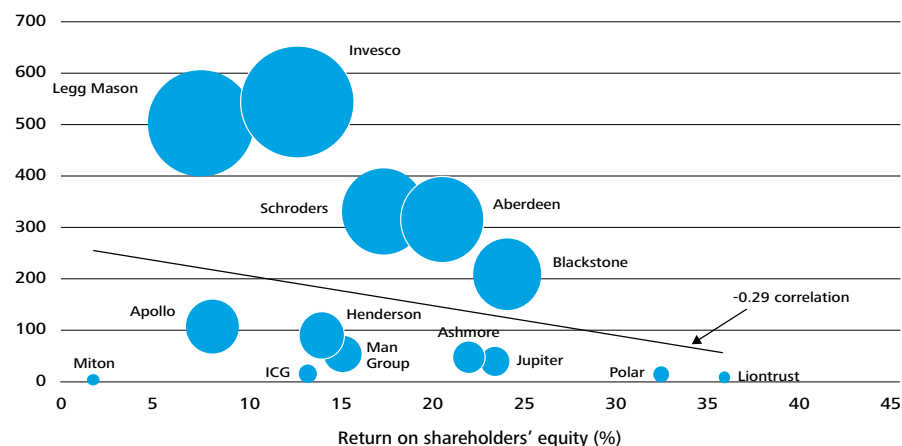
Investment management is always perceived as highly-scalable business, with operating leverage frequently cited as a key driver of continued M&A volumes in the sector. We do not disagree, but data analysis and our experience on transactions indicates a more nuanced picture, which we explore further below.

For investment managers, there is limited correlation between size and returns

A broadly representative sample of UK and US fund managers with assets under management (AUM) ranging from c.£2bn to over £500bn actually shows a negative correlation (-0.29) between level of AUM and return on equity (ROE) (see Figure 15).

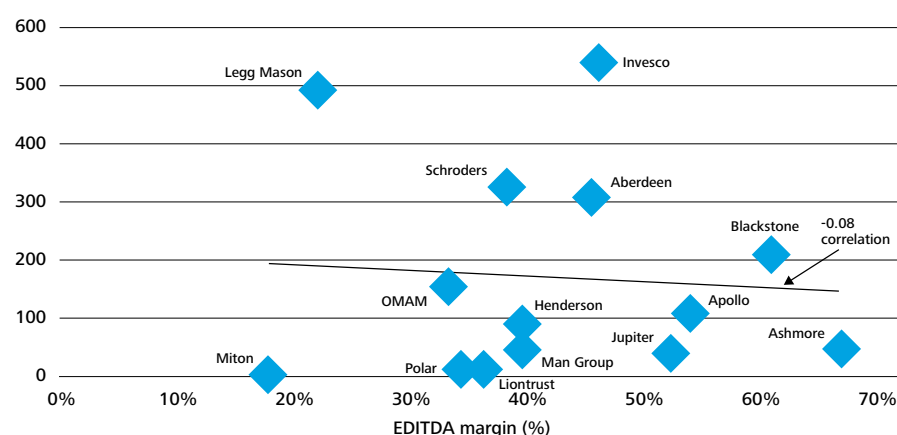
There is also a very slight negative correlation (-0.08) when you compare AUM to earnings before interest, tax, depreciation and amortisation (EBITDA) margin (see Figure 16). Both of these relationships feel arguably counterintuitive.

Figure 15. AUM (£bn) vs ROE for FY14



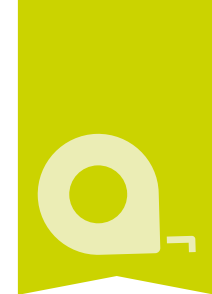
Source: FactSet 21 September 2015
ROE has been calculated in Factset as Net Income/Total Shareholders' Equity

Figure 16. AUM (£bn) vs EBITDA margin for FY14



Source: FactSet 21 September 2015
EBITDA margin is EBITDA/Revenue from the last reported period





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However, the data indicates that:

(i) Scale for investment managers can be achieved at relatively low levels of AUM, with high ROEs and EBITDA margins delivered due to lean cost bases and simple operating models.

(ii) That scalability will typically be achieved across a relatively limited range of asset classes (i.e. increased AUM for existing teams with capacity, which creates revenue growth with limited marginal cost increases).

(iii) Whilst this can support high ROEs at relatively low levels of AUM, such a niche focus has inherent capacity constraints in terms of future growth.

(iv) It can also represent a less diversified and therefore less resilient business mix, less strongly rated by the market in terms of share price relative to earnings.

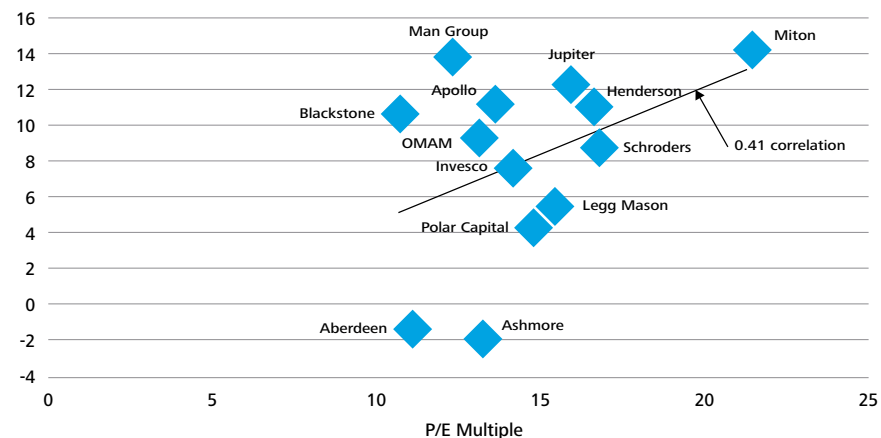
(v) Larger, more diverse investment managers with greater scale above, say £10bn or £20bn of AUM, will inevitably be increasingly broad in the product capability they deliver and their geographic footprint. This brings greater infrastructure and management cost hence the absence of a positive correlation between AUM and ROE or EBITDA margin.

(vi) In Figure 17, we see a clearer positive correlation of 0.41 when we compare the market's expectation of AUM growth against price earnings multiples.

(vii) This demonstrates that above a base level of AUM and an appropriate degree of diversification, investors are more focused on future growth rather than simply scale.

Figure 17. AUM vs PE Multiple for FY14

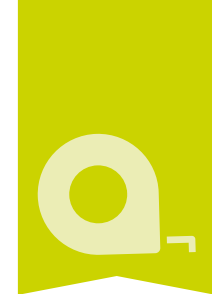
AUM Growth rate Historic – Forecast (%)



Source: FactSet 21 September 2015

AUM CAGR has been calculated using the AUMs from Factset for the Historic Year and Forecast for Year 1
ROE has been calculated in Factset as Net Income/Total Shareholders' Equity





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For wealth managers and platforms, scale is key – but so is vertical integration

Sub-sectors, such as wealth managers, distributors and platforms are experiencing consolidation driven by a range of factors which include, but are not limited to, scale:

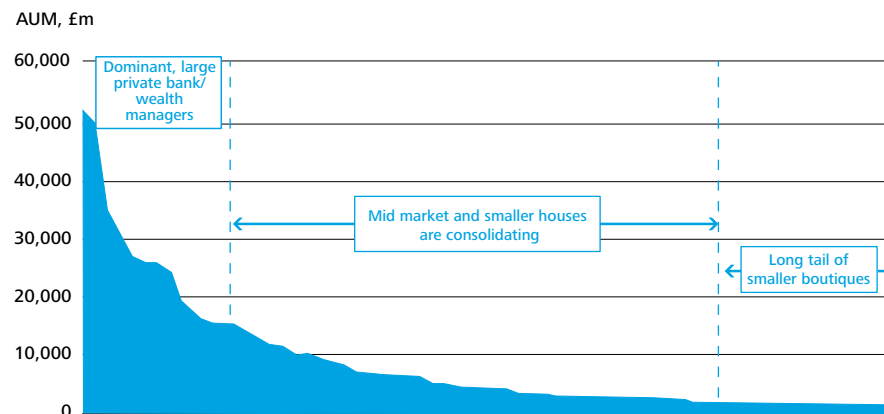
1. There is a long tail of wealth managers with less than £5bn of AUM in the UK, as shown by Figure 18, which we predict will continue to see further consolidation, a continuation of the trend that has already been evident in the market for some time.

2. Buyers range from other firms seeking scale and aggregator/consolidators, to private equity and larger financial institutions seeking to rebuild direct sales propositions.

3. Against a backdrop of margin pressure and increased fee transparency, consolidation increasingly reflects a strategic imperative, to shift towards vertically integrated models which can capture basis points through the value chain.³¹

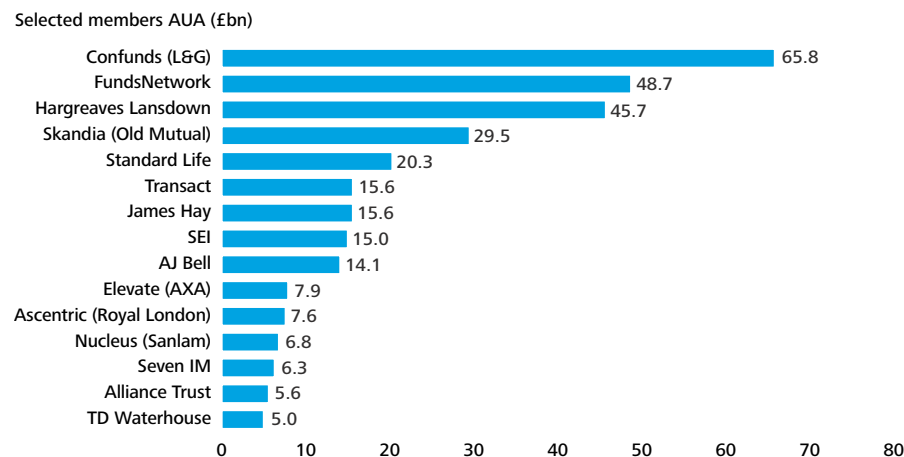
31. Vertically integrated models seek to combine owning the customer relationship, and delivering distribution, possibly with AUA sat on the businesses own platform, and also with an option for clients of packaged investment solutions (“discretionary fund management services” which are more scalable and higher margin, typically through the use of model investment portfolios which themselves comprise other funds).

Figure 18. Wealth Manager AUM



Source: Deloitte estimate

Figure 19. Platform sector assets under administration



Source: Deloitte estimate

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4. Additionally, amongst the large number of fund platforms which have proliferated in the UK (See Figure 19) only a handful have the scale and proposition to be genuinely profitable in the long term and therefore a degree of consolidation here is also inevitable.

Conclusion

We believe that size does matter for investment managers, but that it matters less than growth expectations in respect of new, earnings-accretive AUM. We see this continuing to influence M&A in the sector because:

- securing new inflows to drive AUM growth requires strong investment performance and capability in popular asset classes or investment strategies
- this will increasingly be reflected in focused acquisitions that inorganically build product capability or extend geographic reach, rather than simply adding scale to realise cost synergies
- successful acquisitions will also need a sharp focus on talent retention, cultural alignment and an efficient integration programme, to avoid key person departures and AUM leakage.

In the wealth management and distribution sub-sector, size is key, due to the long tail of sub-scale participants, but M&A is also being driven by a desire to broaden business models:

- a certain level of scale is critical to deliver profitability, especially for smaller wealth managers, adviser firms and sub-scale fund platforms – this will continue to drive M&A
- medium-sized participants are also attracted to M&A – the sector lends itself well to inorganic growth
- delivering more vertically integrated business models and propositions in the wealth space, which play (and earn) across the value chain, is also increasingly a factor behind transactions.



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Investment Management Regulation



Over the past few years, UK investment and wealth managers have been battling with a swathe of regulatory change, driven by both the local regulator and wider European legislation. Against a backdrop of structural reform of the pensions, savings and distribution market, this changing regulatory framework is creating opportunities and challenges in the sector that have forced businesses to reassess their existing business models and propositions.

Where do we see change, and what are the implications for M&A?

We see three key areas of continuing change:

1. The implementation of the Retail Distribution Review (RDR) has stabilised, but its impact continues to shape radical change in the wealth and distribution market

We predicted at the time of implementation of the RDR in 2013 that margin pressure created (arising from both increased training and compliance costs as well as the increased transparency of client charges and the phased demise of trail commissions), would result in consolidation in the long tail of smaller wealth managers and financial advisory businesses.³²

The last three years has seen exactly this occur, but the trend is ongoing. We predict that the UK market will see continued M&A of this type over the coming years.

Furthermore, in addition to this M&A, we also predicted the beginning of a wave of consolidation in the fund platform sector, due to regulatory drivers, such as:

- the ban on fund managers paying rebates to platforms which distribute their products within the RDR has both increased the transparency of platform charges but has also driven an erosion of platform margins
- this, combined with difficulties for manufacturer-owned platforms effectively distributing their own products whilst remaining compliant with relevant regulations, is generating platform M&A.

Finally, we note that the FCA has launched a new Financial Advice Market Review (FAMR), designed to examine how financial advice “considered in its broadest sense, could work better for consumers”. This is currently in consultation and will report ahead of the 2016 Budget but could lead to further shifts within this market. In addition, the FCA has also announced a market study on competition in the Investment Management industry, due to

report interim findings in Summer 2016, which is focussed on how investment managers provide value to customers and could also impact the future market place.

2. The Market in Financial Instruments Directive (MiFID) II’s focus on product governance may blur the line between manufacturing and distribution, in line with the emerging trend towards vertical integration

The amendments to MiFID suggested by European Commission in MiFID II will have significant and wide-ranging implications for the operations, conduct and governance of EU investment firms.

Specifically, in a recent Deloitte survey of investment managers, MiFID II was highlighted as having the greatest impact on their strategy over the next two years.

This includes particular concerns that proposals on unbundling investment research payments from dealing commissions will either increase research costs or reduce research quality/quantity, as well as that the product governance rules – which require a greater sharing of information between manufacturers and distributors – may in practice disadvantage smaller and less established investment managers.³³

32. Recognising RDR reality, the need to challenge planning assumptions, Deloitte LLP, 2013

33. Navigating MiFID: Strategic decisions for investment managers, Deloitte LLP, October 2015



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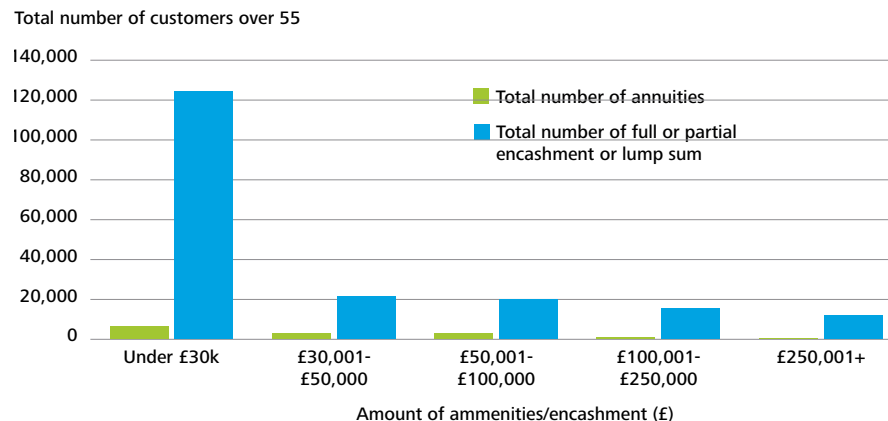
Therefore, these rules are likely to support the attractiveness of Direct to Customer (D2C) offerings and investment in digital propositions, as investment firms consider exploring a more direct distribution model. This is consistent with the strategic trend towards vertical integration many firms are pursuing, such as Old Mutual Wealth's acquisition of the Intrinsic advisory network or Standard Life's acquisition of Pearson Jones, the financial advisory firm.³⁴

Overall, we anticipate that MiFID II will increase costs and reduce margins, as investment managers will be challenged to demonstrate the appropriateness of costs that are passed to investors due to greater transparency on fees and competition. Whilst larger managers may be able to better absorb increased costs and niche managers should be less affected, those in the middle will face the greatest challenge.

Pension reforms in the UK represent a fundamental change to the UK savings market

In the UK, automatic pension enrolment has created five million new pension savers since 2012.³⁵ In addition the pension freedoms which were implemented in April 2015 for individuals aged over 55

Figure 20. Number of annuities versus pension encashments taken in the first three months of pension freedoms



Source: Pension freedoms data collection exercise: analysis and findings, Financial Conduct Authority, 16 September 2015

mean there is a potential further five million individuals looking for pension investment options. This represents a significant growth opportunity for the investment management industry.

Figure 20 shows that the majority of people now reaching retirement are taking all or part of their pension as a cash sum. With £2.1 trillion of assets

in UK pensions at the end of December 2014, there is a significant opportunity for investment management firms to ensure that they have products to meet these new customers' needs.³⁶ Not all firms are equally positioned to tackle this, and where a firm does not have these products and historical performance already available, or the ability to develop them adequately, they may consider M&A.

34 Old Mutual Wealth acquires Intrinsic to accelerate growth strategy, Old Mutual Wealth, , 28 February 2014, <https://www.oldmutualwealth.co.uk/Media-Centre/2014-press-releases/February-2014/Old-Mutual-Wealth-acquires-Intrinsic-to-accelerate-growth-strategy/>

35 Shaping the Future of Asset Management, Asset Management Survey 2014-15, the Investment Association, September 2015, <http://www.theinvestmentassociation.org/investment-industry-information/research-and-publications/asset-management-survey/download-the-survey.html>

36 Shaping the Future of Asset Management, Asset Management Survey 2014-15, the Investment Association, September 2015. See also: <http://www.theinvestmentassociation.org/investment-industry-information/research-and-publications/asset-management-survey/download-the-survey.html>



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Conclusion

Overall, we still see regulation in the sector fuelling consolidation, whether it is in the distribution channel, where RDR and platform fee regulations are driving sub-scale businesses to grow through M&A, or for investment managers, where MIFID will increase compliance costs or with pension reforms generating new opportunities for inorganic vertical integration or product/client acquisition.

The pace of regulatory change continues – and we believe its implications will consistently have an impact on M&A volumes over the next five years.



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Due diligence for Aviva on its merger with Friends Life

Acquisition due diligence



Acquisition due diligence on behalf of Zurich on its proposed acquisition of RSA

Acquisition due diligence



Due diligence for Mitsui Sumitomo on its acquisition of Amlin

Vendor due diligence



Vendor due diligence on the disposal of Guardian Financial Services to Admin Re

Vendor due diligence and Financial Advisory



Vendor due diligence and financial advisory for Friends Life disposal of Lombard

Financial Advisory



Disposal of two businesses for Capita

Banking

Vendor assist and post merger integration



Sell side support to Barclays on their disposal of retail, wealth and certain corporate business in Portugal to Bankinter

Acquisition due diligence



Acquisition due diligence on behalf of Cerberus on their acquisition of the Granite portfolio from UKAR

IPO



Vendor assist in relation to the IPO of TSB

Acquisition due diligence



Acquisition due diligence on behalf of Blackstone and TSSP for their acquisition of Kensington

Portfolio lead advisory services

€300 bn

Advised on over of €300 bn portfolio trades

IPO



Reporting accountant on the proposed IPO of Clydesdale & Yorkshire Bank

Investment Management

Acquisition due diligence



Acquisition due diligence on behalf of KKR for their investment in Marshall Wace

Acquisition due diligence and post merger integration



Buy side due diligence for London Stock Exchange plc on acquisition of Russell Investments

Vendor assist



Sell side support to Bridgepoint on disposal of Quilter Cheviot to Old Mutual Wealth

Acquisition due diligence and Financial Advisory



Support for Equistone's acquisition of Wealth at Work

Vendor assist



Sell side support to 3i on its disposal of Bestinvest to Permira

Commercial due diligence



Due diligence for St James Place plc on their acquisition of Rowan Dartington

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