Agenda

1. Macro highlights and indicators
2. Market insights
3. EY contacts
4. Credentials
Financial Services Corporate Finance and Restructuring

This publication was created by the EY Financial Services Corporate Finance and Restructuring team who can support your business through any stage of the economic cycle.

**M&A**
- Identify suitable M&A opportunities and confidently navigate a transaction process
- Prepare for future value realisation and develop an exit strategy
- Provide tailored advice to specific acquisition needs including part-time board-level advice, structured solutions and acting as transaction advisor

**Loan Portfolio Solutions**
- Market intelligence and end-to-end support at any stage of a competitive process
- Loan book analysis, sale strategy and full process execution to improve key sale objectives

**Crisis Management**
- Market intelligence and end-to-end support at any stage of a competitive process
- Loan book analysis, sale strategy and full process execution to improve key sale objectives

**Debt Advisory**
- Broad spectrum of transaction advisory services relating to multiple debt markets and securitisation
- Significant knowledge of the speciality finance sector across a broad range of asset classes

**Restructuring**
- In-depth regulatory knowledge used to support every stage of the Recovery and Resolution Planning agenda
- Extensive experience in execution of restructuring and insolvency projects and helping improve value for key stakeholders

**Due Diligence**
- Extensive experience advising a range of sellers, investors and funders in identifying key value drivers in a transaction
- Ability to support both buy-side and sell-side of a transaction, and offer a wide range of support services around data and reviews

**Crisis Management**
- Support for businesses in crisis using a multi-competency team to provide leadership and decision making, actively prioritise and provide action plans and advise on stakeholder engagement

**Integrated market-leading solution**
Macro highlights and indicators
# Macro highlights and themes

## Key themes

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicator</th>
<th>Value</th>
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<tr>
<td>Inflation</td>
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<td>10.7%</td>
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<tr>
<td>Unemployment</td>
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<tr>
<td>Consumer spending</td>
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<tr>
<td>Arrears, defaults, and provisioning</td>
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<td>Auto-finance</td>
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<td>Housing market</td>
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<td>Net borrowing and mortgage approvals</td>
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<tr>
<td>Insolvencies and market stress</td>
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### Inflation
- As per the data published by ONS, the Consumer Prices Index (CPI) rose by 10.7% in the 12 months to November 2022, down from 11.1% in October. On a monthly basis, it rose by 0.4% in November 2022, compared with a rise of 0.7% in November 2021.
- The Consumer Prices Index including owner occupiers’ housing costs (CPIH) rose by 9.3% in the 12 months to November 2022, down from 9.6% in October. On a monthly basis, it rose by 0.4% in November 2022, compared with a rise of 0.6% in November 2021.

### Unemployment
- The unemployment rate for August-October 2022 increased by 0.1 percentage points on the quarter to 3.7%, as per ONS.
- Redundancies increased by 0.9 per 1000 employees, compared to the previous three month period, to 3.1 per 1000 employees in August-October 2022.
- The number of job vacancies in September- November 2022 fell by 65,000 on the quarter to 1,187,000. Despite five consecutive quarterly falls, the number of vacancies remains at historically high levels.

### Consumer spending
- According to the Barclays UK Consumer Spending, consumer card spending grew 3.9% in November 2022, up from 3.5% in October 2022, but less than expected (CPIH 9.6%).
- Essential card spending grew 7.1% in November 2022, higher than October (5.7%) and September (3.3%) respectively. Grocery saw its highest growth this year at 9.9% compared to a 4.1% last month as food costs continue to rise.
- Non-essential card spending grew 2.3%, a small decline compared to 2.5% in October 2022. Travel continues to show positive growth compared to this time last year, however consumers cut back in other categories such as Electronics and General Retailers.

### Arrears, defaults, and provisioning
- As per the Bank of England, the value of outstanding balances with arrears decreased by 1.4% over the quarter and 5.1% over the year, to £13.1 billion in 2022 Q3, and now accounts for 0.78% of outstanding mortgage balances, the lowest since recording began in 2007.
- The proportion of total loan balances with arrears decreased on the quarter from 0.80% to 0.78%, also the lowest since recording began.
- The share of gross mortgage advances with interest rates less than 2% above Bank Rate was 93.0% in Q3 2022. 35.7 percentage points higher than a year ago, and the highest observed since Q2-08.

### Auto-finance
- The average price of a used car increased by 4.7% YoY (on a like-for-like basis) to £17,818 in November 2022, according to the Auto Trader Retail Price Index. On month-on-month basis, it has increased by 1.3%. Demand has softened, but remains comfortably above pre-pandemic levels.
- As per the Society of Motor Manufacturers and Traders, the UK new car registrations grew 23.5% in November 2022 to 142,889 registered units in the fourth consecutive month of year-on-year growth. BEV registrations were up 35.2% in November 2022, representing more than one in five new cars (20.6%) - the largest monthly share of BEVs this year.

### Housing market
- As per the HPI report published by Nationwide Building Society, annual UK house price growth slowed to 4.4% in November 2022 from 7.2% in October 2022.
- Prices fell by 1.4% month-on-month in November 2022, after taking account of seasonal effects, the largest fall since June 2020.
- The price of a typical UK Home was £263,788 in November 2022, with average prices increasing by around £11,100 compared to same period in the last year.
- Housing affordability for potential buyers and home movers has become much more stretched at a time when household finances are already under pressure from high inflation.

### Net borrowing and mortgage approvals
- According to the Bank of England, net borrowing of mortgage debt by individuals decreased to £4.0 billion in October 2022 (-32.5% on month-on-month basis) from £5.9 billion in September 2022.
- Mortgage approvals for house purchases decreased to 99,000 in October 2022 from 106,000 in September.
- The effective interest rate – the actual interest rate paid – on newly drawn mortgages increased by 25 basis points, to 3.09% in October 2022.

### Insolvencies and market stress
- As per the monthly insolvency statistics published by the UK government, the number of company insolvencies in November 2022 was 2,029, 21% higher than in November 2021 and 35% higher than in November 2019.
- In November 2022, there were 1,595 Creditors’ Voluntary Liquidations, 5% higher than in November 2021 and 50% higher than November 2019.
- There were 290 compulsory liquidations in November 2022, more than 5 times as many as in November 2021 and 7% higher than in November 2019.
- For individuals, 546 bankruptcies were registered, which was 16% lower than in November 2021 and 60% lower than November 2019.
Macroeconomic indicators

Unemployment Rate (%)

Source: ONS as at 13-Dec-22

Inflation CPIH Index

Source: ONS as at 14-Dec-22

Consumer Spending

Source: Barclays UK Consumer Spending Report (Dec-2022)

Equity Markets

Source: Capital IQ as at 15-Dec-22
Mortgage and housing market snapshot

### Number of Mortgage Approvals

- **Source:** BoE as at 29-Nov-22

### Average UK House Price

- **Source:** Nationwide as at 30-Sep-22

### Mortgage Arrears

- **Source:** BoE as at 13-Dec-22

### Regional House Price Index

- **Source:** Nationwide as at 30-Sep-22
Consumer borrowing market snapshot

- **Value of Credit Card Transactions (£m)**
- **Number of Credit Card Transactions (000s)**
- **Credit Card Annual Growth Rate (%)**
- **% of Credit Card Balances Bearing Interest**

Source: UK Finance as at 23-Nov-22
Auto-finance market snapshot

New Car Registrations in UK

Source: Society of Motor Manufactures and Traders (SMMT)

Used Car Average Asking Price (Quarterly)

Source: Auto Trader Retail Price Index

Cumulative Number of New Battery Electric Vehicle Registrations and Market Share

Source: Society of Motor Manufactures and Traders (SMMT)
UK corporate and consumer insolvency snapshot

**Quarterly Corporate Insolvencies (2012 – Current)**

- Bankruptcies
- Debt Relief Orders
- Individual Voluntary Agreements

**Monthly Corporate Insolvencies (2019 – Current)**

Source: GOV as at 14-Oct-22

**Quarterly Individual Insolvencies (2012 – Current)**

Source: GOV as at 14-Oct-22

**Monthly Individual Insolvencies (2019 – Current)**

Source: GOV as at 14-Dec-22

COVID-19 Lockdown
02

Banking and Capital Markets
Market overview

As seen across the majority of transactional markets over the prior two years, the onset of the COVID-19 pandemic resulted in the UK portfolio market grinding to a halt in early 2020. A number of processes were placed on hold as both financial and non-financial lenders pivoted their attention away from portfolio disposals and onto in-house strategic programmes as they looked to assist their customers in tackling the pandemic.

Following the provision of the various support schemes – both government and organisation-led (capital repayment holidays, debt restructurings, etc.) – a number of lenders have spent a large part of the prior two years enhancing and future-proofing their internal collections infrastructure in preparation of the anticipated surge in collections and recoveries activity. It is only now, where government and organisation led support schemes have begun to mature, that more focus has been placed on which elements of their offerings are deemed non-core, or which elements are proving to be a drag on RWAs and capital ratios, and hence portfolio disposals are being discussed in order to address this.

Evidencing just how much of an impact the pandemic had on the market, to the left we can see transaction volumes in 2020 accounting for £3.7bn (mostly concentrated in H2) which was significantly below the £10.5bn of trades we saw in 2019. In 2021, the market picked up with £7.8bn of transacted volumes completed by year end, with a particular focus on residential portfolios. This focus continued into 2022, where the majority of the transactions for this year closed in H1. This accounted for a total of £3.8bn of the years £4.2bn residential, consumer and SME assets.

The market was much quieter in the second half of 2022, with trades coming to market, but sellers struggling to find acceptable levels of pricing in the face of high uncertainty and deteriorating economic conditions.
Banking and Capital Markets: Loan Portfolio Sales – UK Market Overview

Market overview
Notwithstanding this, given the theme of consolidation which we are seeing across the UK banking market amongst the challenger and smaller lenders, we are expecting an increased number of portfolios to be brought to market as a result of banks reassessing their core activities. The highest profile example of this seen thus far was Project Hazel, which was AIB’s sale of its UK SME book to Allica Bank. This was driven by their strategic decision to exit the commercial business market in Great Britain, whilst Starling Bank acquired a residential and SME portfolio from Masthaven earlier this year following it’s classification as being non-core. Mo recently, we have seen Barclays agree to acquire the UK specialist lender Kensington Group.

With regards to the outlook of future portfolio activity within the UK, we are anticipating an extremely busy few years ahead. Borrowers within the UK are facing an unprecedented squeeze on their incomes – several interdependent factors, including an increase in the cost of living, higher national insurance contributions, energy costs, interest rates and fuel prices, have resulted in a perfect storm for borrowers – many of whom are still dealing with the impact of the COVID-19 pandemic. With inflation rates running at a 41-year high combined with the unwinding of COVID-19 relief measures and in many cases, a return to the repayment of said relief measures – never before have customers felt the pinch across so many different elements of their income and expenditure. One thing is certain – while this will likely result in significant distress across all asset classes, it is only a matter of time before banks and non-bank landers begin to explore how they could look to offload these portfolios. However, the key question to answer is whether they will seek to outsource collections to specialist local services, or whether they’d prefer to recognize these NPLs via large scale portfolio disposals as we saw in the post global financial crisis era.

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<th>Date</th>
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Source: Debtwire, EY Research
Data updated monthly
Market Activity

September was a month of two halves, seeing increasing activity and investor appetite after the summer break with 15 transactions priced and or issued totalling €8.4 billion for the month. European ABS totalled €47.3 billion YTD. This raises total YTD priced and or issued volume to €117.0 billion (versus €126.1 billion YTD 2021). The beginning of September saw a return of issuers to the open market, with marketed tranches making up €4.7 billion of the €8.4 billion monthly volume running counter to the recent trend of issuers retaining or privately placing the majority of senior notes to manage market conditions. However, the month ended with a shock to both primary and secondary markets following the UK’s mini-budget, with volatility causing transactions to stall, issuers to retain additional tranches and secondary volumes to significantly rise as UK pension funds sought to exit positions to cover derivative margin calls after a dislocation in the UK gilt market.

The final week of September saw a sharp increase in secondary trading volumes. Bid Wanted in Competition (BWIC) volumes across all ABS classes increased by factors of c.4x to c.17x off the average of the remainder of September (Auto: 3.8x, Cards: 15.2x, CMBS: 4.7x, Consumer: 3.7x, RMBS:16.6x) with weekly volumes of c$1 billion in the last week of September. Sales were driven predominantly by asset managers preparing to face outflows. In particular, there were high outflows from LDI (Liability Driving Investment) pension funds due to the UK Government’s mini-budget announcement. The use of derivatives to offset interest rate risk in these funds and UK bond yields rising steeply triggered collateral calls and a positive feedback loop of selling pressure, forcing the BOE to step in to restore stability and liquidity in the market.

Continued volatility has been seen during September in the private debt market, in anticipation of cost-of-living pressures starting to impact consumers and SME’s in the UK and fuelled by the UK Government mini-budget. As a result, we have seen pockets of change in appetite for new to market transactions in the UK private debt market. These changes have included, but were not limited to, small increases in pricing and reductions in advance rate across all speciality finance asset classes, with unsecured consumer and SME generally viewed more negatively by private debt investors. However, there is still a significant amount of liquidity in the private debt markets and we have seen a number of new investors looking at the UK, mainly from the US where exchange rates are making the UK look like a valuable investment area.
Banking and Capital Markets: Securitisation and Debt Market Overview

**Investment Grade Spreads**

- GBP
- EUR

**High Yield Spreads**

- GBP
- EUR

**iTraxx Europe Financial CDS Levels**

- Senior
- Subordinated

**UK RMBS**

- UK Prime AAA
- UK Non-Conforming AAA
- UK BTL AAA
Banking and Capital Markets: Securitisation and Debt Market Overview

BOE Base Rate, LIBOR and SONIA (2007 onwards)

BOE Base Rate, LIBOR and SONIA (LTM)

Source: Refinitiv
M&A – UK market overview

Market Activity

Rising deal activity

The UK specialist finance market has been going through an M&A boom, with a number of significant transactions recently being announced or rumoured to be coming to market soon. Notable transactions include the sale of Enra Group to Elliott Advisers, Kensington Mortgage Company Limited being acquired by Barclays and Starling Bank acquiring Fleet Mortgages. MSP Capital and MT Finance have also been rumoured to be exploring a potential sale soon. Drivers of deal activity are likely down to a number of factors, including a desire to gain exposure to the UK property market, the high quality of the businesses and management teams and the attraction of being able to make both a Day 1 investment and ongoing capital deployment.

Major bank move into specialist lending

Barclays announced the acquisition of Kensington Mortgage Company Limited on 24th June 2022, a UK-based specialist mortgage lender, from companies controlled by funds managed by Blackstone Tactical Opportunities Advisors LLC and funds affiliated with Sixth Street Partners LLC. This transaction is notable in that it marks the entry of a major UK retail bank into the specialist lending market, with the stated objective of broadening Barclays’ product range and enabling the realisation of synergies through bringing loans on balance sheet. It remains to be seen whether this paves the way for other major banks to make a similar investment.

Macroeconomic uncertainty impact on investor sentiment

A degree of uncertainty has crept into investor sentiment in a foreboding macroeconomic environment. Some transactions are taking longer to complete as potential buyers try to assess the impact of market movements on the trading performance of targets. With high investor demand to make an investment into UK specialist lenders at present there is a limit to how much bidders can delay due diligence without risking missing out. We do however think that this uncertainty will bring opportunities for good businesses to take market share if competitors’ attention is taken by increased defaults or arrears or funding difficulties.
### Key listed entity metrics as at 15 December 2022

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<tr>
<th>Share Price (GBP)</th>
<th>Market Cap</th>
<th>P/E</th>
<th>P/TBV</th>
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<td>Median</td>
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<td>1,246.7</td>
<td>12.1x</td>
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Source: CapIQ
Equity market trends

EY UK Challenger Bank Index

EY UK Speciality Finance Index

FTSE 100

FTSE 250

Source: EY Research, S&P Capital IQ
03
EY Contacts
EY Contacts

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Global M&A league table for Q1-Q3 2022

### Ranking by Value

<table>
<thead>
<tr>
<th>Adviser Name</th>
<th>Rank</th>
<th>Value (S$bn)</th>
<th>No. Deals</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goldman Sachs</td>
<td>1</td>
<td>746</td>
<td>194</td>
<td>-16.90%</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>2</td>
<td>514</td>
<td>175</td>
<td>-35.20%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>3</td>
<td>409</td>
<td>112</td>
<td>-10.90%</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>4</td>
<td>398</td>
<td>119</td>
<td>-37.30%</td>
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<tr>
<td>Citi</td>
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<td>366</td>
<td>89</td>
<td>-10.40%</td>
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<tr>
<td>Barclays</td>
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<td>258</td>
<td>121</td>
<td>-24.30%</td>
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<tr>
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<td>225</td>
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<tr>
<td>Lazard</td>
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<td>183</td>
<td>159</td>
<td>-12.80%</td>
</tr>
<tr>
<td>Allen &amp; Company</td>
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<td>155</td>
<td>9</td>
<td>134.80%</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>10</td>
<td>131</td>
<td>35</td>
<td>134.50%</td>
</tr>
<tr>
<td>Rothschild &amp; Co</td>
<td>11</td>
<td>121</td>
<td>282</td>
<td>-44.00%</td>
</tr>
<tr>
<td>Jefferies</td>
<td>12</td>
<td>120</td>
<td>139</td>
<td>-23.90%</td>
</tr>
<tr>
<td>UBS</td>
<td>13</td>
<td>119</td>
<td>93</td>
<td>-42.70%</td>
</tr>
<tr>
<td>Evercore</td>
<td>14</td>
<td>111</td>
<td>124</td>
<td>-53.80%</td>
</tr>
<tr>
<td>Moelis &amp; Company</td>
<td>15</td>
<td>101</td>
<td>100</td>
<td>-11.30%</td>
</tr>
<tr>
<td>Nomura</td>
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<td>35</td>
<td>29.40%</td>
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<tr>
<td>HSBC</td>
<td>18</td>
<td>98</td>
<td>34</td>
<td>18.20%</td>
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<tr>
<td>RBC Capital Markets</td>
<td>19</td>
<td>81</td>
<td>94</td>
<td>-43.70%</td>
</tr>
<tr>
<td>Deloitte</td>
<td>20</td>
<td>72</td>
<td>144</td>
<td>189.40%</td>
</tr>
</tbody>
</table>

### Ranking by Volume

<table>
<thead>
<tr>
<th>Adviser Name</th>
<th>Rank</th>
<th>No. Deals</th>
<th>Value (S$bn)</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rothschild &amp; Co</td>
<td>1</td>
<td>282</td>
<td>121</td>
<td>-22.50%</td>
</tr>
<tr>
<td>Houlihan Lokey</td>
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<td>244</td>
<td>17</td>
<td>-39.60%</td>
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<tr>
<td>Goldman Sachs</td>
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<td>194</td>
<td>746</td>
<td>-48.00%</td>
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<tr>
<td>PwC</td>
<td>4</td>
<td>183</td>
<td>21</td>
<td>-36.50%</td>
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<tr>
<td>KPMG</td>
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<td>181</td>
<td>20</td>
<td>-25.20%</td>
</tr>
<tr>
<td>Ernst &amp; Young</td>
<td>6</td>
<td>179</td>
<td>50</td>
<td>-26.00%</td>
</tr>
<tr>
<td>JP Morgan</td>
<td>7</td>
<td>175</td>
<td>514</td>
<td>-55.50%</td>
</tr>
<tr>
<td>Lazard</td>
<td>8</td>
<td>159</td>
<td>183</td>
<td>-11.70%</td>
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<tr>
<td>Deloitte</td>
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<td>144</td>
<td>72</td>
<td>-25.80%</td>
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<td>Jefferies</td>
<td>10</td>
<td>139</td>
<td>120</td>
<td>-34.40%</td>
</tr>
<tr>
<td>Evercore</td>
<td>11</td>
<td>124</td>
<td>111</td>
<td>-20.50%</td>
</tr>
<tr>
<td>Stifel/KBW</td>
<td>12</td>
<td>123</td>
<td>26</td>
<td>-18.50%</td>
</tr>
<tr>
<td>Raymond James Financial</td>
<td>13</td>
<td>123</td>
<td>7</td>
<td>-34.90%</td>
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<td>Barclays</td>
<td>14</td>
<td>121</td>
<td>258</td>
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<tr>
<td>Morgan Stanley</td>
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<td>119</td>
<td>398</td>
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<tr>
<td>Bank of America</td>
<td>16</td>
<td>112</td>
<td>409</td>
<td>-40.70%</td>
</tr>
<tr>
<td>William Blair</td>
<td>17</td>
<td>103</td>
<td>9</td>
<td>-29.90%</td>
</tr>
<tr>
<td>Moelis &amp; Company</td>
<td>18</td>
<td>100</td>
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<td>UBS</td>
<td>20</td>
<td>93</td>
<td>119</td>
<td>-32.10%</td>
</tr>
</tbody>
</table>

Source: GlobalData Financial Deals Database, Oct 2022
Credentials

The announcements appear as a matter of record only.

**Debt Advisory**

- **Evolution Money**
  - August 2022
  - Raised a £230m private equity facility to finance the growth of the loan book

- **Propel**
  - August 2022
  - Raised a £275m senior financing and £25m mezzanine facility to provide term loans to SMEs across the UK

- **MT Finance**
  - June 2022
  - Raised £75m senior financing facilities to support growth loans for Sweden’s start-up companies

- **ARK**
  - April 2022
  - Raised a €170m senior financing facility to support growth loans for Sweden’s start-up companies

- **MSP Capital**
  - November 2021
  - Raised €30m for the development of its mezzanine facilities to finance personal consumer loans, raising €370m and €230m respectively

- **ENRA Group**
  - July 2021
  - Raised €30m senior certificate facility to finance housing loans, raising €270m and released a €25m senior facility to finance development loans

**M&A**

- **Evolution Money**
  - Ongoing
  - Confidential - Sale of an invoice financing business

- **Project Lego**
  - Ongoing
  - Confidential - Sale of an invoice financing business

- **Project Myths**
  - June 2021
  - Confidential - Acquisition of a foreign exchange payments business

- **MT Finance**
  - March 2021
  - MBO of a short term property lender, consolidating 100% of the ownership of the company back into the hands of the founders

- **Lendinvest**
  - January 2021
  - Advised the board on entering into a new £500m forward flow facility to finance future EFL origination

- **PayPoint**
  - October 2020
  - Sale of PayPoint PLCs Romanian subsidiaries

**NPL & Portfolio**

- **Confidential**
  - Ongoing
  - Confidential - Sale of an invoice financing business

- **Project Pearl**
  - Ongoing
  - Advised a major high street bank on the sale of its 6th month forward flow portfolio

- **Project Tokyo**
  - April 2021
  - Vendor due diligence support to a major UK bank to sell its SME asset finance business with a value of £1.1bn GRO

- **Project Peak**
  - 2020
  - Supported a UK Clearing Bank on the disposal of its servicing business

- **Project Lenny**
  - 2019
  - Self-bailed advisory on a secondary trade with reference to a secured portfolio

**Restructuring wind-down and resolution planning**

- **Confidential**
  - 2021-2022
  - Appointed by a large European bank to assist in crisis management across multiple workstreams in relation to large finance exposures

- **Confidential**
  - 2021
  - Advised a large European bank on the wind down of a division of its operations

- **Confidential**
  - 2020-2022
  - Supported a large Irish bank on various restructuring planning topics - governance, communication, operations, control, access to financial market infrastructure, funding & funding, M&A, separability & restructuring

- **Confidential**
  - 2020-2022
  - Supported a UK clearing bank on the restructuring work under RRP programme with the identification of contingency restructuring options and design of the restructuring planning process

- **PNB Banka**
  - 2019-2020
  - Supported the appointed liquidators of a local insolvent Lithuanian bank to create a wind-down plan over a 5 year period

- **Satabank**
  - 2018-2020
  - Assisted appointed liquidators of Satabank, a pre-empted Latvian bank, to perform high level analysis procedures on the overview of the wind-down plan and submitted the liquidators

- **ABLV**
  - 2018
  - Advised appointed liquidators of ABLV, a pre-empted Latvia bank, to perform high level analysis procedures on the overview of the wind down plan and submitted the liquidators

- **Confidential**
  - 2018
  - Developed a capital strategy and remediation plan to address potential capital shortfall for a systematically relevant bank in the Eurozone...
Ernst & Young LLP

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