



# Fixed income valuation services



Over the last decade, the growth and complexity of fixed income products have affected the reporting requirements related to instruments throughout entities' capital structures. Furthermore, the types of fixed income instruments have expanded and range widely, from corporate debt, such as callable bonds, to retail and commercial banking products such as residential mortgages, CMBS and SBA loans. As the FASB has enhanced financial reporting requirements aiming to help investors understand and manage their risk, valuing fixed income products has become more crucial than ever. KPMG LLP (KPMG) can help you meet the valuation requirements and expectations set by investors, other industry players, and regulators.

**KPMG Valuation and Business Modeling Services professionals can assist organizations when the following issues arise:**

- A company in need of Fresh Start Accounting valuation services needs values for large amounts of loans (pooled, or pushed down to loan level) and for corporate debt.
- A company is negotiating the purchase price of an acquisition target, which may hold fixed income products such as Commercial and Industrial (C&I) debt.
- As part of a due diligence exercise, a company may need to estimate the impact of potential changes in interest rates as part of its evaluation.
- A company interested in bidding on a pool of fixed income securities may have interest in having a third party test the assumptions used to set the bid.
- A bank needs assistance in estimating the value of loans being transferred across entities, international or state boundaries for tax purposes. Fair value determination is necessary to comply with U.S. tax, financial reporting, and financial regulatory requirements.
- An investor that is looking to invest in commercial properties would like another party to assess the cash flow of the target investment.
- A financial services company holds a loan and may desire to quantify the potential impact of modifying the terms and conditions on the value of the loan.
- A hedge fund needs to verify the pricing of bonds held for which they only have broker quotes as a reference point for the fund's marks.
- A company proactively managing its balance sheet wants to test the potential valuation impact of moving various assets between balance sheet line items or entities.



## Our approach

Our approach is focused on transparency of assumptions, methodologies, and processes. We have developed models that draw on the latest developments in financial theory and are designed to comply with current accounting guidelines. Our use of these models helps clients understand complicated issues and helps enable decision making across the enterprise.

We provide fully documented valuation analyses to address clients' requirements to support transactions as well as to meet rigorous auditing standards. As a major audit firm in the dynamic financial services market, we regularly review large portfolio valuations and keep abreast of market pricing trends supported by updated trading information. The knowledge and insight we gain from this experience help us to serve each of our clients.

We not only offer clarity in valuation advice, but also function as a business adviser to help companies address complex financial and business issues. We have specialist teams dedicated to specific types of loans and debt who regularly assist clients' deal teams to help get to the correct valuation answer quickly.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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## Recent projects

Just a few of the fixed income securities for which KPMG professionals have provided valuations recently include:

- More than \$30 billion in commercial real estate loans across multiple valuation dates as part of a tax valuation
- More than \$40 billion in residential mortgages as part of a major bank acquisition
- Approximately \$20 billion of credit card receivables as part of a due diligence exercise
- More than \$1 billion in various C&I debt, margin accounts, and overdraft protection as part of a bank acquisition
- Approximately \$200 million in subprime auto loan receivables as part of a purchase accounting exercise.

## Why KPMG?

When choosing an adviser, investors want a firm that has the technical skills to produce the relevant analysis and the practical experience to provide sound, objective advice. KPMG has the knowledge, coverage, and trusted name you can rely on to help you meet your valuation needs. We deliver objective advice that can aid in reassuring investors, boards, auditors, and regulators.

Our valuation professionals have extensive experience providing estimates of fair value. Our specialists provide regulatory insights and a coordinated approach based on deep working relationships with other KPMG audit, tax and advisory professionals, as well as consistency in methodology and adherence to U.S. and international standards. As a member of the KPMG International global network of member firms, we bring significant experience and leading practices from working with fixed income securities valuation issues in the U.S. and abroad.

## Contact us

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