

# Bank M&A bounces back

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## Financial institutions M&A: Sector trends

M&A is back on the agenda.  
3 key drivers for banks:

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**All eyes on European consolidation:** Amalgamating over-serviced domestic markets

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**The art of simplicity:** Trimming overcapacity and peripheral operations

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**Strategic cross-border deals make a return:** Growing again in core markets

# Bank M&A bounces back

Banks have emerged from the global financial crisis with a clearer picture of how they need to be structured. Strategic M&A is back as banks across Europe consolidate and lean in to the fintech revolution.

## Overview

### CURRENT MARKET

Upward, significant

### WE ARE SEEING

- Increased focus on intra-group restructurings, aimed at:
  - Achieving leaner and simpler business models by eliminating structural obstacles / overcapacity and peripheral operations
  - Aligning core business processes across product lines and geographies
  - Optimising internal resources, including regulatory capital, liquidity, management time and internal knowledge
  - Realising governance, operational and tax efficiencies
  - Streamlining intra-group service arrangements (particularly in light of the coming into force of the EU General Data Protection Regulation and growing cybersecurity threats)
  - Weaving regulatory compliance infrastructure and ethos into the fabric of day-to-day operations
  - Re-architecting the balance of physical branch and digital offerings
- Shedding of non-core and underperforming financial assets
- Domestic consolidation across Western Europe and CEE, with active encouragement from political and regulatory authorities
- Re-emergence of strategic M&A, including early signs of cross-border deals
- Heavy fintech outlay, through strategic investments, in-house development, JVs and startup support

### KEY DRIVERS

- Compliance with domestic 'ring-fencing' requirements (e.g., UK Banking Reform Act)
- Some banks are still shoring up their balance sheets, in light of identified operational weaknesses and mega-fines
- Expanding universe of potential buyers, including financial sponsors and foreign strategics
- Stronger banks are ready to expand their footprint:
  - Many have implemented balance sheet repair, capital buffer replenishment and internal restructuring exercises
  - Greater clarity on capital requirements and additional time to implement new rules (e.g., 'Basel IV')
  - Shifting regulatory priorities (e.g., the UK's proposed Brexit terms and the Trump Administration's indication of rollbacks from the Dodd-Frank Act)
- Increasingly fierce competition from 'challenger' banks, fintechs and consumer majors

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**Bank mergers are risky and complex. They require crystal clear vision, hardened resolve and the right implementation tools. Only the bold will thrive, leaving overbanking behind them.**

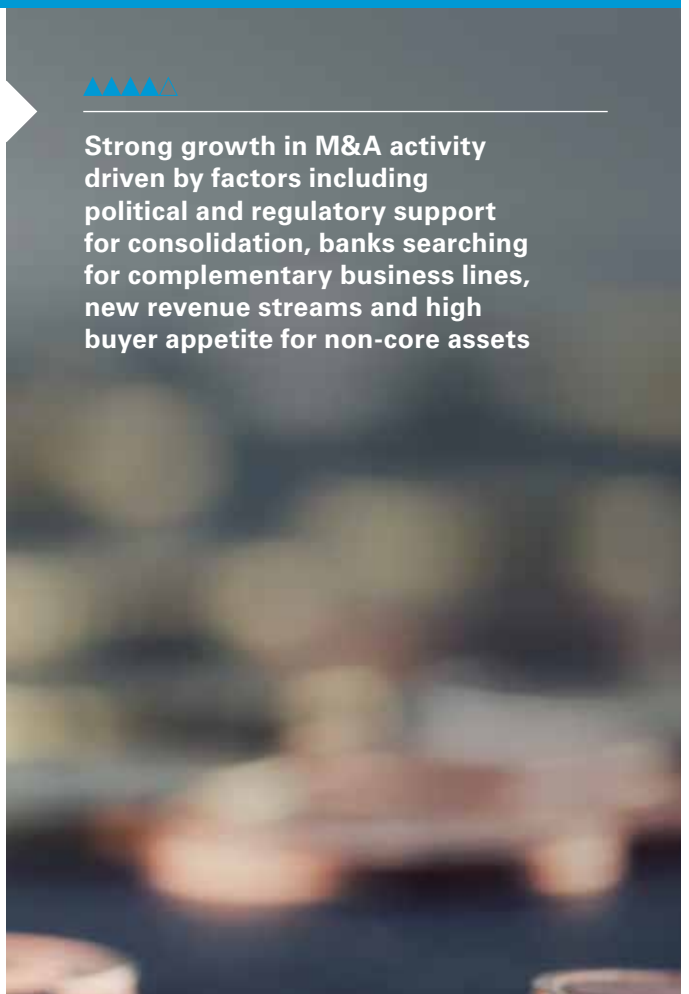
## Our M&A forecast

### TRENDS TO WATCH

- Uptick in appetite for cross-border consolidation, eventually resulting in fewer but more pan-European banks
- Consolidation across 'challenger' banks—acquisitions by larger banks, merger of digital providers and exit of weaker participants. UK consolidation is likely to be hastened by cessation of the Bank of England's Term Funding Scheme
- Rise in shareholder activism, aimed at rebooting revenues by focusing on core activities, and, ultimately, improvement in share price and dividend returns
- Boost in expansion into China, following relaxation of foreign ownership restrictions in November 2017
- Step-up in regulatory imperative to harmonise fragmented European banking regulation—Brexit is a possible catalyst
- 'Open banking' —a new frontier for M&A and a longer-term driver of further fintech investment



**Strong growth in M&A activity driven by factors including political and regulatory support for consolidation, banks searching for complementary business lines, new revenue streams and high buyer appetite for non-core assets**



## Banks – Publicly reported deals & situations

### Restructurings

#### Deal highlight

**Barclays was the first UK bank to complete its £1 billion split of retail lending from investment banking. Ring-fencing was a key recommendation of the Independent Commission on Banking, chaired by Sir John Vickers, in 2011**

#### UK Banking Reform Act:

##### Barclays, Lloyds, RBS, HSBC and Santander

Completion of their 'ring-fencing' structural reform projects  
(April – June 2018)

#### Non-'ring fencing':

##### Getin Noble Bank & BPI Bank Polskich Inwestycji

Merger (June 2018)

##### Deutsche Bank

Shut down of its South African corporate broking, advisory and sponsor service offering  
(June 2018)

##### Banco Santander & Santander Investment Bolsa

Merger (May 2018)

##### Deutsche Bank & Deutsche Postbank

Merger (May 2018)

##### HSBC's Global Private Banking EMEA

Private banking restructuring  
(April 2018)

##### Ma French Bank & KissKissBankBank

Merger (April 2018)

##### Resurs Bank & yA Bank

Merger (April 2018)

##### KBC's United Bulgarian Bank & CIBANK

Merger (February 2018)

##### Volksbank & Volksbank im Ostmünsterland

Merger (January 2018)

### Disposals of non-core/ financial assets

#### Assets:

##### Raiffeisen

Disposal of Notenstein La Roche  
(May 2018)

##### BNP Paribas

Disposal of 31.1% of First Hawaiian Bank and its stake in Orient Commercial Bank  
(January – May 2018)

#### Santander

Disposal of 49% of WiZink Bank  
(March 2018)

#### Saxo Bank

Disposal of its Danish banking unit (February 2018)

#### Financial:

##### Banca Transilvania

Disposal of €124m of NPLs  
(April 2018)

##### MONETA Money Bank

Disposal of €119m of NPLs  
(January 2018)

**Market consolidation**

**Unicaja Banco & EspañaDuro**  
Merger (*May 2018*)

**Frankfurter Volksbank & Volksbank Griesheim & Vereinigte Volksbank Maingau**  
Merger (*April 2018*)

**Nordjyske Bank & Ringkjøbing Landbobank**  
Merger (*April 2018*)

**Holmesdale Building Society & Skipton Building Society**  
Merger (*February 2018*)

**Unione di Banche Italiane & Banca Teatina**  
Merger (*February 2018*)

**SKOK Kozenice & SKOK Bogdanka**  
Merger (*February 2018*)

**Bankia & Banco Mare Nostrum**  
Merger (*January 2018*)

**Strategic M&A—signs of cross-border deals staging a come-back**

**Alfa Bank**  
Acquisition of majority stake in Home Credit Belarus (*June 2018*)

**Iccrea Banca**  
Acquisition of 35.65% of Banca Mediocredito del Friuli Venezia Giulia (*April 2018*)

**Bank BGZ BNP Paribas**  
Acquisition of Raiffeisen Bank Polska (*April 2018*)

**Bremer Kreditbank**  
Acquisition of 90% of Oldenburgische Landesbank and Wüstenrot Bank (*February – March 2018*)

**Banca Transilvania**  
Acquisitions of 39% of Banca Comerciala Victoriabank and Bancpost, ERB Retail Services and ERB Leasing (*January – April 2018*)

**Barclays**  
Cash management JV with India Post Office (*March 2018*)

**BNP Paribas**  
Acquisition of ABN Amro Bank (Luxembourg) (*February 2018*)

**Banca IFIS**  
Acquisition of Cap.Ital.Fin (*February 2018*)

Fintech  
investment

[Please refer to the 'Fintech' report  
in this series.](#)

Expanding  
buyer  
universe

**Deal highlight**

**Shareholder activism is on the rise across Europe. Deutsche Bank, Barclays and Citigroup have already experienced troubled waters at 2018 AGMs**

**Hedge funds:**

**ValueAct**

US\$1.2bn equity investment in Citigroup *(April 2018)*

**Sherborne Investors**

Acquisition of 5% of Barclays *(March 2018)*

**Tiger Global**

Acquisition of 2.5% of Barclays *(January 2018)*

**Private equity:**

**Nordic Capital and Sampo**

Consortium acquisition of Nordax Bank *(April 2018)*

**Värde Partners**

Acquisition of 49% of WiZink Bank *(March 2018)*

**Georgia Capital**

Acquisition of 19.9% of Bank of Georgia *(February 2018)*

**Cerberus and JC Flowers**

Consortium acquisition of HSH Nordbank *(February 2018)*

**Argo Capital**

Acquisition of Bank Leumi Romania *(January 2018)*

**Foreign strategic:**

**Bank of Nova Scotia**

Acquisition of BBVA Chile *(June 2018)*

**IIBG Holdings**

Acquisition of 90% of Banco Internacional de Cabo Verde *(May 2018)*

**Emirates NBD**

Acquisition of DenizBank *(May 2018)*

**China CITIC Bank**

Acquisition of 50.1% of Altyn Bank *(April 2018)*

**SC Lowy**

Acquisition of 90% of Credito Di Romagna *(April 2018)*

**Bison Capital**

Acquisition of Banco de Investimento *(March 2018)*

**FirstRand**

Acquisition of Aldermore *(March 2018)*

Increasing competition

**Deal highlight**

**Orange Bank offers a unique 100% mobile banking service. In October 2016, Orange acquired a majority interest in Groupama Banque, which subsequently became Orange Bank\***

**“Challenger” banks:**

**Nordax Bank**

Acquisition of Svensk Hypotekspension (June 2018)

**N26**

Launch of its Metal card offering in the UK and the US (June 2018)

**BRA Bank**

Launch in Norway (May 2018)

**Kraft Bank**

Launch in Norway (January 2018)

**Tandem Bank**

Acquisition of Pariti and launch of savings account offering (March – April 2018)

**NN Group**

Proposed mid-2018 launch in Spain (March 2018)

**Orange Bank**

Proposed early-2019 launch in Spain (January 2018)

**Denizen**

Launch of payment fee-free global bank account offering (March 2018)

**Starling Bank**

Launch of new business account offering (March 2018)

**Metro Bank**

Scale-up through £500m buy-to-let mortgage portfolio acquisition (February 2018)

**Fintech:**

**Bitbond**

Ability to effect cross-border loan transfers using Bitcoin (May 2018)

**Castle Trust Direct**

Applications for UK banking licence (April 2018)

**City of London Group**

Acquisition of 73% of Echo Financial Services (February 2018)

**Consumer majors:**

**Walmart**

Expansion of money transfer operation to 200 countries (April 2018)

**Ford Motor Co.**

Application for German banking licence (February 2018)

Open banking—the new frontier

**Upcoming:**

**CYBG, Nudgg and Erste Group Bank**

Proposed launches of new open banking offerings (April 2018)

**ANZ**

Acquisition of a strategic stake in Data Republic (February 2018)

**First mover advantage:**

**Citi**

First corporate bank to use UK's new Open Banking regime (June 2018)

**Danske Bank**

Acquisition of Spiir (May 2018)

**ING (Yolt), HSBC (Connected Money) and Intesa Sanpaolo (Oval Money)**

Steal a march on competitors (January – April 2018)

**First mover demise:**

**OnTrees**

Shuts down its customer account aggregation app (March 2018)

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