

The Role of Banks in Global Mergers and Acquisitions

by

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There has been substantial consolidation among firms in many industries in countries around the world in recent years. Firms have increased in size and reach through both domestic and cross-border mergers and acquisitions. Such consolidation is driven by the desire to achieve various cost savings through reducing or eliminating redundant operations in separate but related entities. It is also driven by the desire of firms to increase revenues and reduce risk through broadening the scope of activities in which they engage and expanding the geographical market in which their products and services are offered. The reduction in barriers to mergers and acquisitions, both within and across countries, has facilitated the ability of firms everywhere to pursue their expansion goals. In particular, the World Trade Organization, with its approximately 150 member countries, has helped open wider the doors to cross-border consolidations.

This article provides an overview of global mergers and acquisitions completed from January 1995 through January 2007. Information is provided on the total number of deals, total value of deals, and the average value of deals. The same type of information is also provided on within country (domestic) and across country (cross-border) mergers and acquisitions. In addition to providing this aggregate information on all mergers and acquisitions around the world, it is separately provided for each of the top 35 countries ranked by deal value. Most importantly for the purposes of this article, we assess the importance of banks in recent global mergers and acquisitions by providing comparative

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information for banks when they are acquirors, targets or both. This type of information should prove useful to a policymakers and other individuals trying to better understand where and to what extent consolidation is occurring and whether and to what extent it is domestic or cross-border. The importance of banks in these consolidations should be especially useful to those individuals, including policymakers, with a special interest in such firms, which are among the most heavily regulated firms in countries everywhere and play a key role in the financial systems of all countries, but particularly in developing and emerging market economies.

Global Mergers and Acquisitions: Some Basic Facts

During the period January 1995 through January 2007, there were 154,061 completed mergers and acquisitions with a total deal value of \$24.7 trillion in 173 countries (see Table 1). Of these transactions, 27 percent were cross-border and they accounted for 30 percent of the total value of all deals (see Figures 1 and 2). Although domestic deals accounted for the largest share of both the total number and total value of deals, the median and mean values of cross-border deals (\$20 and \$179 million) were somewhat larger than domestic deals (\$13 and \$154 million). Involved in the deals were 71,925 unique firms that acquired 154,061 other firms. Of the acquirors, 58,702 firms acquired 112,317 firms within their own country, while 19,613 firms acquired 41,744 firms in other countries. At the same time, only 9 percent of all the acquirors (6,390) acquired firms both within and outside their own country over this time period.

The number of mergers and acquisitions and the value of the deals are distributed quite unevenly among the 173 countries. When ranked by the total value of deals, the top

35 countries account for 97 percent of this value and 93 percent of the total number of deals (see Table 1). The top 5 countries, the United States, United Kingdom, France, Germany, and Japan, account for 46, 11, 6, 4, and 4 percent of total deal value, respectively, and 33, 13, 2, 2, and 6 percent of the total number of deals, respectively. Despite the United States being ranked first with respect to the total value of all deals and the total number of deals, several countries have higher median deal values, with Bermuda being the highest at \$83 million, and higher mean deal values, with Switzerland being the highest at \$493 million.

Regarding domestic and cross-border transactions, the total value of domestic deals done by acquiring firms in some countries is greater than the total value of cross-border deals. This is the case, for example, in countries like China, India, Japan, Russia, South Korea, Taiwan, and the United States. The opposite situation occurs in countries like Belgium, Bermuda, Luxembourg, United Arab Emirates, and Switzerland. The country with the smallest percent of acquirors doing deals in other countries is China at 7.5 percent, while the country with the lowest percent of deal value in other countries accounted for by their acquirors is South Korea at 6 percent. In contrast, the country with the largest percent of acquirors doing deals in other countries is Luxembourg at 95 percent, while the country with the highest percent of deal value accounted for in other countries is the United Arab Emirates at 96 percent (see Table 1). This situation reflects the fact that acquirors in some countries collectively see greater value in domestic deals, whereas acquirors in other countries collectively see greater value in cross-border deals. These figures are likely to change, however, as countries like China, with its rapidly

growing economy and large foreign exchange reserves, increase their overseas investments.

It is also useful to comment on the distribution of the number of deals and deal values during the past twelve years (see Charts 1 and 2). The total value of deals was \$559 billion in 1995, increased to \$3,832 billion in 2000, then following the stock market crash declined to \$1,377 billion in 2003, and once again increased to \$3,534 billion in 2006. The number of deals followed a similar path, starting at 4,670 in 1995, rising to 16,585 in 2000, and then falling to 12,277 in 2003 before increasing to an all-time high of 19,350 in 2006. The highest median (mean) deal value over this time period was \$23 million in 1996 (\$231 million in 2000). The percent of all deals and deal value accounted for by cross-border transactions once again increased with increases in stock prices following the worldwide decline that occurred at the turn of the century.

Banks as Acquirors in the Global Marketplace

The role of banks in all the mergers and acquisitions during the past decade is relatively modest. Banks accounted for only 3 percent of all the unique acquirors and acquired less than 4 percent of all the firms involved in completed deals. However, they account for nearly 10 percent of the total value of all deals. The absolute numbers for banks as acquirors are more impressive. Specifically, 2,128 banks in 108 countries acquired 5,977 other firms in deals valued at \$2,259 billion (see Table 2). Of these deals, 30 percent of the firms acquired were cross-border, with 24 percent of the total deal value also being cross-border. The median values for the domestic and cross-border deals were

\$41 and \$57 million, respectively, while the mean values for the domestic and cross-border deals were \$414 and \$295 million, respectively.

The top 35 countries account for 88 percent of all the unique bank acquirors involved in mergers and acquisitions. These same countries also account for 90 percent of all acquisitions and 98 percent of the total deal value. The United States accounts for the largest number of deals at 1,766, or about 30 percent of all deals, and the largest total value of deals with \$899 billion, or about 40 percent of the value of all deals. There were 829 acquirors from the United States involved in these deals, or about 40 percent of all unique acquirors. Comparing Tables 1 and 2, there are six countries (Turkey, South Africa, Iceland, the Philippines, Saudi Arabia, and Cyprus) that rank in the top 35 with respect to the value of deals involving just banks as acquirors, but not when including all firms as acquirors.

Comparing domestic and cross-border mergers and acquisitions, 8 of the top 35 countries have cross-border deal values that are less than 10 percent of their total deal values. The countries (ranked smallest to largest by cross-border deal value percentages) are: the Philippines, Japan, India, South Korea, Taiwan, Turkey, Brazil, and the United States. These countries are experiencing significant domestic consolidation. At the other end of the spectrum (i.e., countries with high percentages of cross-border deal values) are: Cyprus (93 percent), Iceland (85 percent), the Netherlands (85 percent), Ireland (73 percent), and Sweden (69 percent) (see Table 2). These countries are relatively small and firms within them are expanding mainly through overseas acquisitions.

The median and mean values in the case of banks being acquirors are higher than in the case of all firms as acquirors. The median values of deals for banks being acquirors

are \$41 million for domestic deals and \$57 million for cross-border deals, while the corresponding values for all types of firms being acquirors are \$13 million and \$20 million, respectively. The mean values of deals for banks being acquirors are \$414 million in the case of domestic deals and \$295 million in the case of cross-border deals, while the corresponding mean values for all types of firms being acquirors are \$154 million and \$179 million, respectively. The median values for domestic deals range from a high of \$1,107 million for Saudi Arabian bank acquirors to a low of \$4 million for Turkish bank acquirors, while in the case of mean values, the high is \$1,429 for Switzerland bank acquirors and the low is \$55 million for Icelandic bank acquirors. In the case of cross-border deals, the median values range from a high of \$395 million for Saudi Arabian bank acquirors to a low of \$1.5 million for Turkish bank acquirors, while the mean values range from a high of \$867 million for Chinese bank acquirors to a low of \$48 million for Indian bank acquirors.

During the period January 1995 through January 2007, the number of deals with banks as acquirors rose to a high of 691 in 2000, and then fell before rising again to 586 in 2006. The value of deals also increased to a high of \$308 billion in 2000, and then declined before increasing to \$269 billion in 2006. The highest median (mean) deal value was \$130 million (\$1,313 million) in January 2007.

Banks as Targets in the Global Marketplace

Banks are obviously not only acquirors, but also targets in mergers and acquisitions. Table 3 shows that 2,227 unique acquirors were involved in deals in which 4,053 banks were the targets with a total deal value of \$2,022 billion in 117 countries.

Comparing Tables 2 and 3, we see that banks are targets in 9 more countries than the number in which they are acquirors. About 30 percent of the deals, moreover, are cross-border and they account for 23 percent of the total deal value.

The top 35 countries account for 85 percent of all acquirors and 97 percent of the total value of deals. Once again, the United States ranks number one in terms of both number of deals and deal value. It accounts for about 40 percent of all deals and about 40 percent of total deal value. Four countries rank in the top 35 countries with banks as targets, but not in the top 35 countries with banks as acquirors. These countries are Luxembourg, Hungary, Mexico, and Thailand. In the case of Mexico and Thailand, more than 98 percent of the value of deals involves domestic transactions, which represents within country consolidation. In contrast, for Hungary and Luxembourg, cross-border transactions are dominant, accounting for 77 and 100 percent of total deal value, respectively. Other countries with domestic transactions accounting for more than 90 percent of total deal value are: the United States (93 percent), Japan (99 percent), China (92 percent), Taiwan (93 percent), South Korea (97 percent), Brazil (91 percent), South Africa (93 percent), Philippines (98 percent), Norway (93 percent), and India (99 percent). Conversely, countries with cross-border deal values exceeding 75 percent, apart from Hungary, are Canada (92 percent), Netherlands (90 percent), and Sweden (87 percent). More generally, Table 3 shows that there is wide diversity in the extent of domestic and cross-border mergers and acquisitions across countries. In this regard, the percentage of total deal value accounted for by cross-border transactions for the top 35 countries is 22 percent, whereas for the other 82 countries, the corresponding proportion is 63 percent.

The median (mean) value of domestic deals is \$50 million (\$545 million), while for cross-border deals, the median (mean) value is \$74 million (\$390 million). The country with the highest median deal value is Saudi Arabia at \$1,575 million, while Denmark accounts for the lowest value at \$23 million. Regarding cross-border deals, China accounts for the highest median deal value at \$248 million and Finland for the lowest at \$6 million. The United Kingdom has the highest mean value for domestic deals at \$3,104 million, while Italy has the highest value for cross-border deals at \$634 million.

During the period January 1995 through January 2007, the number of deals in which banks are targets rose to a high of 474 in 1998, and then fell before rising to 415 in 2006. The value of deals also increased to a high of \$330 billion in 1998, and then declined before increasing to \$242 billion in 2006. The highest median (mean) deal value was \$100 million (\$731 million) in 2006 (2004).

Banks as Both Acquirors and Targets in the Global Marketplace

The last type of merger and acquisition to be discussed involves transactions in which a bank is both an acquiror and a target. These particular transactions are thus subsets of those appearing in the three tables already discussed. Table 4 shows these transactions, having removed all non-bank firms as either acquirors or targets from the earlier tables. Interestingly, there are 939 banks that acquired 3,562 non-bank targets, and 1,038 non-bank acquirors that acquired 1,638 banks. At the same time, there were 1,189 unique bank acquirors in 104 countries that acquired 2,415 banks. Of course, some banks may have acquired more than one bank over this period and some banks may be acquired more than once. The total value of the deals is \$1,431 billion, or about 6 percent

of the total value of all mergers and acquisitions. Of these deals, cross-border transactions account for 29 percent of the total number of deals and 22 percent of total deal value.

For transactions involving banks as both acquiror and target, the top 35 countries account for 88 percent of all unique bank acquirors, 91 percent of the total number of bank targets, and 99 percent of the total deal value. The United States was at the top once again in number of acquirors (561, or 47 percent), number of targets (981, or 41 percent), and deal value (\$625 billion, or 44 percent). Adding Italy, Japan, the United Kingdom, and Spain, the top 5 countries ranked by deal value account for 62 percent of all bank acquirors, 62 percent of all bank targets, and 78 percent of total deal value. More generally, the top 35 countries account for 88 percent of all acquirors, 91 percent of all targets, and 99 percent of the total value of all deals. Stated another way, the remaining 69 countries with any of these types of transactions account for only 12 percent of all acquirors, 9 percent of all targets, and 1 percent of the total value of all deals.

The percentages of the number of cross-border deals and value of cross-border deals for the top 35 countries are 28 and 22, respectively. The corresponding figures for individual countries are quite diverse. For example, Sweden has the highest percentage of deals that are cross-border at 97 percent, while China has the highest percentage of deal value that is cross-border at 99 percent. At the other end of the spectrum, there were no cross-border deals in the Philippines, and the percentage of such deals is less than 2 in the United States and 10 or less in Argentina and Japan. Cross-border transactions account for less than 10 percent of deal value in 12 countries, including: Brazil, India, Japan, South Korea, and the United States.

The median (mean) value of domestic deals is \$58 million (\$649 million), while for cross-border deals the corresponding figure is \$81 million (\$452 million). The highest median (mean) value for domestic deals involves Belgium banks acquiring other domestic banks at \$3,614 million (\$3,614 million). For cross-border transactions, the highest median (mean) value involves U.S. banks acquiring banks in other countries at \$414 million (\$1,758 million).

During the period January 1995 through January 2007, the number of deals with banks as both acquirors and targets rose to a high of 286 in 1998, and then fell before rising to 229 in 2006. The value of deals also increased to a high of \$200 billion in 1998, and then declined before increasing to \$207 billion in 2004. The highest median (mean) deal value was \$129 million (\$3,368 million) in January 2007.

Some Concluding Observations

Waves of consolidation have swept across industries and national borders over the past decade or so. Some firms have focused on domestic acquisitions for expansion, whereas others have gone global. While the United States has been the dominant acquiror nation with respect to all types of firms, including banks, rapidly growing countries like China and India may change the landscape in the future as they seek greater expansion beyond their own borders.

Table 1
Global Mergers and Acquisitions: January 1995 through January 2007

Acquiror Nationality	Deal Value (\$ Millions)	Percent Cross- border	Total Number of Targets	Total Number of Unique Acquirors	Percent Cross-border (total number)
1 United States	11,336,157	12	51,158	24,167	16
2 United Kingdom	2,769,748	47	20,597	8,111	29
3 France	1,406,115	50	3,421	1,383	51
4 Germany	1,041,726	57	3,088	1,349	58
5 Japan	970,172	15	8,785	3,559	13
6 Canada	797,098	41	7,898	4,383	32
7 Italy	765,866	22	3,160	1,311	27
8 Spain	585,635	52	2,786	1,196	30
9 Netherlands	500,725	71	1,667	702	68
10 Australia	499,773	42	5,946	2,849	20
11 Switzerland	394,139	65	1,121	470	75
12 China	294,928	16	4,221	2,720	8
13 Sweden	262,558	56	2,151	840	46
14 Hong Kong SAR	204,171	49	3,955	1,980	50
15 Russia	180,703	14	1,429	776	15
16 South Korea	155,513	6	2,205	1,397	8
17 Singapore	154,569	62	2,694	1,101	50
18 South Africa	143,577	29	2,081	960	19
19 Brazil	130,991	31	539	292	19
20 Belgium	129,823	66	778	374	61
21 Denmark	124,498	43	788	385	54
22 Malaysia	117,836	23	3,471	1,620	19
23 Finland	113,471	56	904	374	49
24 Norway	113,088	47	1,309	556	40
25 Mexico	91,942	37	358	184	39
26 Ireland	79,244	68	1,030	434	64
27 India	74,665	24	1,685	960	18
28 Taiwan, China	70,997	16	566	321	33
29 Luxembourg	70,849	94	240	128	95
30 Portugal	68,513	35	494	244	31
31 Bermuda	58,256	90	176	94	91
32 Austria	57,418	59	495	249	66
33 Israel	57,122	51	812	435	36
34 United Arab Emirates	45,470	96	119	78	84
35 Greece	41,981	39	584	304	32
TOTAL FOR TOP 35	23,909,337	29	142,711	66,365	26
TOTAL FOR ALL OTHERS (138)	808,395	67	11,350	5,700	43
TOTAL FOR ENTIRE SAMPLE (173)	24,717,732	30	154,061	71,925	27

Source: Dealogic

Table 2
Global Bank Mergers and Acquisitions: January 1995 through January 2007
(Bank Acquiror)

Acquiror Nationality	Deal Value (\$ Millions)	Percent Cross- border	Total Number of Targets	Total Number of Unique Acquirors	Percent Cross-border (total number)
1 United States	898,735	6	1,766	829	10
2 United Kingdom	200,660	38	324	74	45
3 Italy	196,281	22	492	128	18
4 Japan	172,331	1	201	68	6
5 Spain	130,306	51	375	92	40
6 Germany	106,386	43	309	74	72
7 France	90,485	45	204	41	63
8 Switzerland	64,075	33	150	24	80
9 Netherlands	43,719	85	111	23	75
10 Australia	35,867	33	161	34	29
11 Canada	29,865	64	110	29	53
12 Sweden	25,489	69	79	13	77
13 Singapore	25,288	44	86	13	51
14 Belgium	23,790	64	59	13	85
15 Portugal	21,735	12	84	28	27
16 Austria	18,335	59	91	31	68
17 Brazil	17,855	5	73	23	8
18 Greece	16,555	37	83	21	34
19 Finland	13,221	45	31	11	35
20 South Korea	11,033	3	58	22	12
21 China	9,217	56	17	14	35
22 Taiwan, China	8,117	3	40	27	23
23 Hong Kong SAR	7,798	59	61	22	59
24 Malaysia	7,423	13	85	27	12
25 Norway	6,090	12	25	15	24
26 Turkey	5,945	4	24	18	13
27 Russia	5,692	26	61	41	15
28 South Africa	5,119	16	49	24	37
29 Ireland	4,393	73	33	10	73
30 Denmark	4,319	59	23	14	26
31 Iceland	3,760	85	26	11	62
32 Philippines	3,065	0	40	17	3
33 Saudi Arabia	3,003	26	4	4	50
34 Cyprus	2,950	93	10	2	40
35 India	2,788	2	53	20	11
TOTAL FOR TOP 35	2,221,692	23	5,398	1,865	31
TOTAL FOR ALL OTHERS (73)	37,791	43	579	278	23
TOTAL FOR ENTIRE SAMPLE (108)	2,259,483	24	5,977	2,128	30

Source: Dealogic

Table 3
Global Bank Mergers and Acquisitions: January 1995 through January 2007
(Bank Target)

Acquiror Nationality	Deal Value (\$ Millions)	Percent Cross- border	Total Number of Targets	Total Number of Unique Acquirors	Percent Cross-border (total number)
1 United States	806,125	7	1,583	950	7
2 Japan	181,241	0	113	67	10
3 Italy	168,953	24	335	133	19
4 United Kingdom	153,872	48	144	59	82
5 Spain	96,332	53	144	51	60
6 France	86,472	36	110	35	72
7 Germany	77,827	33	124	56	56
8 Netherlands	35,921	90	67	16	88
9 Switzerland	35,688	14	30	24	60
10 Singapore	28,081	60	43	12	79
11 China	20,960	8	40	34	10
12 Belgium	20,948	52	35	17	77
13 Australia	20,907	33	49	27	37
14 Austria	20,803	52	56	27	64
15 Sweden	17,304	87	44	14	86
16 Portugal	16,309	14	45	20	47
17 Taiwan, China	15,577	7	42	29	26
18 Malaysia	15,415	13	64	38	16
19 Mexico	13,978	2	14	9	14
20 Canada	13,922	92	45	19	76
21 Greece	13,409	51	45	20	51
22 South Korea	12,190	3	47	28	17
23 Brazil	11,578	9	38	15	16
24 Saudi Arabia	10,827	11	14	12	57
25 Denmark	8,788	34	17	14	35
26 Finland	7,913	44	17	13	35
27 Thailand	6,349	0	14	11	7
28 South Africa	6,156	7	40	30	28
29 Ireland	5,547	62	15	9	47
30 Hong Kong SAR	5,372	49	28	19	64
31 Philippines	5,053	2	43	29	5
32 Norway	4,911	7	16	11	25
33 Luxembourg	4,182	100	11	6	100
34 Hungary	3,132	77	20	8	60
35 India	2,524	1	29	20	10
TOTAL FOR TOP 35	1,954,566	22	3,521	1,895	28
TOTAL FOR ALL OTHERS (82)	67,083	63	532	350	43
TOTAL FOR ENTIRE SAMPLE (117)	2,021,648	23	4,053	2,227	30

Source: Dealogic

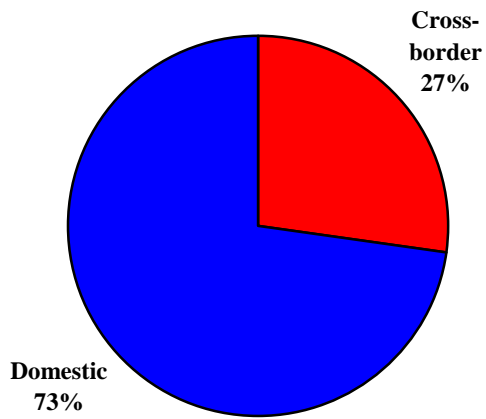
Table 4
Global Bank Mergers and Acquisitions: January 1995 through January 2007
(Bank Acquiror and Target)

Acquiror Nationality	Deal Value (\$ Millions)	Percent Cross- border	Total Number of Targets	Total Number of Unique Acquirors	Percent Cross-border (total number)
1 United States	624,638	4	981	561	2
2 Italy	158,869	24	265	89	19
3 Japan	129,319	0	68	35	9
4 United Kingdom	107,239	42	66	18	86
5 Spain	89,903	56	121	35	69
6 France	32,801	82	69	22	81
7 Switzerland	32,693	12	18	13	61
8 Germany	30,584	46	79	28	67
9 Singapore	21,935	49	30	8	73
10 Australia	19,667	35	34	14	41
11 Netherlands	16,802	99	20	5	90
12 Austria	15,702	65	47	19	72
13 Sweden	15,555	95	37	8	97
14 Belgium	15,172	52	18	10	89
15 Portugal	13,716	13	31	10	52
16 Greece	12,235	49	34	12	53
17 Canada	11,898	99	33	12	82
18 Brazil	11,363	8	35	12	14
19 South Korea	6,731	4	24	13	25
20 Finland	6,314	55	7	4	57
21 Malaysia	5,632	14	23	11	17
22 Taiwan, China	5,141	4	16	13	44
23 Norway	4,209	8	10	6	40
24 Hong Kong SAR	3,814	47	17	10	65
25 Hungary	2,543	95	17	6	71
26 Philippines	2,302	0	20	10	0
27 Denmark	2,287	82	12	10	33
28 Saudi Arabia	2,215	0	3	3	33
29 India	1,918	1	10	7	30
30 China	1,776	99	5	4	80
31 Kuwait	1,758	26	8	6	50
32 Turkey	1,676	0	5	5	20
33 Colombia	1,584	2	9	5	11
34 Mexico	1,570	18	9	7	22
35 Argentina	1,507	3	20	13	10
TOTAL FOR TOP 35	1,413,066	22	2,201	1,047	28
TOTAL FOR ALL OTHERS (69)	17,482	41	214	148	39
TOTAL FOR ENTIRE SAMPLE (104)	1,430,548	22	2,415	1,189	29

Source: Dealogic

Figure 1: Number of Global Mergers and Acquisitions: January 1995 to January 2007

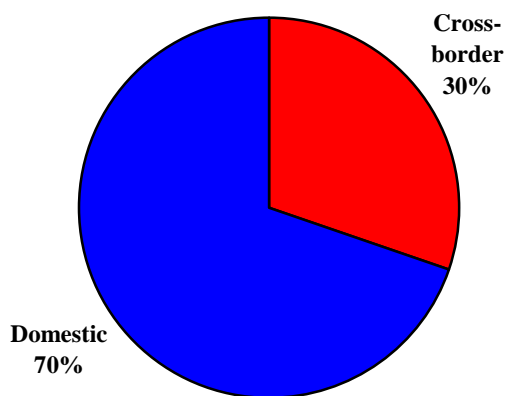
Total: 154,061 Transactions



Source: Dealogic

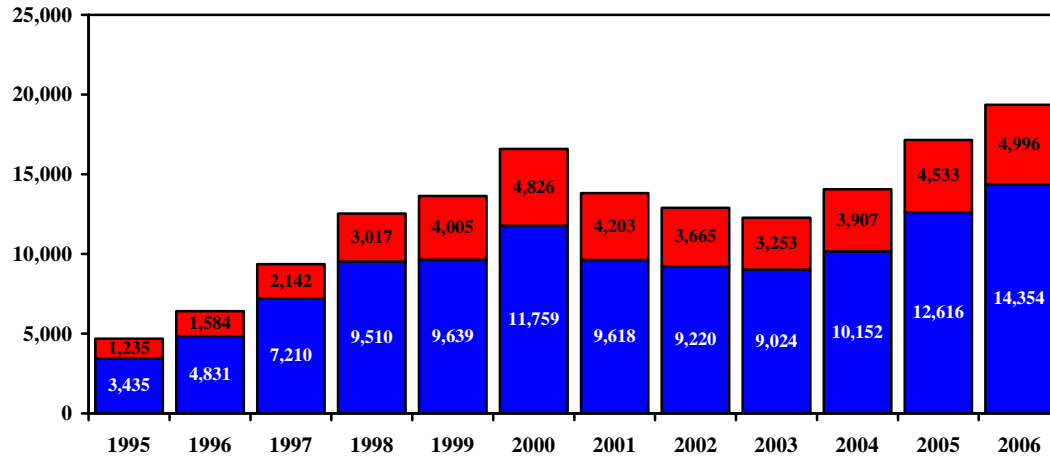
Figure 2: Value of Global Mergers and Acquisitions: January 1995 to January 2007

Total: US\$ 24.7 Trillion



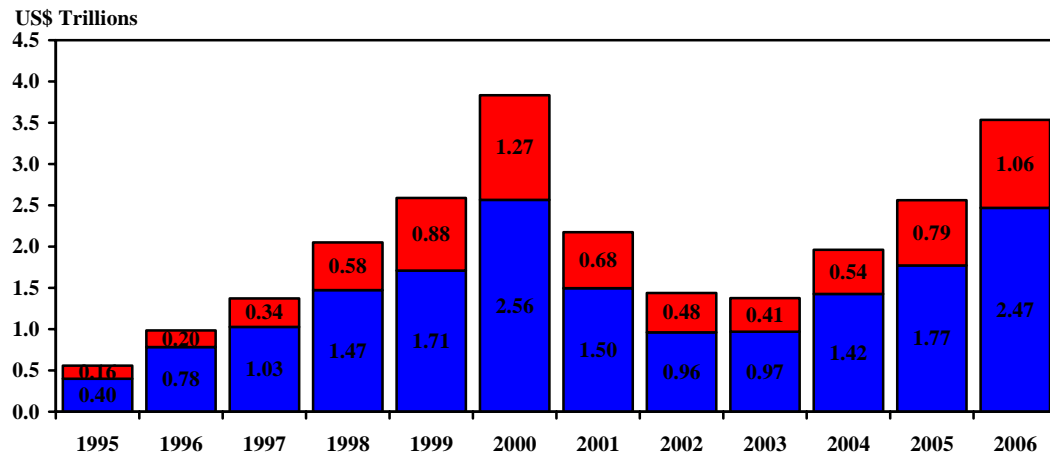
Source: Dealogic

Chart 1: Number of Global Mergers and Acquisitions: 1995 to 2006



Source: Dealogic

Chart 2: Value of Global Mergers and Acquisitions: 1995 to 2006



Source: Dealogic