



Financial Institutions Group

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M&A Industry Insights

Winter 2024



Executive Summary

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North America was the most active region, with ~1,580 financial institution transactions observed in the last 12 months (LTM).



As financial institutions are becoming more adept at coping with macroeconomic uncertainty, the outlook and sentiment for financial services M&A is expected to improve in 2024.



Stocks of European financial firms have developed in line with STOXX Europe 600, while U.S. financials have struggled to keep up with the performance of the S&P 500, which was heavily skewed by the performance of the “Magnificent 7.”



The number of announced financial institution transactions declined by 24% in 2023 compared to 2022.

Executive Summary

Overview

In this edition of the FIG update from Kroll, we evaluate current market trends, prevailing investor sentiment and valuation developments in the featured subsectors.

Our top insights are detailed below:

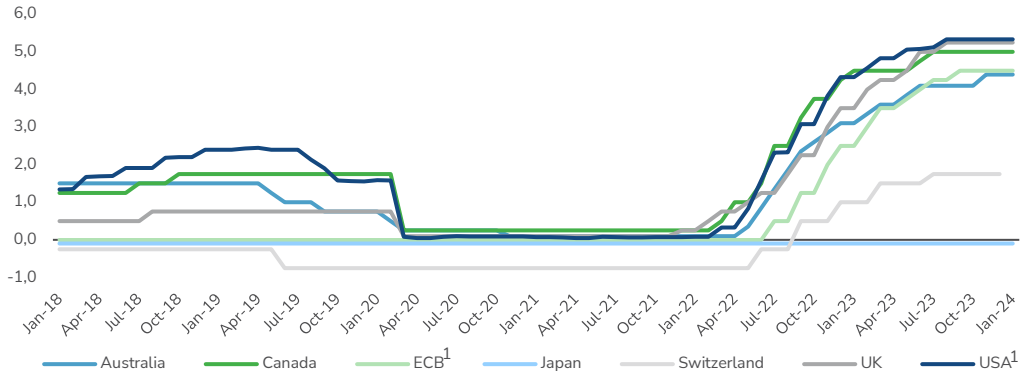
- The North American region has seen the largest number of financial institution transactions in the LTM, while Europe witnessed the highest multiples paid for its transactions.
- The M&A market appears to be stabilizing as deal activity shows signs of picking up. The financial services industry presents dealmakers with numerous opportunities to carry out their strategic objectives through M&A.
- The global financial institutions market is expected to grow from USD 12.5 trillion in 2021 to USD 21.9 trillion by 2030, at a compound annual growth rate of 6%. The banking sector and the insurance sector are expected to be valued at USD 11.7 trillion and USD 10.2 trillion, respectively, by 2030.

Despite strong economic headwinds, the financial industry is regaining confidence regarding business opportunities for the first half of 2024. Read more in our report, and contact Kroll to learn how we help our clients stay ahead.

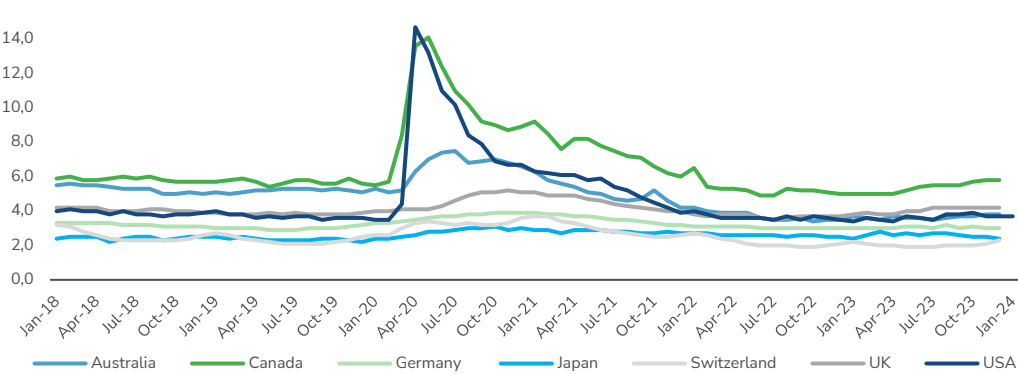
Economic Environment

Key Market Indicators

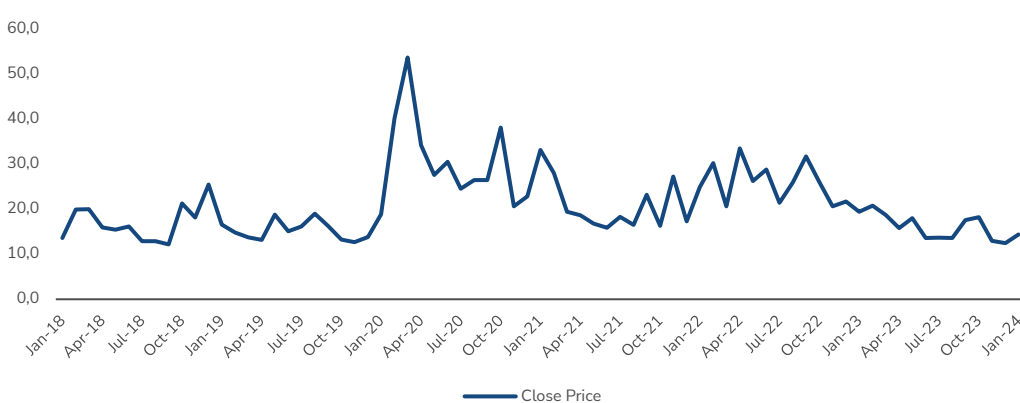
Monthly Interest Rate (%) Development per Central Bank



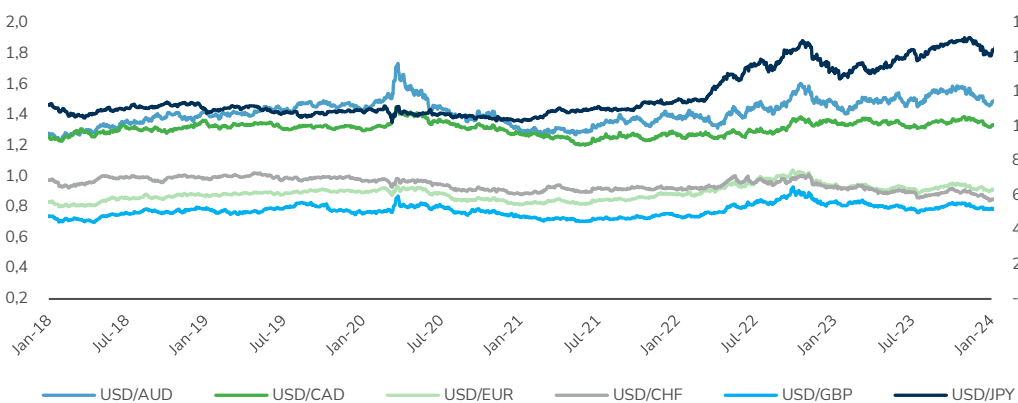
Unemployment Rate (%) by Highlighted Region



Volatility Index



Foreign Currency Exchange Rate²

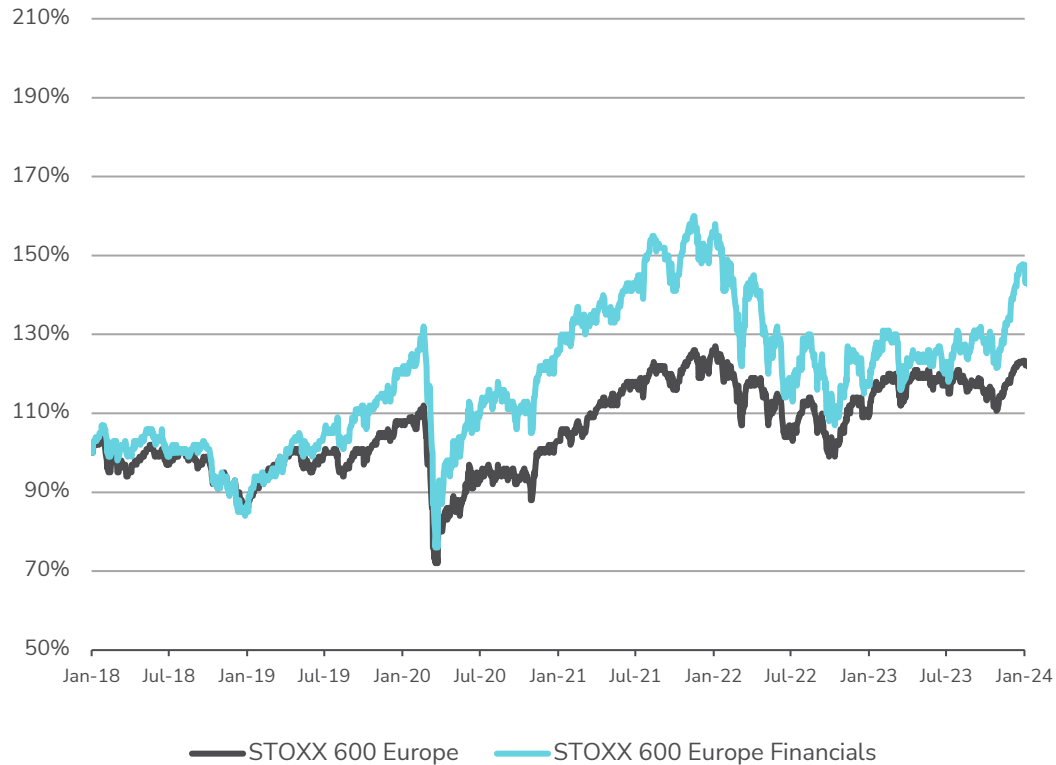


Sources: Central bank websites, government websites, Capital IQ
¹ Considered fixed rate tender for ECB and Federal Fund Rate for USA ²USD/JPY plotted on secondary axis

Stock Market Overview

In Europe, financial institutions have outperformed the broader stock market. In the U.S., the performance was below the S&P 500, which was heavily skewed by the performance of the “Magnificent 7.”*

Europe: STOXX 600



U.S.: S&P 500

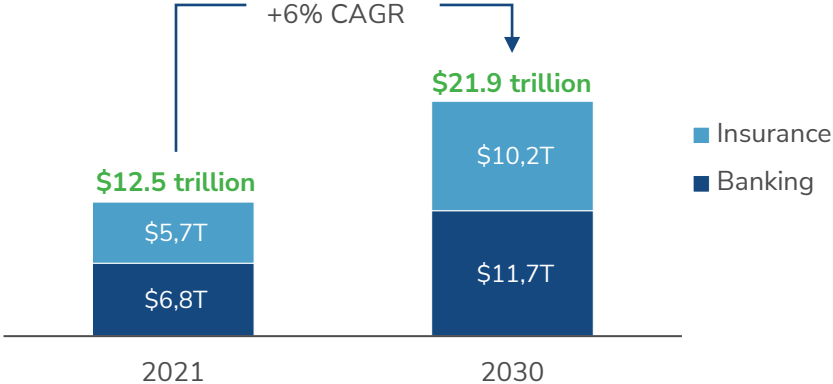


* Apple, Nvidia, Alphabet, Meta, Amazon, Tesla, Microsoft
Source: Capital IQ as of January 24, 2024

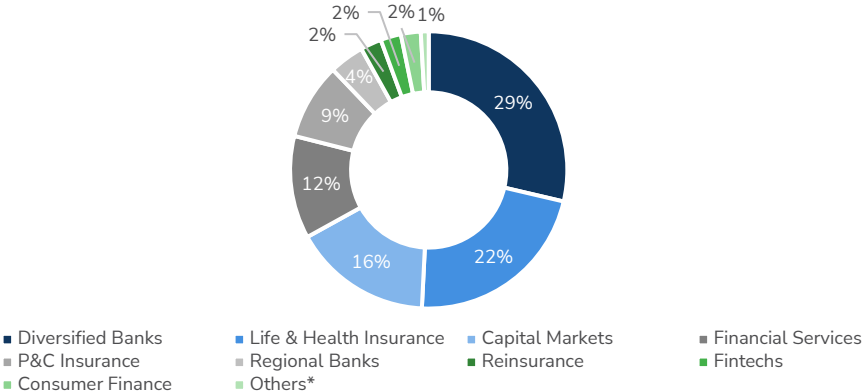
Financial Institutions Market Overview

Financial Institutions Represent a USD 22 Trillion Revenue¹ Market Globally

Market Size



Market by Segment



Commentary

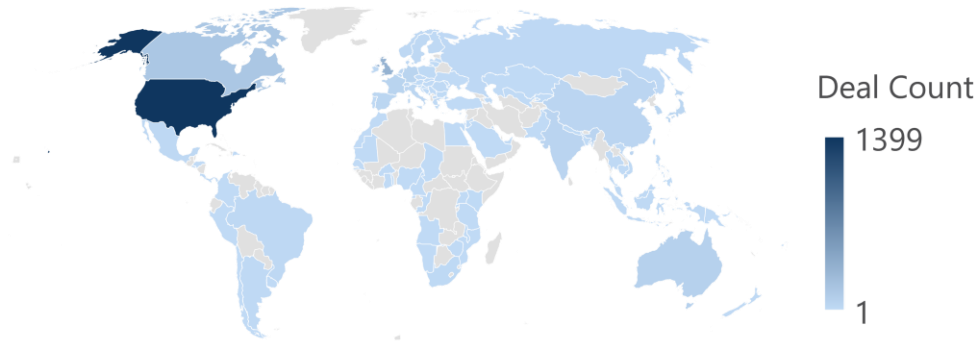
- The global financial institutions market is expected to grow in revenue, from USD 12.5 trillion in 2021 to USD 21.9 trillion by 2030, at a compound annual growth rate (CAGR) of 6%. The banking sector and the insurance sector are expected to be valued at USD 11.7 trillion and USD 10.2 trillion, respectively, by 2030.
- This expected market growth factors in the widespread digitization efforts of banks and other financial institutions, as well as steep increases in commercial lending activities in the market.
- Future growth will also be fueled by rising urbanization, increased demand for alternative investments, high-net-worth individual wealth, demand for blockchain technology to reduce fraudulent transactions, homeownership and mortgages, and rising investments.
- However, data localization and growing interest rates are two factors that may limit the expansion of the financial services market in the future.
- The global financial industry consists of the following segments: diversified banks, regional banks, fintechs, capital markets, financial services, property and casualty insurance, life and health insurance, reinsurance, consumer finance, and others.*

Sources: Boston Consulting Group, Capital IQ, Growth Market Reports, Research and Markets
¹ Revenue definition depends on the industry (e.g., banking: net interest income, insurance: net premium earned)
 * Others include Insurance Brokers and REITs

Deal Activity

Global Hot Spots for Financial Institutions Deal Activity

M&A Heat Map by Region and Deal Count (Jan '23-Jan '24)



Avg. Multiples (P/B) by Highlighted Region

Region	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024 ¹
North America	2.38x	2.57x	2.69x	0.92x	0.55x
Europe	1.85x	2.06x	4.13x	3.28x	0.56x
Asia Pacific	1.41x	2.12x	2.39x	2.25x	0.93x

Sources: Capital IQ, Deloitte, PwC, KPMG
¹ Until January 24, 2024

Commentary

- North America saw the highest financial services deal count, at ~1,580 in the LTM, with U.S. being the most active geography, with ~1,400 inbound deals.
- European and APAC dealmakers have been more reserved regarding financial industry deal activities, which may be the result of current levels of volatility in the global market environment.
- European transactions presented the highest average price-to-book value (P/B) multiples at 2.4x, followed by North America (2.2x) and APAC (2.1x) in the LTM.
- The global M&A activities in the realm of financial institutions predominantly consisted of asset and wealth management, as well as banking and capital markets transactions.
- M&A is and will remain a key factor in the transformation of the financial industry, as incumbents search for strategic alliances and merger opportunities to advance their digital capabilities, fend off competition from more agile and digitized platforms and fintech firms, and cope with mounting regulatory pressure.
- M&A in the financial institutions market is likely to exhibit an uptick in activity in the coming months due to potential stability in rates, the need to consolidate businesses to tackle competition and the significant capital private equity firms have held for deal activities.

Ecosystem

Kroll FIG-Tracked Universe

Banks

Diversified Banks

Logos of diversified banks: BANK OF AMERICA, CREDIT AGRICOLE, alrajhi bank, 中國銀行, CommonwealBank, Deutsche Bank, BNP PARIBAS, BARCLAYS, HSBC, citi, HDFC BANK, Santander, ICBC, RBC Royal Bank, J.P.Morgan, Nordea, UniCredit, WELLS FARGO, UBS.

Regional Banks

Logos of regional banks: Bank of Kyoto, 南京銀行, M&T Bank, Citizens Financial Group, Inc., 宁波銀行, LB BW, EAST WEST BANCORP, Huntington, Bayern LB, DEXIA, PNC, REGIONS, Sparda-Banken, THE BANK OF LONDON, TRUIST, Sparkasse, USbancorp, Volksbanken Raiffeisenbanken.

Fintechs

Logos of fintech companies: Blockchain.com, BINANCE, Mastercard, BLOCK, Alipay, adyen, Caribou, FLEETCOR, globalpayments, gusto, KUCOIN, Robinhood, scalable, deel, tonik, TRADE REPUBLIC, upvest, VISA, Klarna, SaltPay, zilch, PayFit, PayPal, fiserv.

Financial services

Financial Services

Logos of financial services: 远东宏信, challenger, AMP, HYPOPORT, FUYO LEASE, FUYO GENERAL LEASE CO.,LTD., eurazeo, Exor, Fubon Financial, FPG, Banca Ifis, IBJ LEASING, GREKE, SABANCI, GBL, Pargesa, FIRST PACIFIC, NI CE, ORESUND, JSF, MERITZ, GRUPO SURA, METRO PACIFIC INVESTMENTS, PSG GROUP LIMITED.

Consumer Finance

Logos of consumer finance: aocom, BAJAJ FINSERV, Alipay, FirstCash, Capital One, Klar, current, chime, C6 BANK, N26, intuit, Acceptance, KOHO, LYDIA, Lydia, monzo, Varo, Revolut, greenlight, SoFi, SoftBank Group, Starling Bank, synchrony, DISCOVER.

Capital Markets

Logos of capital markets: DavidsonKempner, EVERCORE, CITADEL, Blackstone, ARES, BlackRock, MACQUARIE, Goldman Sachs, Hellman & Friedman, EQT, APOLLO, KKR, Charles Schwab, Jefferies, Morgan Stanley, Invesco, OWL ROCK, Partners Group, KROLL, PERMIRA, OAKTREE, THE CARLYLE GROUP, STIFEL, ASSOCIATES, THOMABRAVO, RAYMOND JAMES, TPG, 3i.

REITs

Logos of REITs: W. P. CAREY, CROWN CASTLE, CARETRUST, AvalonBay, Goodman, Equity Residential, AMERICAN TOWER, DIGITAL REALTY, SBA, PROLOGIS, ALEXANDRIA, Federal Realty, Medical Properties Trust, REALTY INCOME, EQUINIX, CAMDEN, SIMON, STAG INDUSTRIAL, VICI, VONOVIA, welltower, Public Storage.

Insurance

Brokers

Logos of insurance brokers: ACRISURE, LOCKTON, Brown & Brown INSURANCE, Gallagher, BRP, AUB GROUP, AON, NFP, Howden, HUB MRH, MarshMcLennan, ECCLESIA, PROGRESSIVE, PSC INSURANCE GROUP, AssuredPartners, RYAN SPECIALTY, Steadfast, TRUIST, Tryg, USI, wtw.

Life and Health

Logos of life and health insurance: Brown & Brown INSURANCE, Allianz, AEGON, DAHICHI LIFE, RenaissanceRe, Liberty Mutual, Manulife, Arch, PROGRESSIVE, MassMutual, MetLife, PING AN, NN, AVIVA, Prudential, Elevance Health, PACIFIC LIFE, Mutual of Omaha, Sun Life, Afac, ZURICH, SwissLife.

P&C

Logos of P&C insurance: AEGON, Arch, Allianz, AVIVA, AXA, Brown & Brown INSURANCE, PING AN, Prudential, NN, RenaissanceRe, GENERALI, CHINA RE, ERGO, ENSTAR, ZURICH, TRAVELERS, HATHAWAY INC., BERKSHIRE, CHINA LIFE, Allstate.

Reinsurance

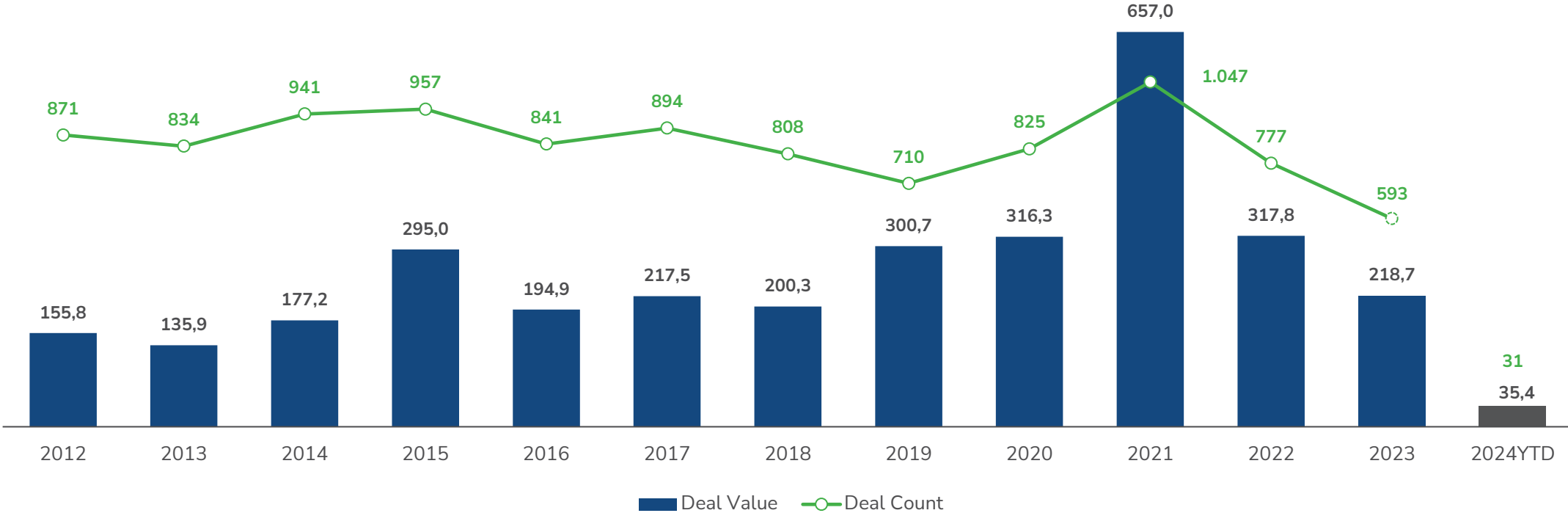
Logos of reinsurance: ENSTAR, everest, CHUBB, NN, CCR, Arch, CHINA RE, Swiss Re, ZURICH, PeakRe, Deutsche Rück, hannover re, SCOR, RenaissanceRe, RGA, KOREAN, Munich RE.

M&A Market Overview

M&A Market Overview

Global M&A Activity in the Financial Institutions Sector

(in EUR billion)



Notable transactions in 2023 include Liaoning Asset Management’s acquisition of Shengjing Bank (€22.9 bn), VinFast Auto’s acquisition of Black Spade (€21.2 bn) and Aon’s acquisition of NFP Corp. (€12.4 bn).

Acquisitions by strategic buyers have been the favored way of sale for financial institutions over the past years.

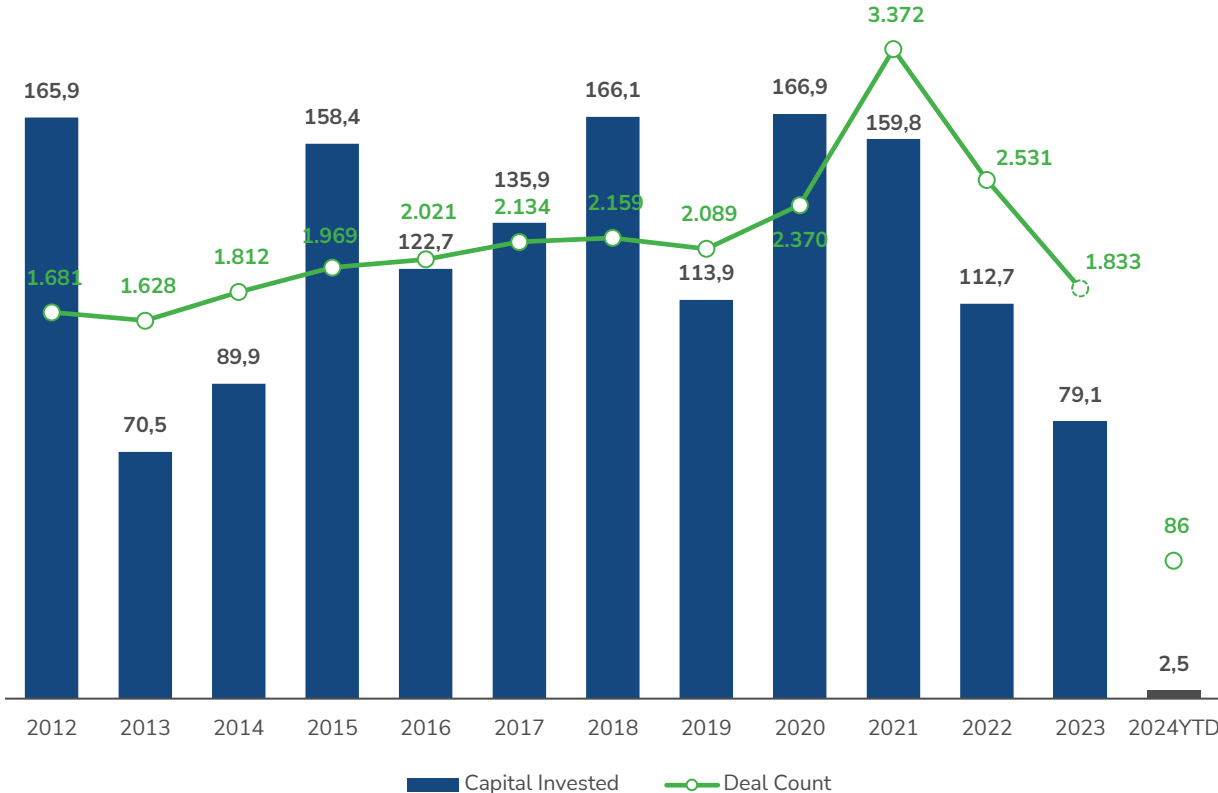
Large corporations are seeking to strengthen their position in the market and expand offerings in the financial institution space.

Source: Capital IQ as of January 24, 2024
 Note: Deals with undisclosed transaction values are excluded; includes deals with majority stake only

M&A Market Overview

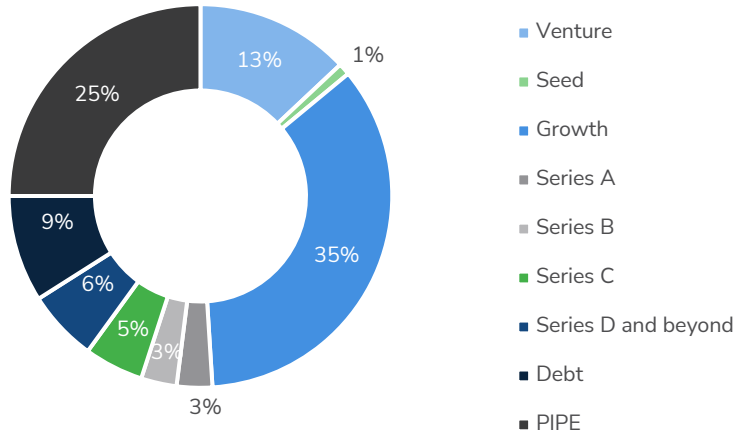
Global Financing in the Financial Institutions sectors

Global Financing Activity (EUR bn)¹



Financing by Round^{1,2}




















































(2018–2024YTD, based on capital invested)






Source: Capital IQ as of January 24, 2024
¹ Deals with undisclosed transaction values are excluded
² Seed includes accelerator, angel, bridge, crowdfunding, pre-seed, Pre-Series A and Pre-Series B

M&A Market Overview

Top Active Financial Institutions Investors During Last 12 Months

Financial Investor		
Name	# of Inv.	Selected Investments
	18	       
	15	      
	14	       
	11	     
	11	       
	10	       

Strategic Investors		
Name	# of Inv.	Selected Investments
	44	     
	36	     
	34	     
	29	    
	23	       
	18	     

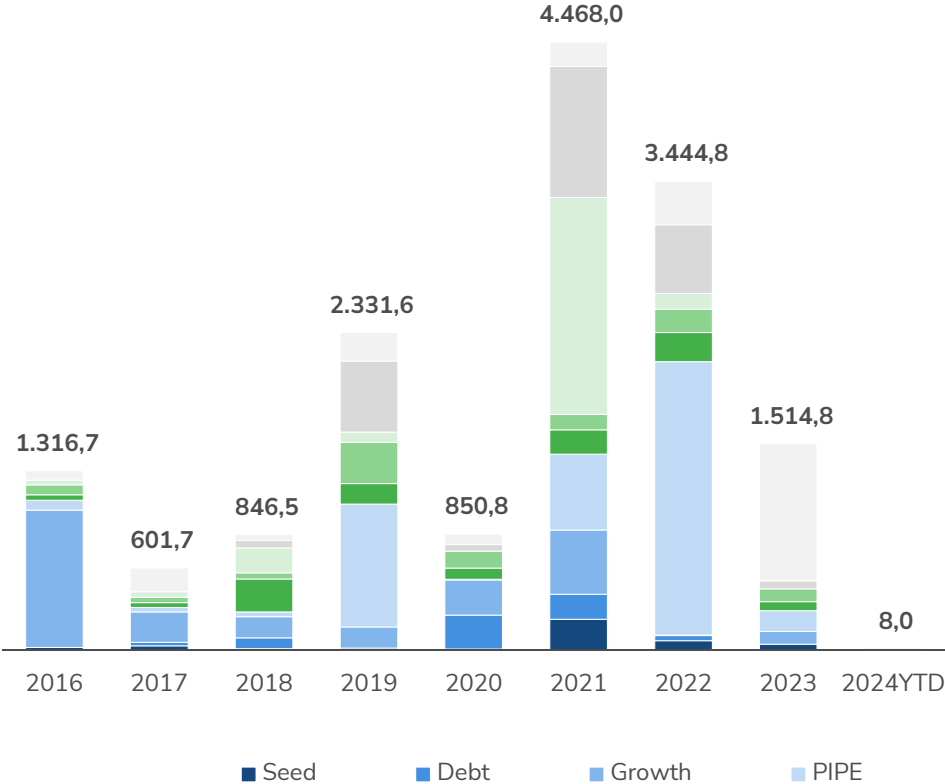
Source: Capital IQ

Note: Last 12 months to January 2024; Includes only the investments done by the parent company

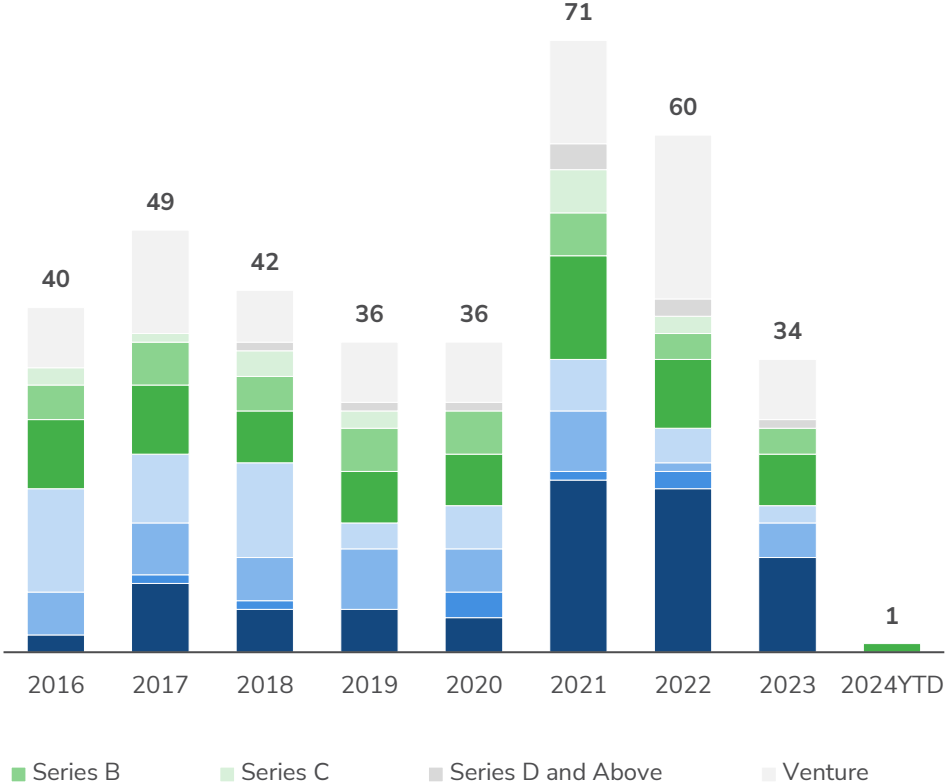
M&A Market Overview

DACH Financial Institutions Funding by Value and # of Rounds

DACH Funding by Value (EUR million)



DACH Funding by # of Rounds



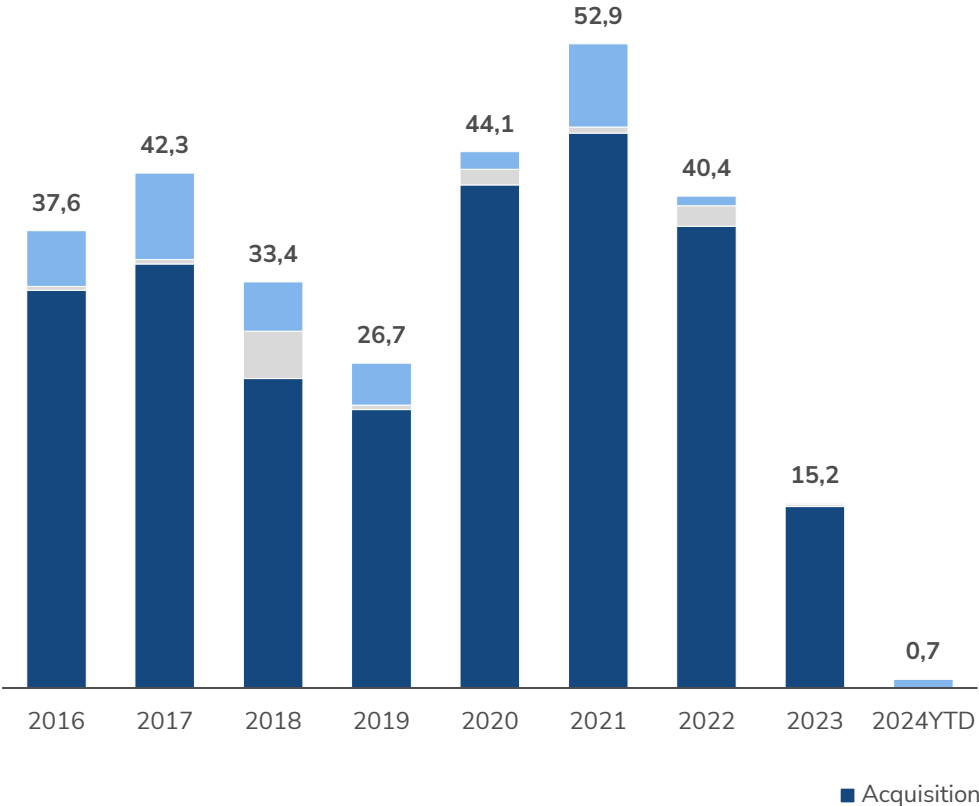
Source: Capital IQ as of January 24, 2024

Note: Funding round with undisclosed transaction values are excluded; seed includes accelerator, angel, bridge, crowdfunding, pre-seed, Pre-Series A and Pre-Series B; includes transactions for which the target is headquartered in Germany, Switzerland or Austria

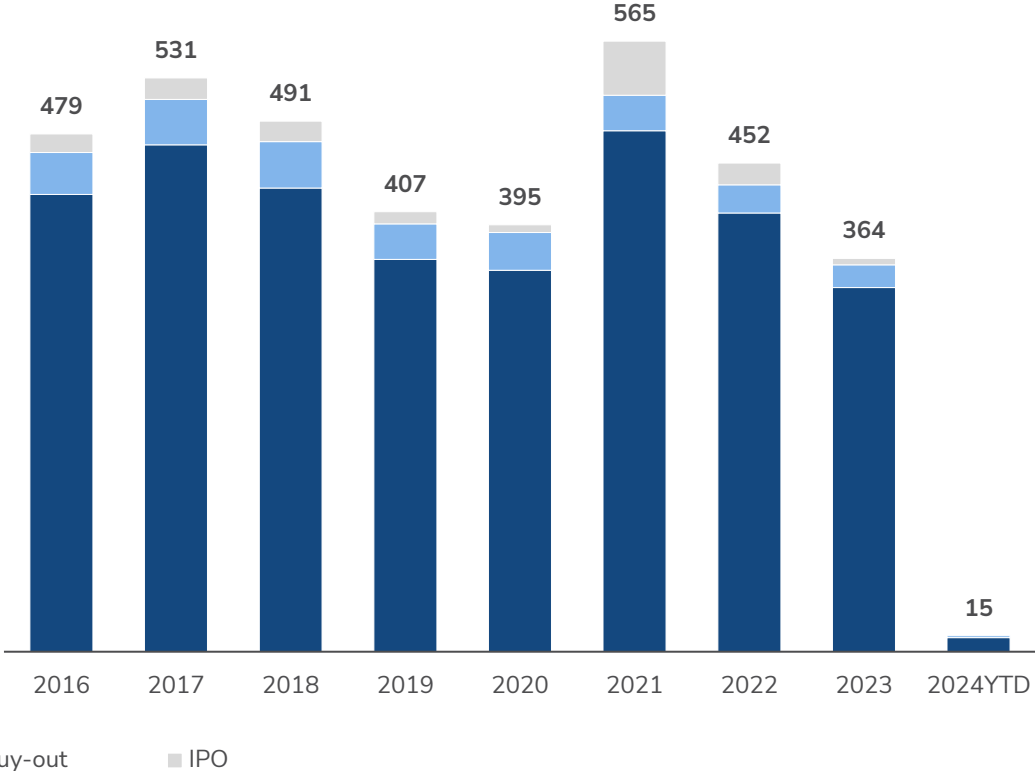
M&A Market Overview

EU Financial Institutions Transactions by Value and Number

EU Transactions by Value (EURbn)



EU Transactions by Number of Deals



Source: Capital IQ as of January 24, 2024

M&A Market Overview

Recent Transactions in the Financial Institutions Market (Selection)

<p>€22,886 mn Deal</p>  <p>Liaoning Asset Management Co., Ltd.</p>	<p>€12,420 mn Deal</p>  <p>AON</p>	<p>€11,692 mn Deal</p> <p>worldpay from FIS</p> 	<p>€9,645 mn Deal</p>  <p>FIRST REPUBLIC BANK</p> <p>JPMORGAN CHASE & CO.</p>	<p>€6,383 mn Round</p>  <p>andreesen.horowitz BAILLIE GIFFORD FOUNDER'S FUND</p>  <p>THRIVE CAPITAL BDT&MSD</p>	<p>€3,367 mn Deal</p>  <p>Brookfield</p>	<p>€3,034 mn Deal</p> <p>CREDIT SUISSE</p> 	<p>€2,836 mn Deal</p>  <p>ANGELO GORDON</p> 
<p>€2,776 mn Deal</p> <p>VALIDUS RE</p> 	<p>€2,450 mn Deal</p>  <p>Duck Creek Technologies</p>  <p>VISTA EQUITY PARTNERS</p>	<p>€2,409 mn Deal</p>  <p>Brookfield</p>	<p>€2,371 mn Deal</p>  <p>Global Atlantic FINANCIAL GROUP</p> <p>KKR</p>	<p>€2,300 mn Deal</p>  <p>Liberty Seguros</p>  <p>GENERALI</p>	<p>€1,827 mn Deal</p>  <p>Truist Insurance Holdings</p>  <p>MUBADALA</p> <p>STONE POINT CAPITAL</p>	<p>€1,742 mn Deal</p>  <p>NWLI National Western Life Group, Inc.</p>  <p>PROSPERITY LIFE GROUP</p>	<p>€1,663 mn Deal</p> <p>In-force individual life insurance business of</p>  <p>FARMERS INSURANCE</p> <p>Security Life of Denver Insurance Company, a subsidiary of</p> <p>Resolution Life</p>
<p>€1,395 mn Deal</p>  <p>THE Ardonagh GROUP</p>  <p>MARKERSTUDY GROUP</p>	<p>€1,382 mn Round</p>  <p>VPBank</p>  <p>SMBC</p>	<p>€1,380 mn Deal</p> <p>Personal and small commercial business of</p>  <p>Liberty Mutual INSURANCE</p> <p>tal anx.</p>	<p>€1,252 mn Deal</p>  <p>民生证券 MINSHENG SECURITIES</p>  <p>国联集团 GUOLIAN GROUP</p>	<p>€1,220 mn Deal</p>  <p>paya a nuvei company</p>  <p>nuvei</p>	<p>€1,215 mn Round</p>  <p>信泰保险 XINTAI INSURANCE</p>  <p>物产中大 WZ GROUP</p>	<p>€1,098 mn Deal</p>  <p>Singlife</p> <p>Empowering your future</p>  <p>SUMITOMO LIFE</p>	<p>€1,012 mn Deal</p>  <p>HDFC CREDILA The Education Loan Specialist</p> <p>Defati Investments, Infinity Partners, Kopvoorn B.V., and Moss Investments</p>

Source: Capiq, Merger Market

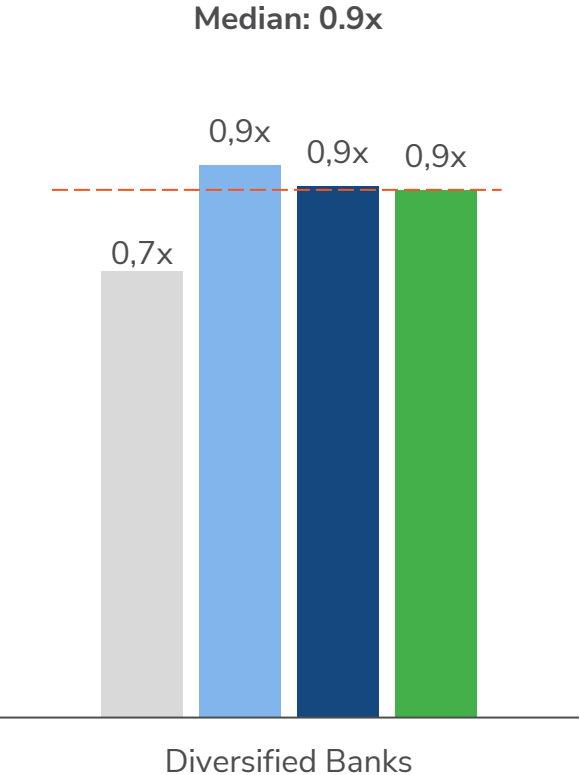
Global Public Trading Analysis

Sub-Sector Summary

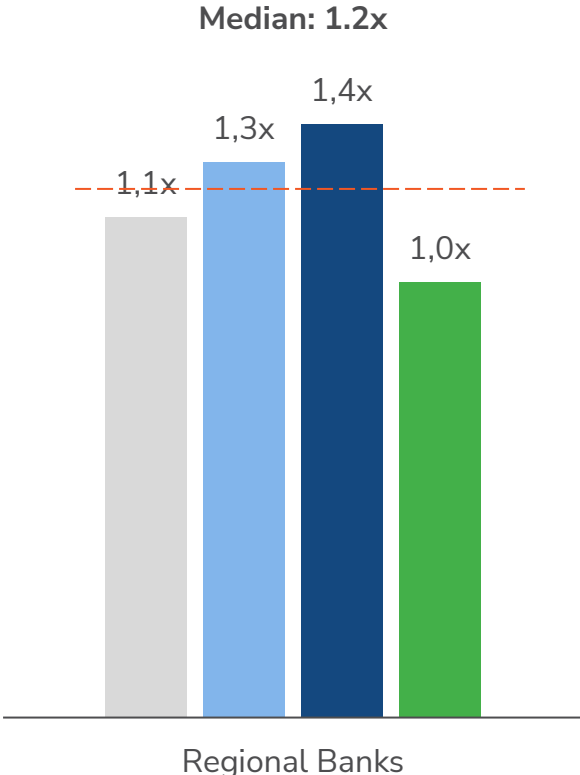
Global Public Trading Analysis

Sub-Sector Focus: Banks

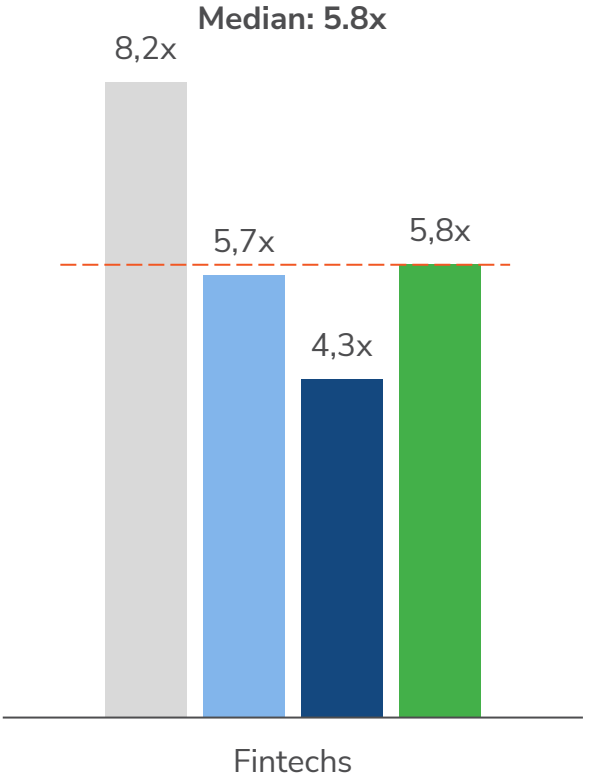
Multiples of P/B



Multiples of P/B



Multiples of EV/Revenue



■ 2020 ■ 2021 ■ 2022 ■ 2023E - - Median

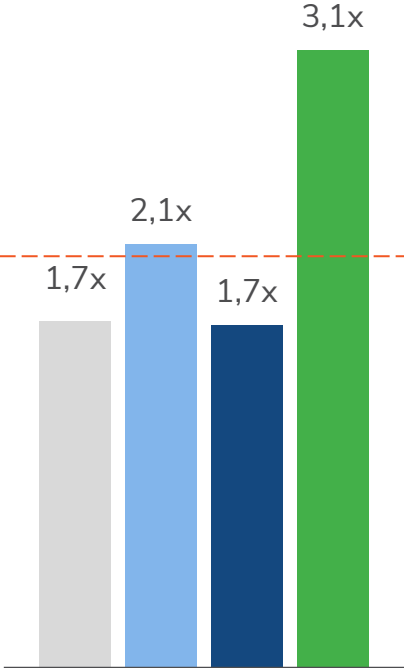
Source: Refinitiv, Capital IQ as of January 24, 2024

Global Public Trading Analysis

Sub-Sector Focus: Financial Services

Multiples of EV/Revenue

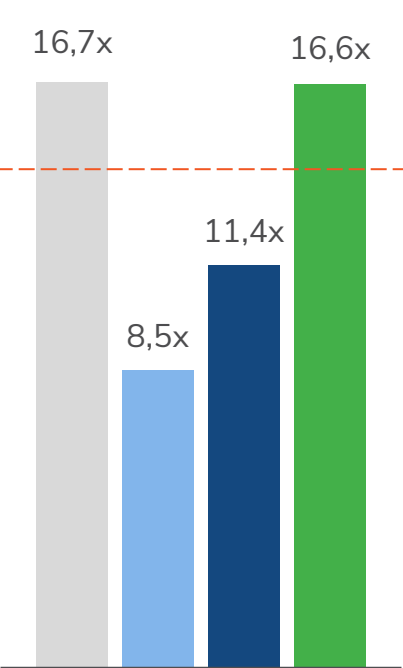
Median: 1.9x



Financial Services

Multiples of P/E

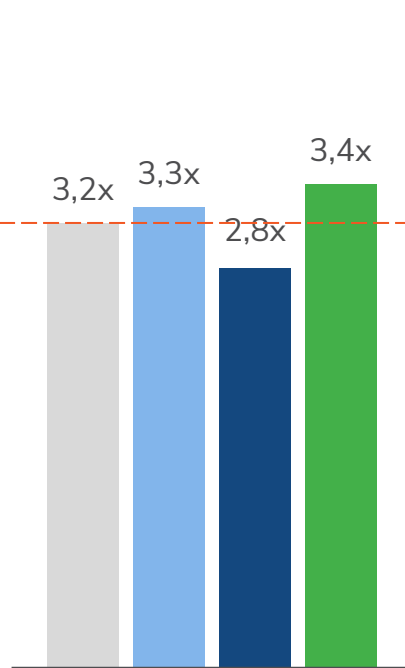
Median: 14.0x



Consumer Finance

Multiples of EV/Revenue

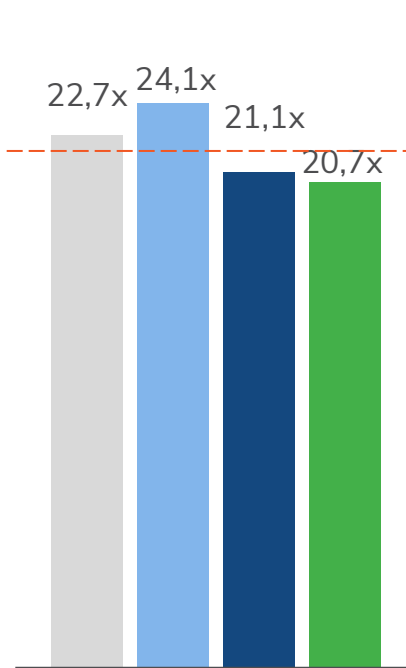
Median: 3.2x



Capital Markets

Multiples of EV/EBITDA

Median: 21.9x



REITs

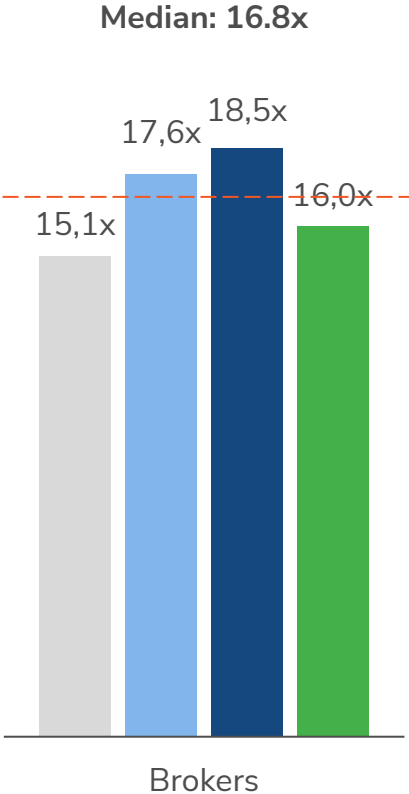
■ 2020 ■ 2021 ■ 2022 ■ 2023E - - Median

Source: Refinitiv, Capital IQ as of January 24, 2024

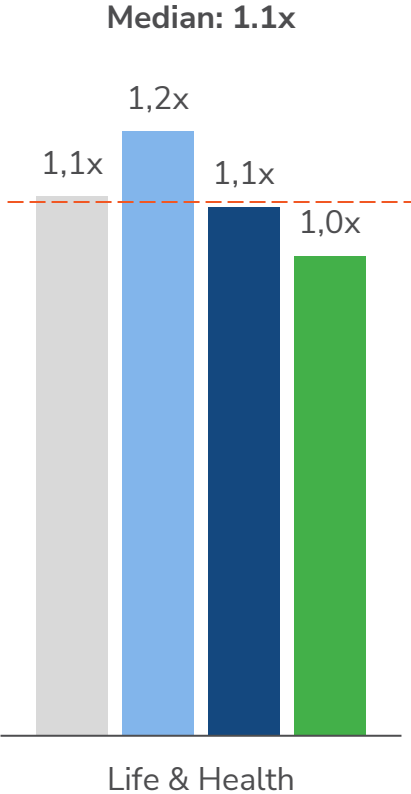
Global Public Trading Analysis

Sub-Sector Focus: Insurance

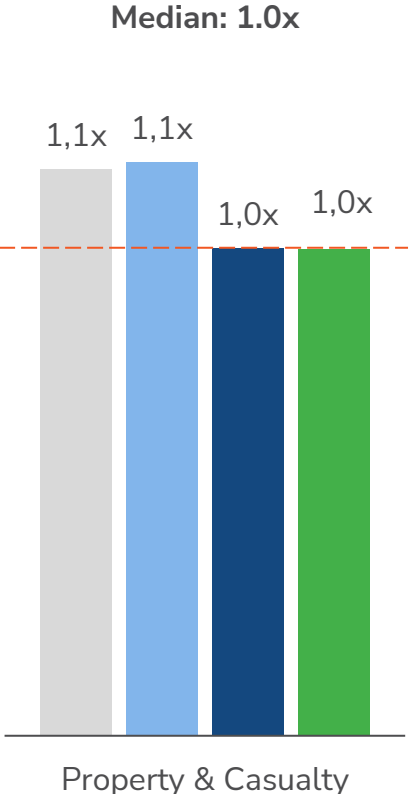
Multiples of EV/EBITDA



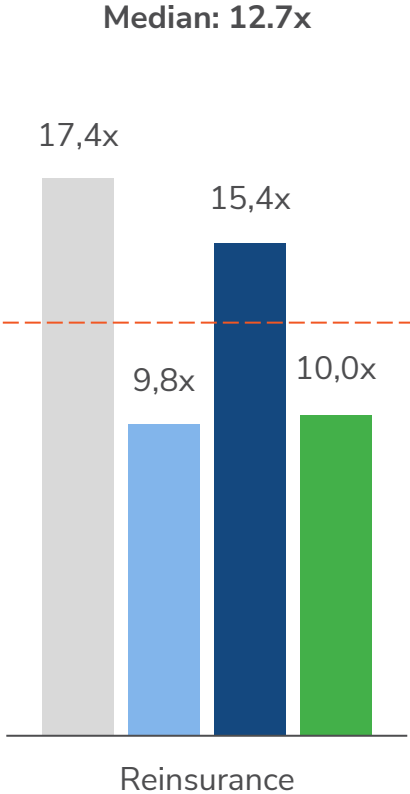
Multiples of P/GWP



Multiples of P/GWP



Multiples of P/E



■ 2020 ■ 2021 ■ 2022 ■ 2023E - - Median

Source: Refinitiv, Capital IQ as of January 24, 2024



For more information, please contact:

Financial Institutions Group (FIG) sector specialists:



Alexander Weiterer, CFA, Munich
Managing Director,
M&A and Transaction Advisory Services
+49 (0) 89 388 884 005
alexander.weiterer@kroll.com



Jonathan Jacobs, New York
Managing Director,
Valuation Advisory Services
+1 212 871 8013
jonathan.jacobs@kroll.com



Rebecca Nelson, ASA, CFA, Chicago
Managing Director,
Valuation Advisory Services
+1 312 697 4731
rebecca.nelson@kroll.com



David Liu, Hong Kong
Managing Director, APAC
+852 2884 7707
david.liu@kroll.com



Joanna Bartecki, Frankfurt
Director,
M&A and Transaction Advisory Services
+49 (0) 69 247 526 732
joanna.bartecki@kroll.com



Bob Bartell, CFA, Chicago
President of Corporate Finance
+1 773 255 7675
bob.bartell@kroll.com



Andreas Stoecklin, Frankfurt
Head of EMEA Corporate Finance,
M&A
+ 49 (0) 69 719 184 0
andreas.stoecklin@kroll.com

Global Corporate Finance leadership:

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