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Asia Pacific to lead in banking M&A

Asia Pacific is expected to lead the world as most active region for banking merger and acquisition (M&A) in 2013 and beyond, underpinned by rapid economic expansion, mounting middle-class demand for banking products and a growing high-net-worth segment, a PwC report says.

Global banking M&A transactions continue to decline faster than all-sector M&A, and will record another weak year in 2012, with the total value of completed banking deals globally falling by 37% during the first ten months of last year, compared with a drop of 20% in all-sector global M&A, according to PwC's paper, *The Journal - Brave new world: New frontiers in banking M&A*.



Sira Intarakumthornchai, CEO of PwC Thailand, said that domestic deals will continue to drive M&A activities, as banks in the burgeoning region respond to rising competition and the need for greater operational and capital efficiency. This comes despite recent years' decline in M&A in a global banking industry hit by prolonged debt woes—a shift no longer seen as a 'cyclical downturn' but rather representing 'a more permanently changed' economic and regulatory environment.

"The sovereign debt crisis in Europe will continue to affect banking M&A for as long as it persists," Sira said. "The political and economic uncertainty stemming from the Eurozone is making it harder to predict future impairments, agree on valuations, arrange funding and gain shareholder approval. The crisis is also having a significant impact on deal confidence overall."

In the longer term, patterns of banking M&A globally are going into reverse. Deal making will look beyond just prices and valuations, while state bodies are increasingly being drawn ever more closely into M&A decisions, according to PwC's paper.