



Financial Institutions Group

M&A Industry Insights

Autumn 2024

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Executive Summary

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North America was the most active region, with over 1,400 financial institution transactions observed in the last 12 months (LTM).



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



Stocks of European financial firms have performed better compared to STOXX Europe 600, while U.S. financial firms have struggled to keep up with the performance of the S&P 500, which was influenced by federal rate cuts optimism.



The deal value recorded in the year to date (YTD) increased by 24% in 2024 compared to the same period last year.

Executive Summary

Overview

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

Our top insights:

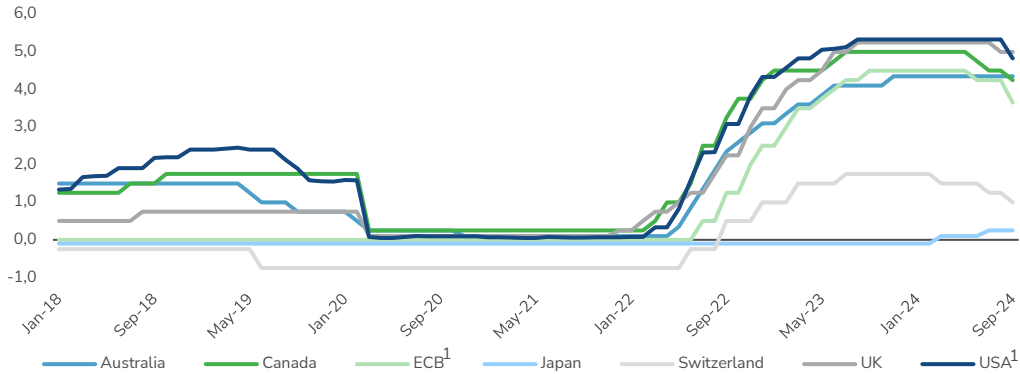
- The North American region has seen the largest number of financial institution transactions in the LTM, while APAC witnessed the highest multiples paid for its transactions.
- M&A continues to be a crucial strategy for the sector, particularly as organic growth becomes increasingly difficult in the current economic climate.
- The global financial institutions market is expected to grow in revenue, from USD 25.5 trillion in 2022 to USD 58.7 trillion by 2031, at a compound annual growth rate (CAGR) of 9.7%.

As market expectations evolve, the industry is expected to become a tech-enabled ecosystem, with a wave of consolidation of mega banks and fintech companies in coming years. Read more in our report and contact Kroll to learn how we help our clients stay ahead.

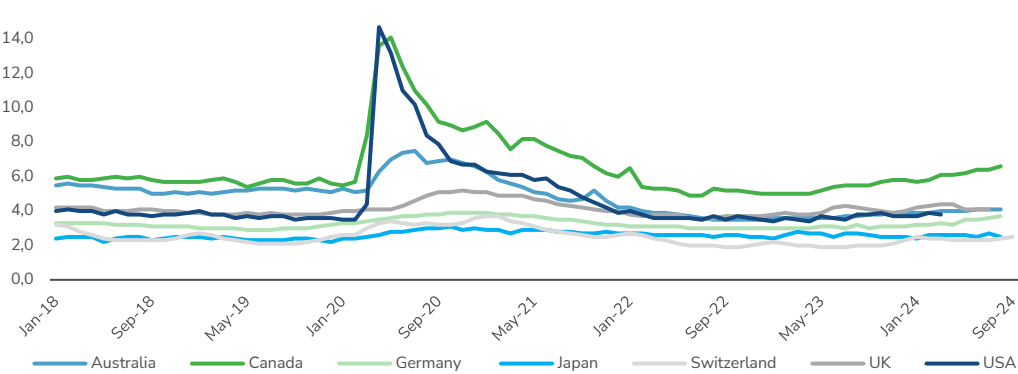
Economic Environment

Central Banks Beginning to Lower Fund Rates While Japan is Tightening

Monthly Interest Rate (%) Development per Central Bank



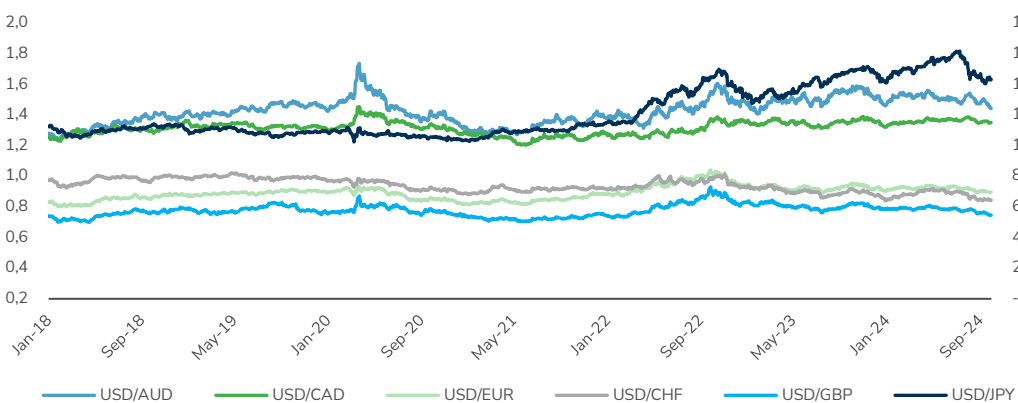
Unemployment Rate (%) by Highlighted Region



Volatility Index



Foreign Currency Exchange Rate²

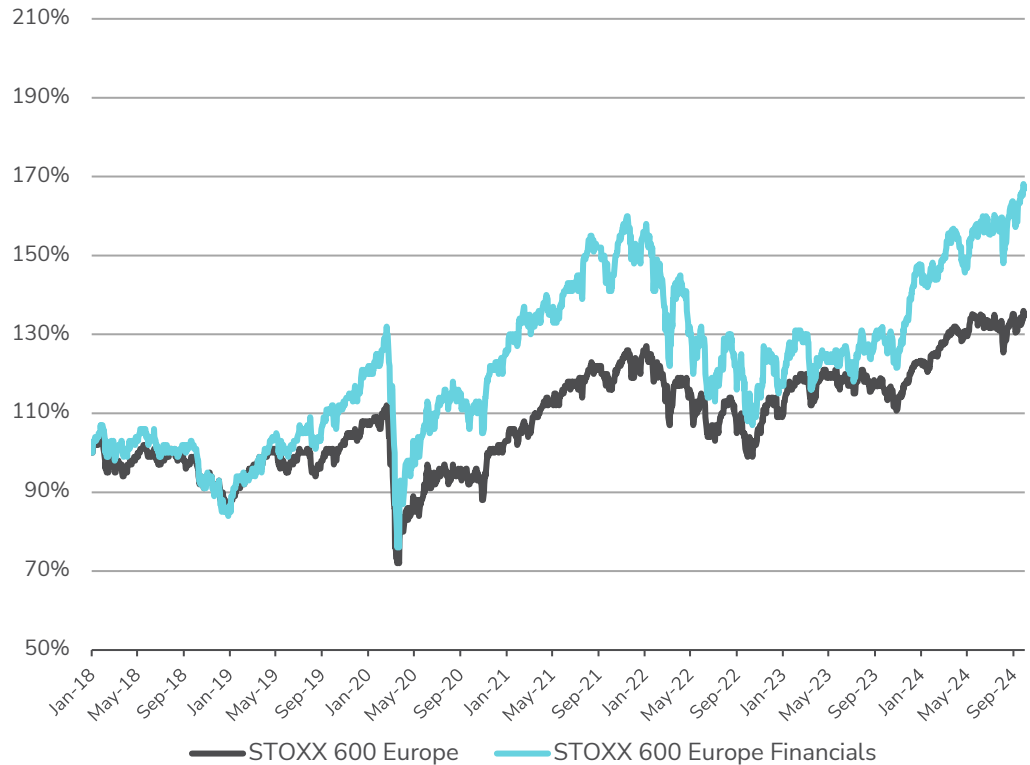


Sources: Central bank websites, government websites, Capital IQ
¹ Considered fixed rate tender for ECB and Federal Funds Rate for USA; ² USD/JPY plotted on secondary axis

Stock Market Overview

European financial firms have outperformed the broader market, while the U.S. S&P 500 is up on rate cut optimism. However, volatility is expected ahead of the November election in the US.

Europe: STOXX 600



U.S.: S&P 500

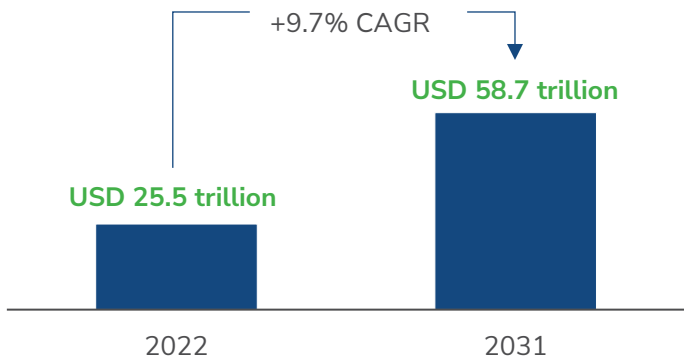


Source: Capital IQ as of September 30, 2024

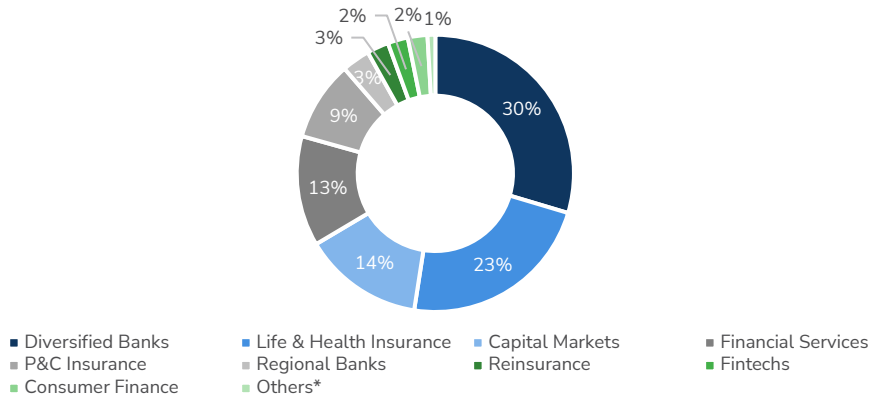
Financial Institutions Market Overview

The Global Market for Financial Institutions Represents a Revenue Opportunity of ~USD 60 Trillion

Market Size



Market by Segment



Commentary

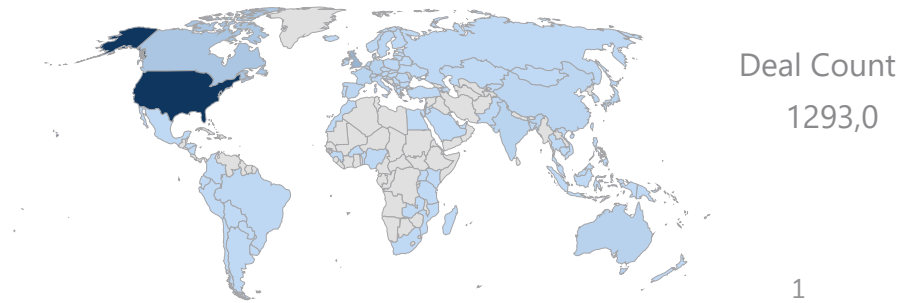
- The global financial institutions market is expected to grow in revenue, from USD 25.5 trillion in 2022 to USD 58.7 trillion by 2031, a CAGR of 9.7%.
- This expected market growth factors in the widespread digitization efforts of banks and other financial institutions to mitigate fraudulent transactions, and a heightened demand for alternative investments.
- Future growth in the financial institution market will be fueled by intelligent safety systems into financial services, the deployment of artificial intelligence (AI) to enhance service quality in financial operations, and investments in new product launches to broaden the product portfolio and augment market share.
- Financial markets expect that the Fed will gradually reduce interest rates to about 4.00%–4.25% in the U.S. by the end of the year. Furthermore, the market anticipates continued interest rate cuts into the following year, 2025.
- The global financial industry consists of the following segments: diversified banks, regional banks, fintechs, capital markets, financial services, property and casualty (P&C) 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 (Oct '23–Sept '24)



Average Multiples (P/B) by Highlighted Region

Region	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024 ¹
North America	2.69x	0.92x	1.19x	1.28x	1.51x
Europe	4.13x	3.28x	1.34x	2.49x	1.35x
APAC	2.39x	2.25x	2.34x	5.26x ²	1.81x

Sources: Capital IQ, Deloitte, PwC, KPMG

¹ September 30, 2024; ² Skewed by the acquisition of Union Mobile Pay E-Commerce by Tianjin Tongrong E-Commerce and Qesqu by Adventure Inc.

Commentary

- North America witnessed the highest financial services deal count, at 1,461 in the LTM, with the U.S. being the most active geography, with 1,293 inbound deals.
- APAC transactions presented the highest average price-to-book value (P/B) multiples at 2.9x, followed by Europe (2.3x) and North America (1.3x) in the LTM.
- Global M&A activities in the realm of financial institutions consisted of banking and capital markets, insurance, fintech, and asset and wealth management transactions.
- The appetite for dealmaking should ramp up as borrowing costs are reduced, and several more rate cuts are expected in the coming months.
- In the banking industry, expansion through consolidation may help banks absorb anticipated increases in costs associated with meeting complex and increasing regulations and higher capital requirements.
- Asset and wealth management firms are launching into new asset classes or developing partnerships to capture new assets under management. In the coming months, firms will continue to develop strategies to buy, build or partner their way into the alternatives market.
- In the insurance segment, dealmaking activity will be focused on digital transformation for accelerated growth.
- In the fintech segment, deal activity will continue to be characterized by strategic consolidations and a strong focus on integrating advanced technologies, such as AI.

Ecosystem

Kroll FIG-Tracked Universe

Banks

Diversified Banks

Logos of diversified banks: BANK OF AMERICA, 中国銀行 (Bank of China), CREDIT AGRICOLE, alrajhi bank, 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 (Bank of Nanjing), M&T Bank, Citizens Financial Group, Inc., 宁波銀行 (Bank of Ningbo), 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 fintechs: 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 (Far East Finance), 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, ORESUND, JSF, MERITZ, GRUPO SURA, METRO PACIFIC INVESTMENTS, PSG GROUP LIMITED, NI CE.

Consumer Finance

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

Capital Markets

Logos of capital markets: Davidson Kempner, 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 brokers: ACRIURE, LOCKTON, Brown & Brown INSURANCE, Gallagher, BRP, AUB GROUP, AON, NFP, Howden, HUB MRH, Marsh McLennan, ECCLESIA, PROGRESSIVE, PSC INSURANCE GROUP, AssuredPartners, RYAN SPECIALTY, Steadfast, TRUIST, Tryg, USI, wtw.

Life and Health

Logos of life and health: Brown & Brown INSURANCE, Allianz, AEGON, DAHICHI LIFE, RenaissanceRe, Liberty Mutual, 中国人寿 (China Life), Steadfast, Arch, PROGRESSIVE, MassMutual, PING AN, NN, Manulife, Prudential, Elevance Health, MetLife, PACIFIC LIFE, Mutual of Omaha, AVIVA, Protective, GENERALI, CHINA RE, Sun Life, Afac, ZURICH, SwissLife.

P&C

Logos of P&C: 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

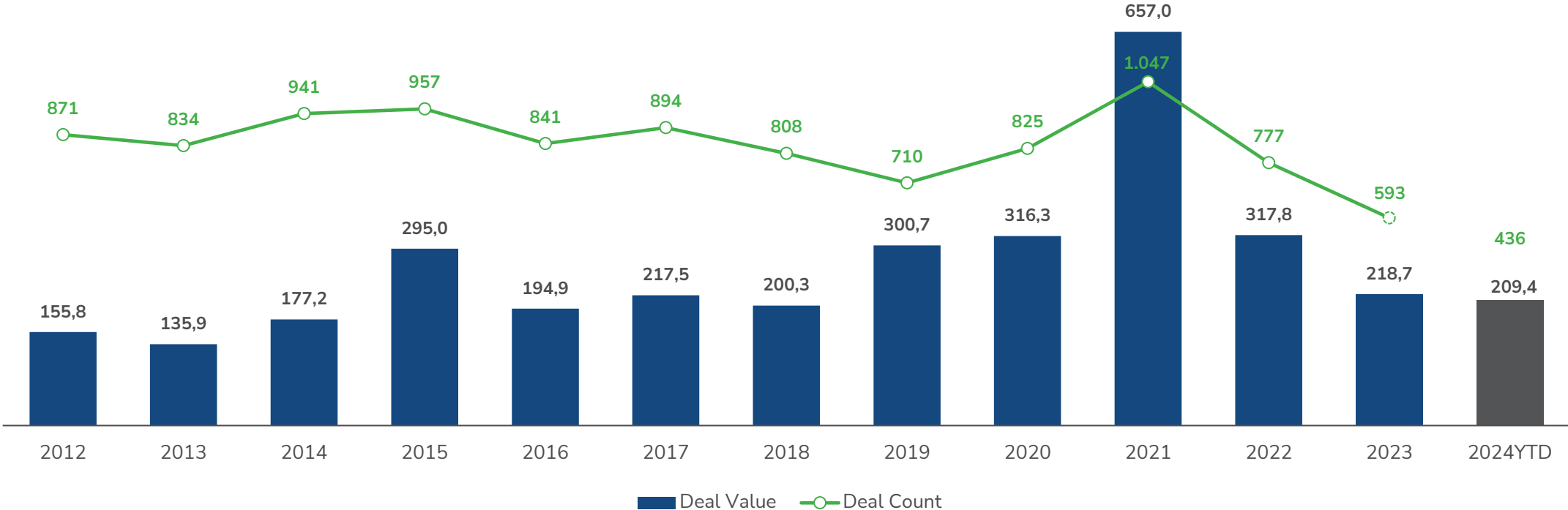
Logos of reinsurance: ENSTAR, everest, CHUBB, NN, CCR, Arch, CHINA RE, Swiss Re, ZURICH, PeakRe, Deutsche Rück, hannover re, SCOR, RenaissanceRe, RGA, KOREAN, Munich RE.

M&A Market Overview

M&A Market Overview

Global M&A Activity in Financial Institutions Sector

(in EUR billion)



Notable transactions include Capital One's acquisition of Discover Financial (€32.7 bn), CDR & Stone Capital acquisition of Truist Insurance (€11.6 bn) and Aon acquisition of NFP Corp.(€11.5 bn).

Despite a challenging market environment and slower than normal deal activity in H1 2024, it is expected that M&A deal flow will see an uptick in the coming months.

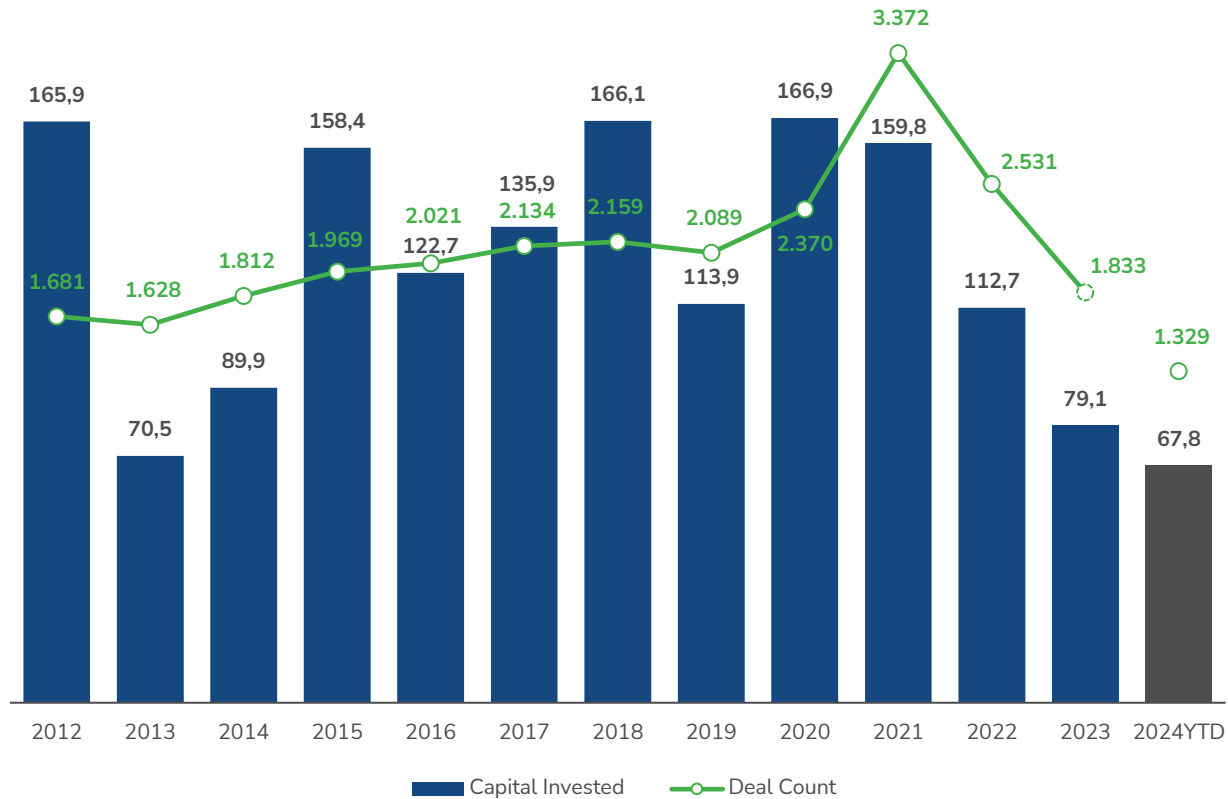
M&A continues to remain an integral part of the sector, especially as organic growth faces several challenges in the current macroeconomic environment.

Source: Capital IQ as of September 30, 2024
 Note: Deals with undisclosed transaction values are excluded; includes deals with majority stake only

M&A Market Overview

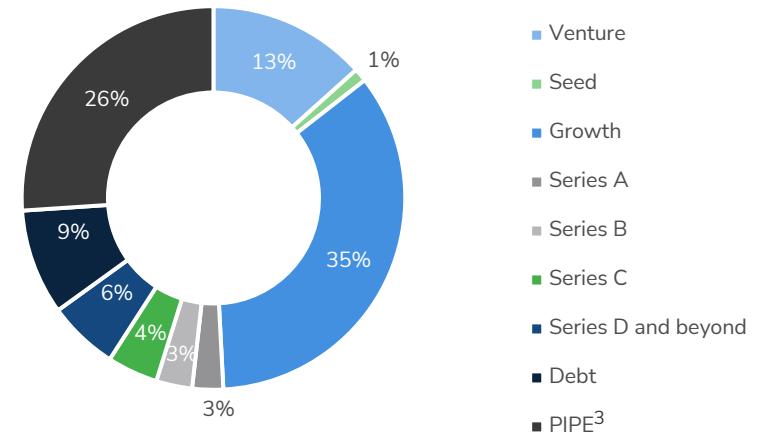
Global Financing in Financial Institutions Sector

Global Financing Activity (EUR bn)¹



Financing by Round^{1,2}

(2018–2024YTD, based on capital invested)



Source: Capital IQ as of September 30, 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

³ PIPE = Private investment in public equity

M&A Market Overview

Top Active Financial Institution Investors during the LTM

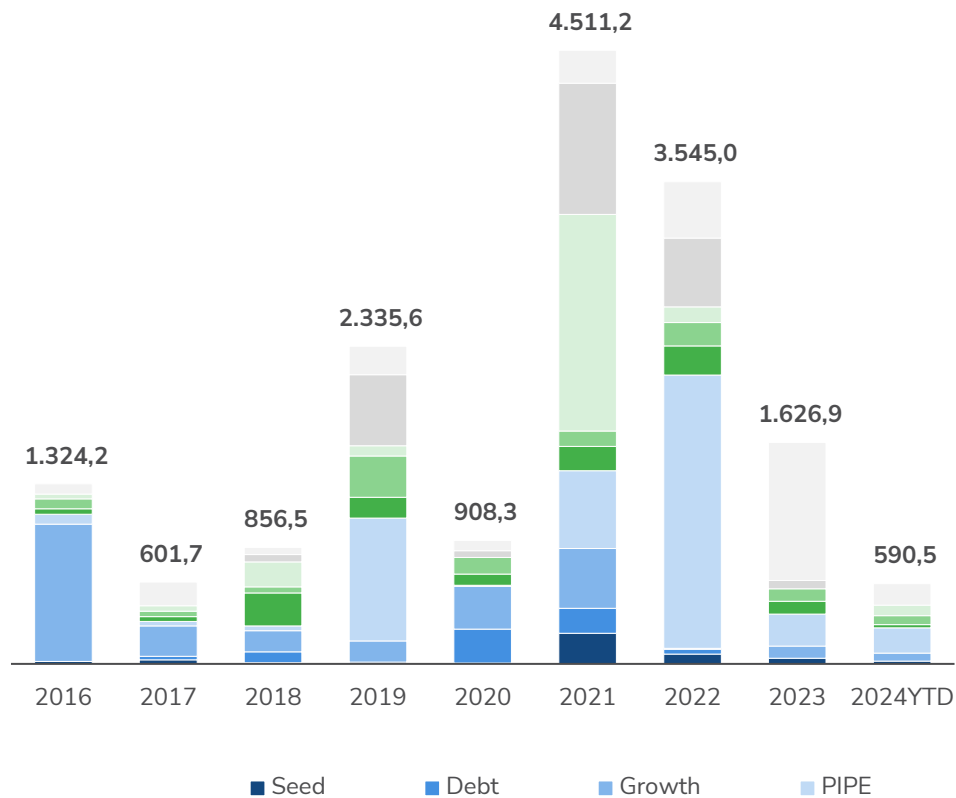
Financial Investors			Strategic Investors		
Name	# of Inv.	Selected Investments	Name	# of Inv.	Selected Investments
SEQUOIA	16	ALTRUVISTA EideBailly KARPAS STRATEGIES neo ramp shift slice	inszone	46	BESWICK cbg FirstWest ISU Francis-Pinney HUNTINGTON PACIFIC TELERATE
ANTLER	14	Evaluator Fair NetNow PEXX PRISM THANE	HUB	45	FELTON FBP McClements TAS INSURANCE SERVICES INC. WADE ASSOCIATES
BainCapital	12	1970 GROUP ansa Archwest GUIDEONE NAVRO (Paytrix) Relay RYZE EMERALD BAY	Gallagher	25	CORNERSTONE CC Crawford F&G hica HORAK JOHNGALT THE ROWLEY AGENCY
IFC	12	Amret BANK OF PALESTINE First Circle invest2innovate KHAN BANK mnt halan	Keystone Agency Partners	24	AeC INSURANCE INSURAMAX JOHNSON INSURANCE KEYSTONE GO
KKR	8	BMO CATALIO Global Atlantic GreenSky Janney Perpetual Söderberg & Partners Vitesse	pnf	13	360 INSURANCE ASSET D.L.D. Kentucky Health Solutions DENTALVO TOP INSURANCE
TA	6	AGA CLIFFWATER PMA Söderberg & Partners VALORIA VASTO	BrokerLink	12	BASTOW INSURANCE BrokerAge Direct-Line HANDEKE & BORMAN LTD LOUIS MEIER W

Source: Capital IQ
 Note: Includes only the investments made by the parent company

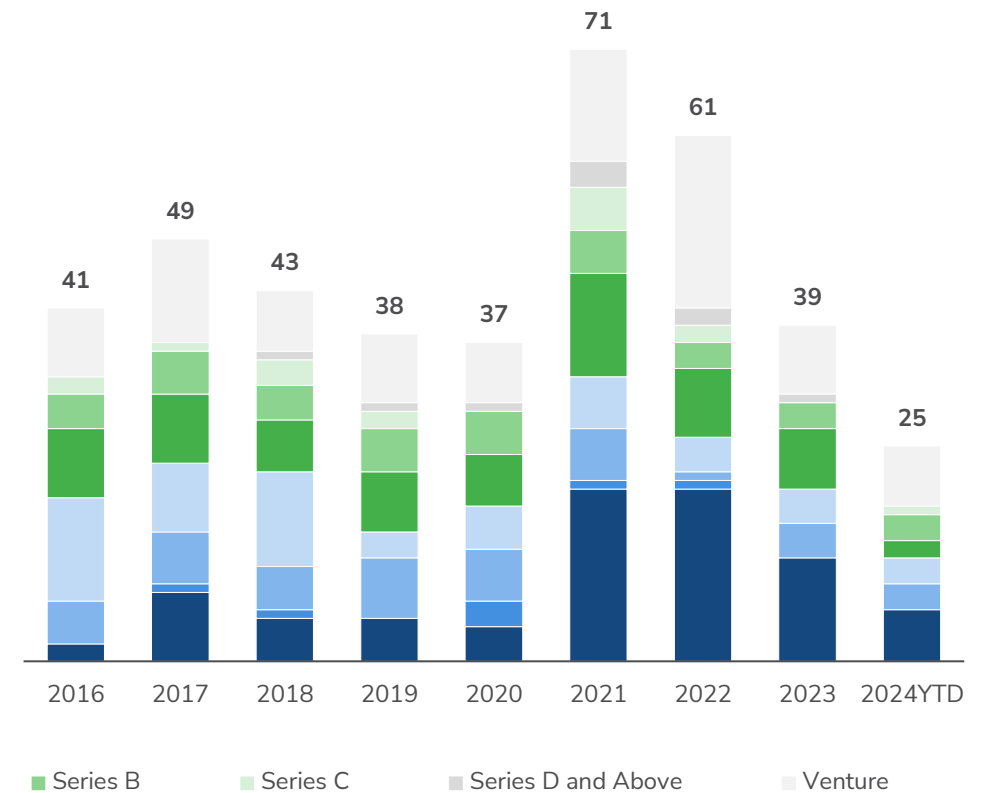
M&A Market Overview

DACH¹ Financial Institutions Funding by Value and Number of Rounds

DACH Funding by Value (EUR million)



DACH Funding by Number of Rounds



Source: Capital IQ as of September 30, 2024

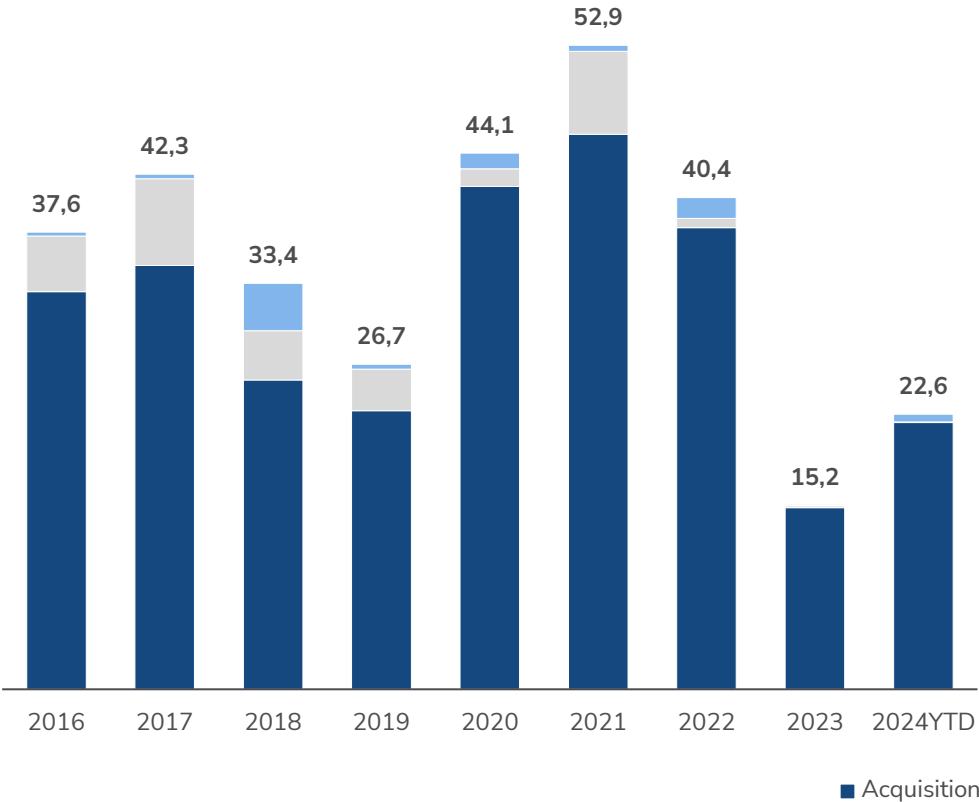
Note: Funding rounds with undisclosed transaction values are excluded; seed includes accelerator, angel, bridge, crowdfunding, pre-seed, Pre-Series A and Pre-Series B; includes transactions for which the target is headquartered in Germany, Switzerland or Austria

¹ DACH = Germany ("Deutschland"), Austria, Switzerland

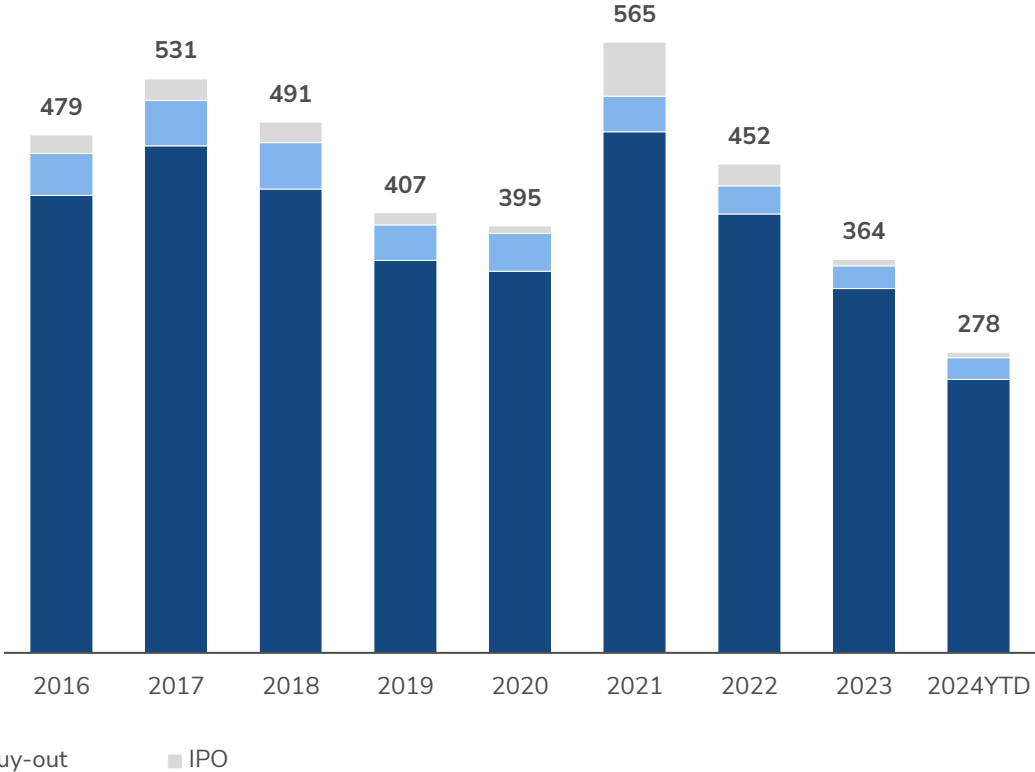
M&A Market Overview

EU Financial Institution Transactions by Value and Number

EU Transactions by Value (EUR bn)



EU Transactions by Number of Deals



Source: Capital IQ as of September 30, 2024

M&A Market Overview

Recent Transactions in the Financial Institutions Market (Selection)

<p>€32,797 mn Deal</p> <p>DISCOVER</p> <hr/> <p>Capital One</p>	<p>€11,646 mn Deal</p> <p>Truist Insurance Holdings</p> <hr/> <p>CLAYTON DUBLINER & RICE</p> <p>MUBADALA STONE POINT CAPITAL</p>	<p>€11,573 mn Deal</p> <p>NFP</p> <hr/> <p>AON</p>	<p>€11,408 mn Deal</p> <p>GLOBAL INFRASTRUCTURE PARTNERS</p> <hr/> <p>BlackRock</p>	<p>€9,877 mn Deal</p> <p>Private student loan portfolio of</p> <p>DISCOVER</p> <hr/> <p>CARLYLE KKR</p>	<p>€8,581 mn Deal</p> <p>AIR COMMUNITIES</p> <hr/> <p>Blackstone</p>	<p>€6,949 mn Deal</p> <p>McGriff</p> <hr/> <p>MarshMcLennan</p>	<p>€6,388 mn Deal</p> <p>HARGREAVES LANSDOWN</p> <hr/> <p>CVC</p> <p>Platinum Ivy B 2018 RSC Limited</p>
<p>€5,400 mn Deal</p> <p>Investment Managers</p> <hr/> <p>BNP PARIBAS</p>	<p>€4,689 mn Deal</p> <p>nuvei</p> <hr/> <p>Advent International GLOBAL PRIVATE EQUITY</p> <p>CDPQ NOVACAP</p>	<p>€4,674 mn Deal</p> <p>ENSTAR</p> <hr/> <p>SIXTH STREET PARTNERS</p> <p>J.C. FLOWERS & Co.</p> <p>LIBERTY</p>	<p>€4,667 mn Deal</p> <p>COMPAGNIE DES TRAMWAYS DE ROUEN</p> <hr/> <p>FINANCIÈRE MONCEY</p>	<p>€3,732 mn Deal</p> <p>CWB Canadian Western Bank</p> <hr/> <p>NATIONAL BANK</p>	<p>€3,531 mn Deal</p> <p>corebridge financial</p> <hr/> <p>NISSAY</p>	<p>€3,508 mn Deal</p> <p>LXi REIT Long Indexed Income</p> <hr/> <p>LONDONMETRIC PROPERTY PLC</p>	<p>€3,339 mn Deal</p> <p>VIRGIN MONEY UK</p> <hr/> <p>nationwide</p>
<p>€3,293 mn Deal</p> <p>民生证券 MINSHENG SECURITIES</p> <hr/> <p>国联证券 GUOLIAN SECURITIES</p>	<p>€2,842 mn Deal</p> <p>Residential Mortgage Portfolio</p> <p>METRO BANK</p> <hr/> <p>NatWest</p>	<p>€2,805 mn Deal</p> <p>FISHER INVESTMENTS</p> <hr/> <p>Advent International GLOBAL PRIVATE EQUITY</p> <p>ADIA</p>	<p>€2,559 mn Round</p> <p>KeyBank</p> <hr/> <p>Scotiabank</p>	<p>€2,557 mn Deal</p> <p>ASSETMARK</p> <hr/> <p>GTCR</p>	<p>€2,537 mn Deal</p> <p>Global Atlantic FINANCIAL GROUP</p> <hr/> <p>KKR</p>	<p>€2,410 mn Deal</p> <p>Portfolio of commercial multi-family real estate</p> <p>WaFd Bank</p> <hr/> <p>BANK OF AMERICA</p>	<p>€2,262 mn Deal</p> <p>Topdanmark</p> <hr/> <p>SAMPO GROUP</p>

Source: Capital IQ, Mergermarket

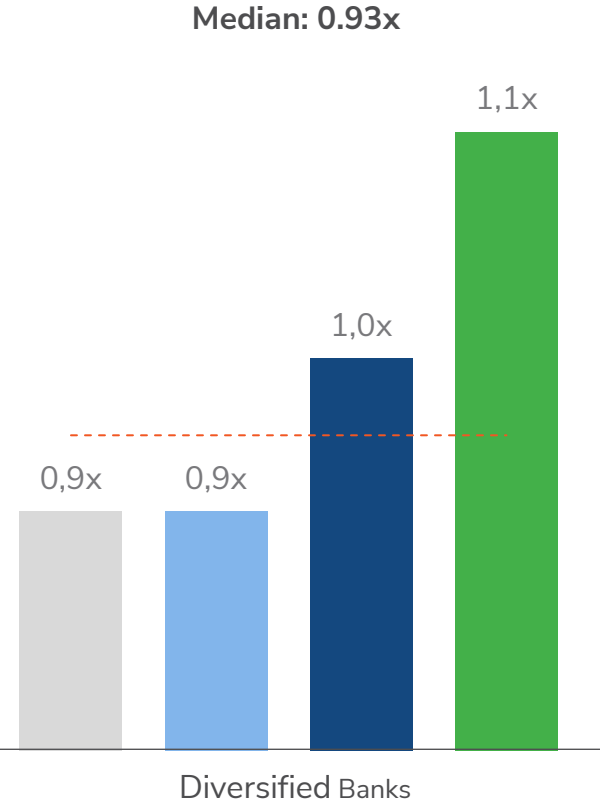
Global Public Trading Analysis

Subsector Summary

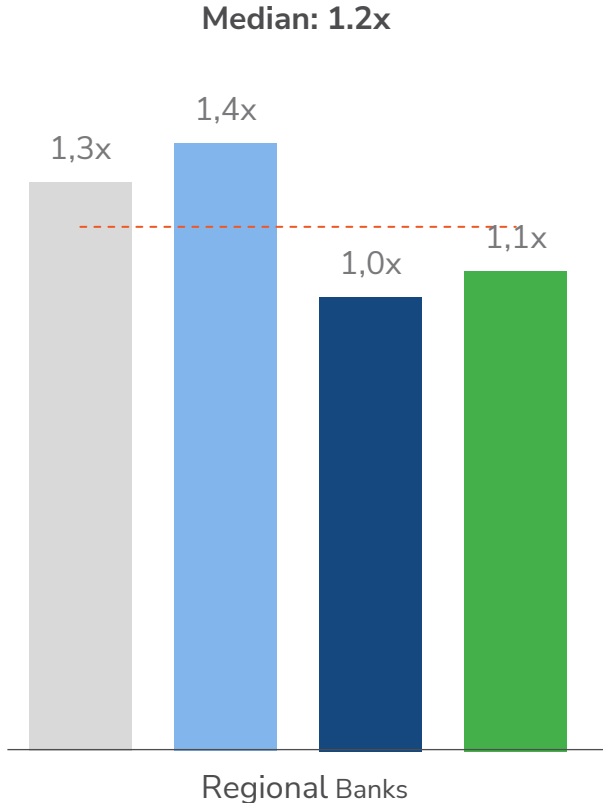
Global Public Trading Analysis

Subsector Focus: Banks

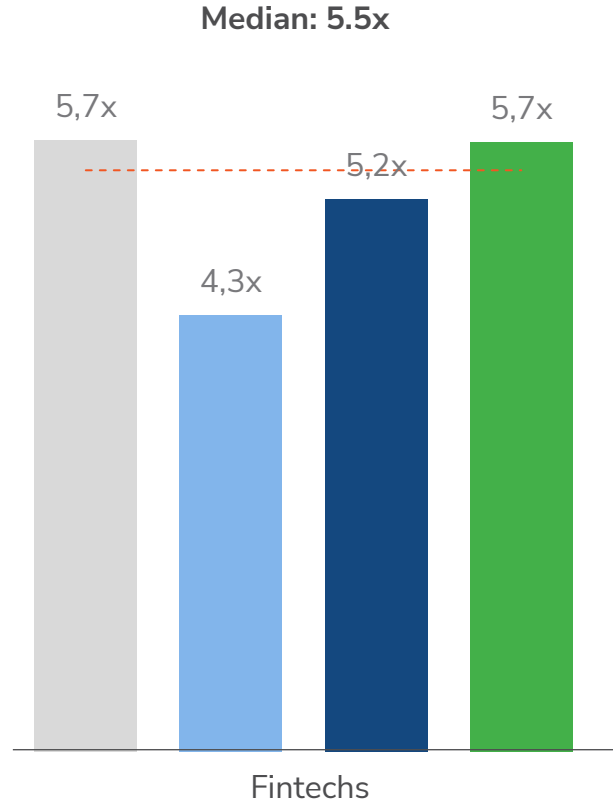
Multiples of P/B



Multiples of P/B



Multiples of EV/Revenue



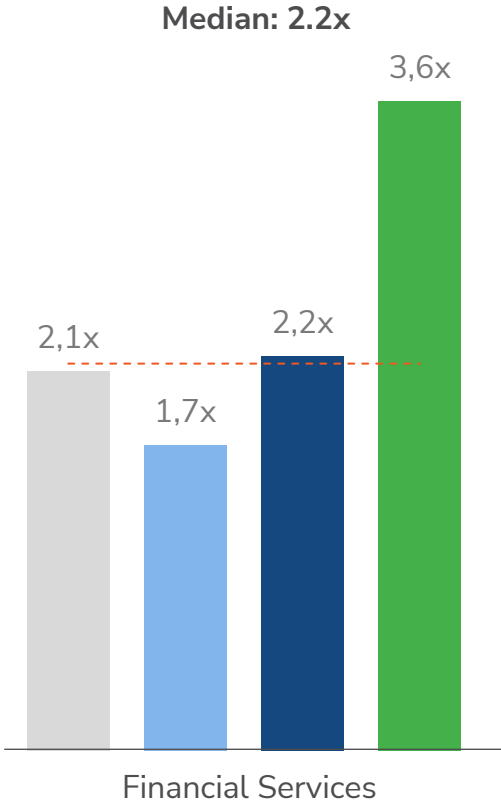
■ 2021 ■ 2022 ■ 2023 ■ 2024E - - Median

Source: Refinitiv, Capital IQ as of September 30, 2024

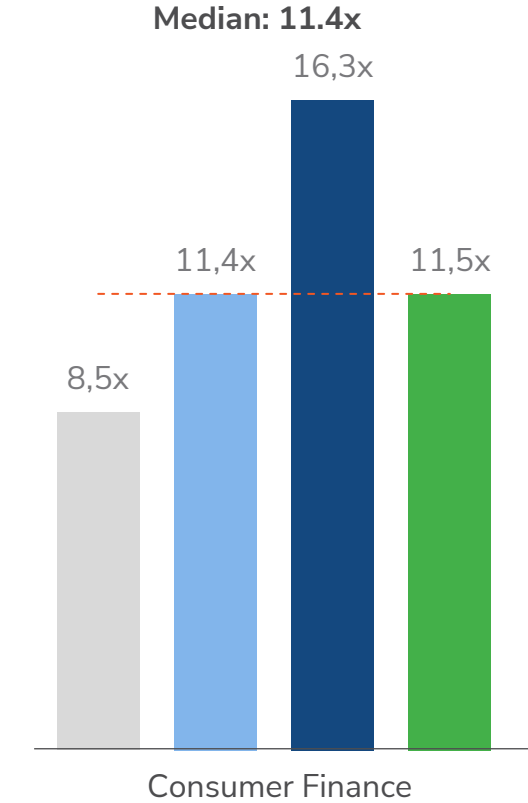
Global Public Trading Analysis

Subsector Focus: Financial Services

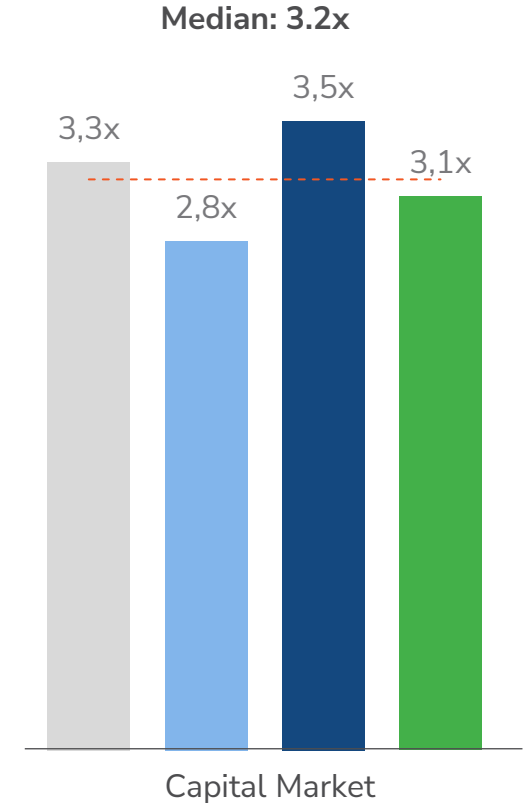
Multiples of EV/Revenue



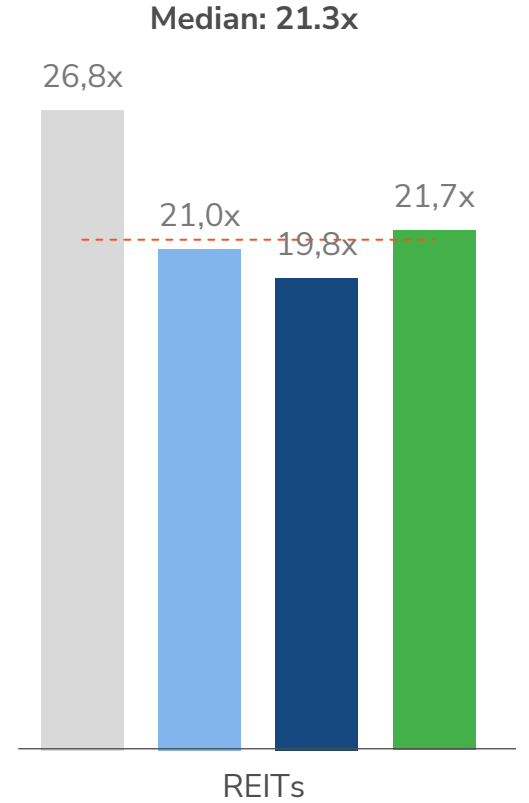
Multiples of P/E



Multiples of EV/Revenue



Multiples of EV/EBITDA



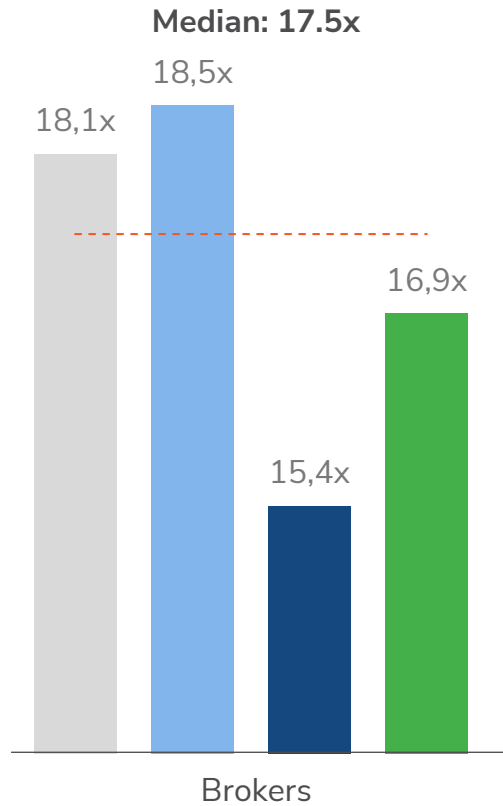
■ 2021 ■ 2022 ■ 2023 ■ 2024E - - Median

Source: Refinitiv, Capital IQ as of September 30, 2024
 Note: EV = Enterprise Value; P/E = Price Earnings Ratio; EBITDA = Earnings before interest, taxes, depreciation & amortization

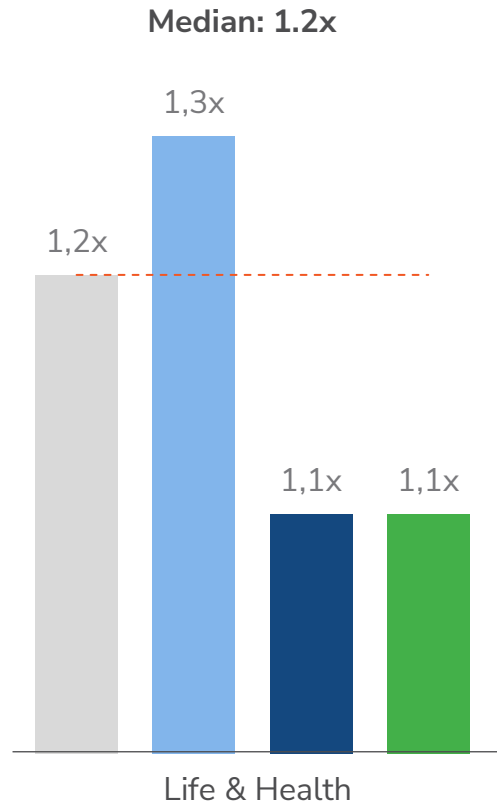
Global Public Trading Analysis

Subsector Focus: Insurance

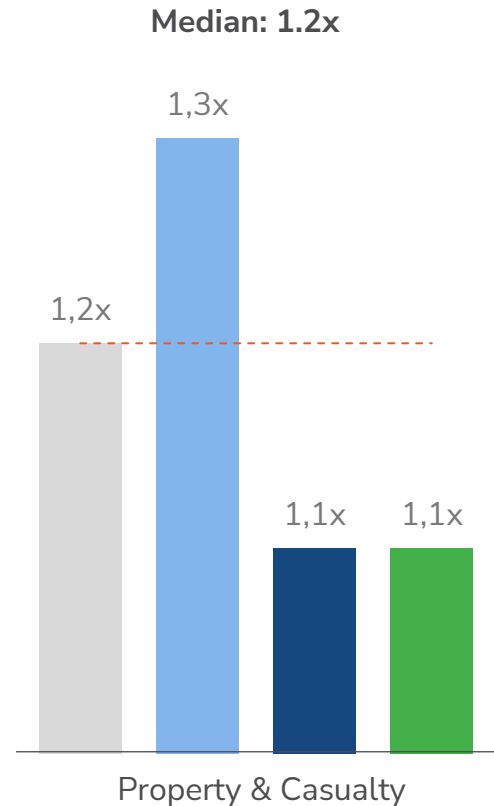
Multiples of EV/EBITDA



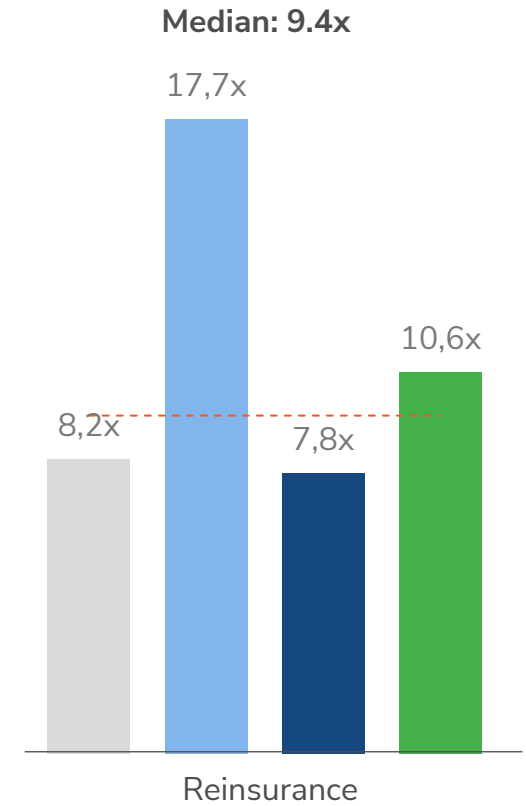
Multiples of P/GWP



Multiples of P/GWP



Multiples of P/E



■ 2021 ■ 2022 ■ 2023 ■ 2024E - - Median

Source: Refinitiv, Capital IQ as of September 30, 2024
 Note: P/GWP = Price to Gross Written Premiums Ratio



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