2025 Outlook: M&A Trends for Financial Services in Central and Eastern Europe

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Contents

Methodology

This publication is based on EY analysis of Capital IQ Pro, LSEG and Mergermarket data from 2021 to June 2024.

For the purposes of this publication, the definition of financial services includes companies in the banking and capital markets, insurance, and wealth and asset management sectors.

Deals include transactions (announced or completed) where the target operates in one of the three financial services sectors and either the target or acquiror is based in Central or Eastern Europe (CEE) (including the following: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czechia, Estonia, Greece, Hungary, Kosovo, Latvia, Lithuania, Malta, Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia, Ukraine).

There is no minimum disclosed value deal threshold. Deals where less than 20% (disclosed) of the company was acquired as well as equity investments, joint ventures, Initial Public Offerings and portfolio transactions have not been included.

"Deal value" refers to the total value of deals with a publicly disclosed deal amount. Information about value was disclosed for 10%-35% of deals in the analyzed period depending on the year. Deal volume graphs also include deals with undisclosed deal values.

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Deal values are rounded. Hence, the totals and growth percentages may differ from the chart values.

Introduction

We present our 2025 Outlook: M&A Trends for Financial Services in Central and Eastern Europe.

It leverages the knowledge of EY teams to pinpoint the primary trends we anticipate in dealmaking across the key financial sectors: banking and capital markets, insurance, and wealth and asset management. We pay special attention to how acquisitions are poised to bolster company growth and competitiveness, thereby helping ensure returns for investors.

As has always been the case, transactions will be propelled by the benefits of scale and the synergies they yield. Nevertheless, we also shed light on a variety of other strategic factors. The most significant of these are outlined here, demonstrating how agile companies can employ targeted acquisitions to fulfil their strategic goals.

Technology and digital transformation

Investment in technology-led business - especially Financial Technology (FinTech) and Regulatory Technology (RegTech) companies - is forecasted to be increasingly driven by ongoing digitalization, a heightened need for operational efficiency, a demand for improved user experiences, and new market opportunities. This could potentially manifest as an upswing in full acquisitions or strategic partnerships involving equity stakes.

Banking sector profitability

European bank shares have reached new profitability heights, prompting a resurgence of mergers and acquisitions (M&A) activity. Favorable interest rates and strong credit performance are driving market opportunities, with regional and global banks engaging in strategic deals for expansion and consolidation.

Increasing fee-based income

Financial institutions are eager to lessen their dependence on net interest margins and diversify income sources. We foresee an upsurge in acquisitions, particularly in sectors like wealth management and in specialized, high-margin subsectors.

Geopolitical tensions and electoral shifts

Recent political shifts and global tensions are introducing new uncertainties in the financial services industry. Electoral changes in the European Union (EU) and geopolitical frictions, such as sanctions on entities operating in Russia, demand that financial institutions incorporate these factors into their strategic planning to mitigate risks, maintain stability and capitalize on opportunities.

Introduction continued

Private equity strategies

Private equity (PE) will persist in steering the course of M&A narratives. Even though PE investments in the banking sector have decelerated, the FinTech and payments sectors maintain their appeal. Within the insurance sector, PE firms will persist in fueling consolidation, especially in insurance distribution markets. In wealth and asset management, the implementation of roll-up strategies will continue.

Regulatory changes and compliance

These elements are triggering divestments and informing M&A approaches. Anticipated transformations in bank regulations - like the implementation of Basel 3.1 standards and ringfencing stipulations - are predicted to influence business models and prompt strategic divestments.

Environmental factors

These continue to increase in importance, and not just in terms of potential reputational, employer-brand and environmental, social and governance (ESG) performance benefits. We expect acquisitions aimed at making the most of opportunities as the global economy transitions to a more sustainable model.

In closing, our outlook reveals a dynamic environment rich with opportunities for entities ready to seize them. The rapid pace of change and innovation emphasizes the necessity for thoroughness executed with promptness.

Ajay Rawal
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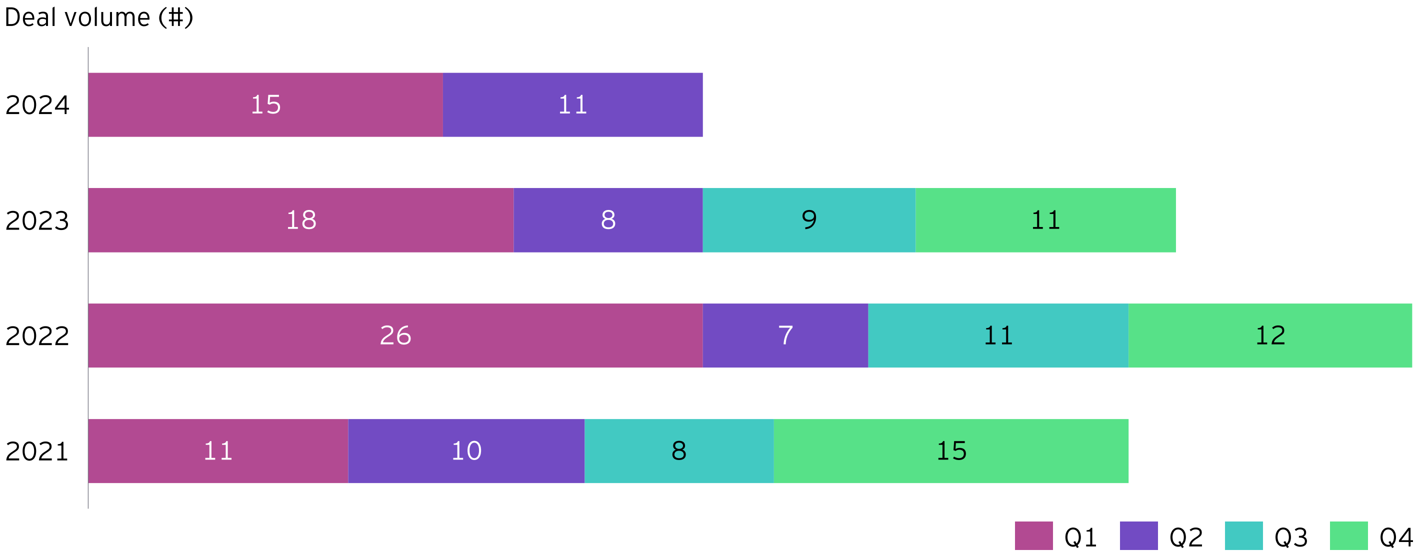
CEE financial services M&A overview

CEE financial services deal activity: reflecting on the first half of 2024 (H1'24)



Sources: Capital IQ Pro, LSEG and Mergermarket data

M&A overview

Following a strong performance in 2021, there was an increase in the number of deals throughout 2022. However, this upward trend did not continue into 2023, which saw a decline in deal volumes. H1'24 witnessed robust M&A transactions in CEE financial services, with 26 deals and a disclosed cumulative deal value of around US$2.9b, the highest disclosed deal value for a half-year since 2021 .

CEE financial services demonstrated steady M&A activity in H1'24, with disclosed deal values showing a significant uptick in comparison to the first half of 2023 (H1'23). This was primarily propelled by high-stakes deals stemming from the reshuffling within the Greek banking sector.

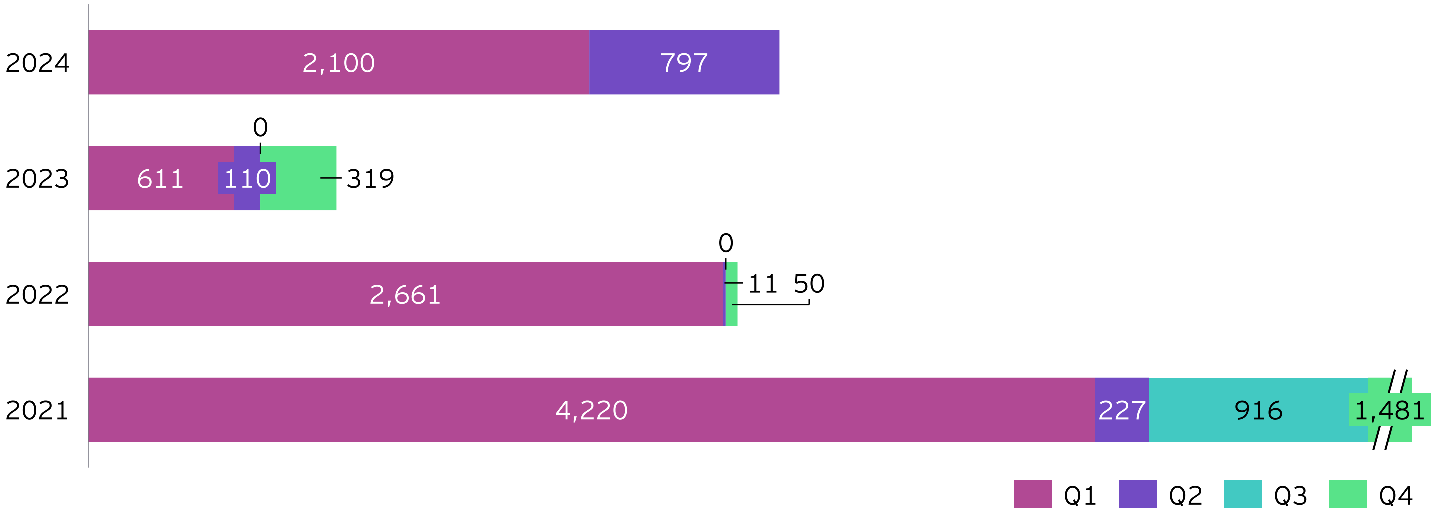
Throughout H1'24, Poland, Romania, and Greece emerged as the most active markets in CEE financial services deal-making. Both quarters saw these countries demonstrating increased deal activism.

Poland and Romania distinguished themselves with notable deal activity in H1'24, following ongoing consolidation in the insurance brokerage sector.

In the second half of 2024 (H2'24) and onwards, CEE financial services dealmakers are expected to focus on rapid deal execution and clarity in strategic objectives, emphasizing well-structured transactions and efficient negotiations. The economic outlook for the CEE region is positive, with analysts forecasting approximately 3% growth rebound, supported by the prospect of lower interest rates and easing inflation.

0%	change H1'24 deal volumes in comparison to H1'23

Deal value (US$m)*



Sources: Capital IQ Pro, LSEG and Mergermarket data

Consolidation for increasing the scale of operations and competitiveness in the market continues to be the key driving factor for M&A. Poland and Romania are expected to be the most confident markets for deal activity.

As H2'24 unfolds, the outlook for CEE financial services remains closely tied to significant geopolitical developments. The ongoing situation in Ukraine is a pivotal factor, with potential repercussions for energy markets and supply chains within CEE.

Additionally, events such as the results of US elections could herald shifts in foreign policy with far-reaching implications for trade, monetary policy, and the overall economic stability of the region.

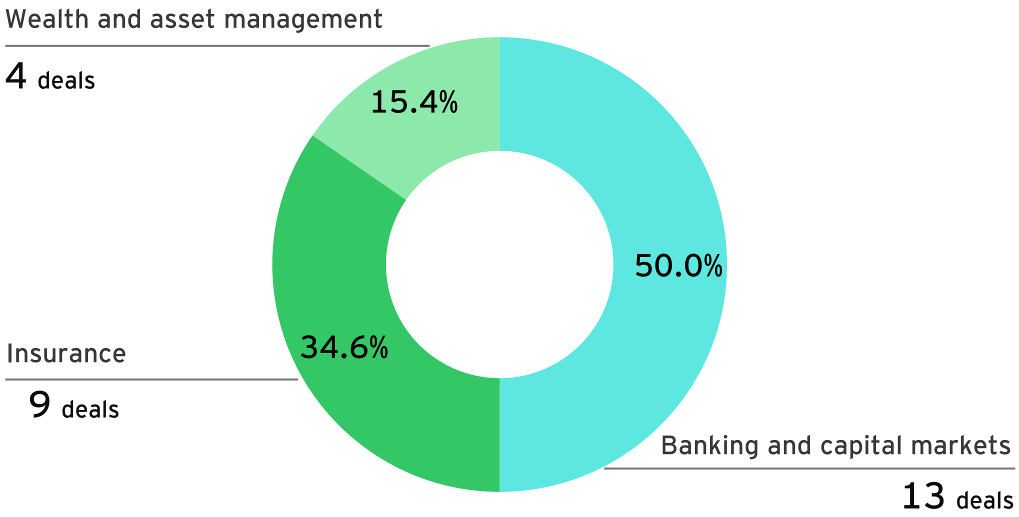
Moreover, the financial services sector is undergoing a significant transformation driven by artificial intelligence (AI), with generative AI (GenAI) poised to revolutionize productivity and redefine the nature of work. This technological shift, underpinned by substantial investments, is expected to enhance efficiency and spawn innovative services, shaping a positive outlook for H2'24. With potential lower interest rates on the horizon, the stage is set for accelerated growth and an even more dynamic integration of AI-driven solutions in the CEE financial services industry, carrying momentum into 2025 and beyond.

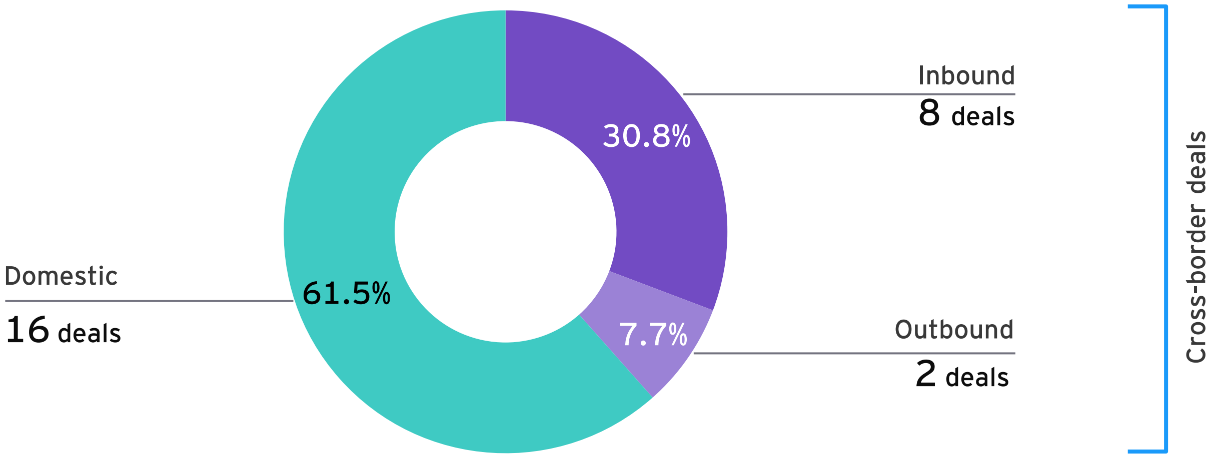
302% increase in H1'24 deal values* in comparison to H1'23

*Refers to deals for which the transaction values have been disclosed. Information about value was disclosed for 30%-50% of deals depending on year.

In H1'24, the deal landscape was primarily driven by domestic transactions, with both banking and capital markets and insurance sectors leading as the most active

Total deals in CEE financial services in H1'24: 26





Domestic deals:
Both target and acquirer are based in the CEE region.

Inbound deals:
Target is in CEE, acquirer is external.

Outbound deals:
Acquirer is from CEE, target is international.

Sources: Capital IQ Pro, LSEG and Mergermarket data

During H1’24, banking and capital markets accounted for half of the total deals made in the CEE financial services industry. Insurance followed, making up about 35% of all deals, while wealth and asset management accounted for around 15%.

Regarding disclosed transaction value, the most significant deals of H1’24 occurred in the banking and capital markets sector:

- Piraeus Financial Holdings S.A., a Greece-based financial group, was acquired through public offering by various Greece-based investors.
- Eurobank Ergasias Services and Holdings S.A. is in the process of owning 100% of Hellenic Bank plc.
- OTP Bank Romania, previously under the umbrella of Hungary's leading banking conglomerate, OTP Group, was acquired by Banca Transilvania S.A., Romania’s largest bank by Assets Under Management (AUM).
- Cerberus Capital Management's acquisition of a 100% stake in VeloBank S.A. marks another significant transaction in the industry.

Domestic deals dominated the M&A deal landscape in CEE financial services, with financial services players seeking to gain more market presence within the region.

In analyzing the transactional dynamics of H1'24, it becomes evident that inbound deals surpass outbound ones. This indicates a stronger influx of investment into the CEE region from external companies compared to CEE-based firms expanding their investments overseas.

Top three target countries (by deal volume), H1’24

5	Poland
4	Romania
3	Greece

Top three target countries (by deal value), H1’24

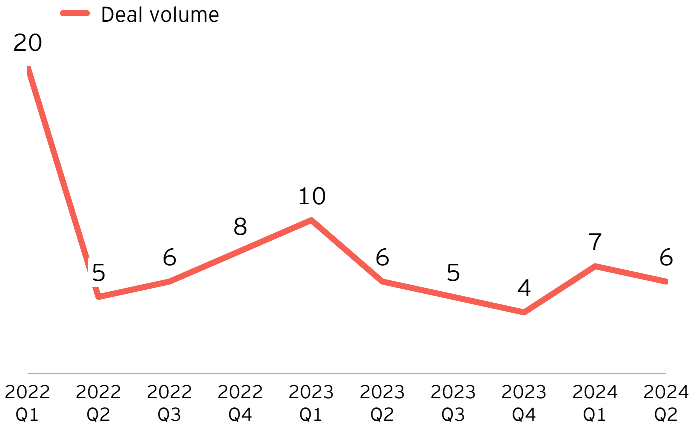
US$1.5b	Greece
US$738m	Cyprus
US$374m	Romania

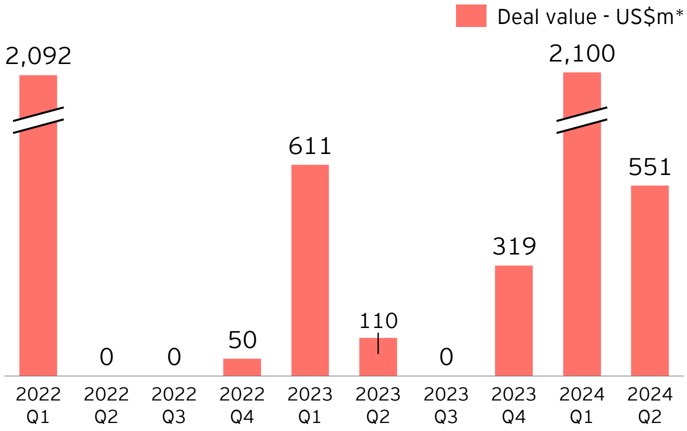
Sources: Capital IQ Pro, LSEG and Mergermarket data

Banking and capital markets

Banking and capital markets deal activity

19% decrease in H1’24 deal volumes in comparison to H1’23	**268%** increase in H1’24 deal values in comparison to H1’23





Sources: Capital IQ Pro, LSEG and Mergermarket data

M&A overview for 2024

The banking and capital markets sector saw strong activity in H1’24, with M&A totaling close to US$2.7b in disclosed transactional value. M&A deal activity in the banking and capital markets sector during H1’24 experienced a decrease in deal volume, with a total of 13 deals, compared to 16 in H1’23. However, H1’24 stood out in terms of disclosed deal values, outshining all previous periods including H1’22.

This was primarily due to the sector recording the following deals:

- Greece-based Piraeus Financial Holdings S.A., parent company of Piraeus Bank S.A., fully privatized by divesting the Hellenic Financial Stability Fund's 27% stake for US$1.427b, facilitating the HFSF's exit.
- Through its subsidiary, Eurobank S.A., Eurobank Ergasias Services and Holdings S.A. secured the final 45% of Hellenic Bank shares for US$514m, poised to reach 100% ownership after the transaction finalizes. Eurobank group has a presence in Greece, Cyprus, Luxembourg, Bulgaria and the UK.
- Banca Transilvania acquired OTP Bank Romania for US$375m to strengthen its leading position in the market and contribute to the consolidation of the Romanian banking market.
- Furthermore, the noteworthy acquisition of Poland's VeloBank by Cerberus Capital Management, in a transaction valued at US$270m, underscores the firm's strategic expansion.

*Refers to deals for which the transaction values have been disclosed. Information about value was disclosed for 30%-50% of deals depending on year.

Top transactions by disclosed deal value in 2023 and H1'24

1 US$1,427m

Target:
Piraeus Financial Holdings SA

Acquirer: Market purchase
Announcement date: March 2024

Greece

2 US$514m

Target
Hellenic Bank pcl

Acquirer: Eurobank Holdings
Announcement date: June 2024

Cyprus

3 US$375m

Target
OTP Bank Romania SA

Acquirer: Banca Transilvania SA
Announcement date: February 2024

Romania

4 US$319m

Target
Alpha Bank Romania SA

Acquirer: Unicredit Romania
Announcement date: October 2023

Romania

5 US$299m

Target
Eurobank Direktna ad Beograd

Acquirer: AIK Banka Beograd
Announcement date: October 2023

Serbia

6 US$270m

Target
VeloBank S.A.

Acquirer: Cerberus Capital Management
Announcement date: March 2024

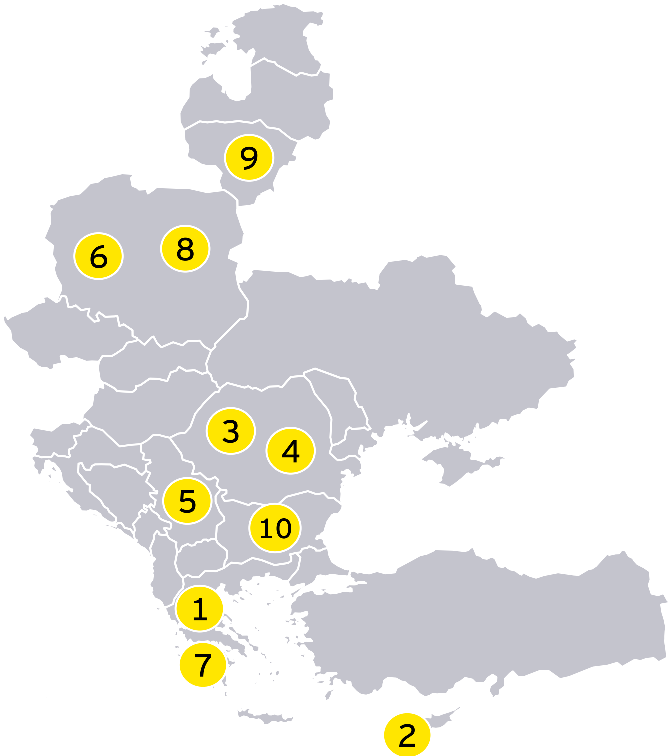
Poland

7 US$200m

Target
Neptune Maritime Leasing LTD

Acquirer: Costamare Inc.
Announcement date: March 2023

Jersey



8 US$112m

Target
Millenium Financial Services Sp. z o.o.

Acquirer: TU Europa SA
Announcement date: November 2023

Poland

9 US$110m

Target
SME Finance UAB

Acquirer: Fasanara Capital LTD
Announcement date: April 2023

Lithuania

10 US$37m

Target
Tokuda Bank AD

Acquirer: Bulgarian American Credit Bank AD
Announcement date: April 2024

Bulgaria

Sources: Capital IQ Pro, LSEG and Mergermarket data

Acquisition themes for 2025 - banking and capital markets

Throughout 2025, the M&A scene within the banking and capital markets and related sectors is expected to evolve under the influence of several persistent trends. Strategies focusing on the divestiture and streamlining of bank assets, along with the pursuit of growth and expansion, will remain principal factors propelling transactions. Furthermore, the acquisition of tech-driven capabilities will stand out as a prominent trend, as banks and other companies persist in acquiring stakes and forging alliances with new and innovative entities, including those in the FinTech space. Additionally, we anticipate that regulatory shifts in the banking sector and PE maneuvers will catalyze deal-making, among other drivers outlined below.

The pursuit of expansion will propel M&A activity

- The quest for expansion and a substantial market share is anticipated to continue to propel M&As within the CEE banking sector in 2025. This movement is expected to lead to heightened domestic consolidation, particularly among mid-tier banks. As small to midsize institutions merge with similar-sized entities to form more robust and stable organizations, they will be better equipped to handle regulatory demands and market uncertainties. The expectation is that this consolidation trend will become increasingly prominent, and a series of transnational transactions will occur.

Banks will bolster specific strengths by engaging in strategic acquisitions

- Intensifying focus on fundamental expertise will propel strategic transactions. Banks that possess distinct advantages in niche markets, like vehicle financing or segments of wealth and asset management, are expected to pursue acquisitions to amplify their standing in these domains.

The upswing in European bank shares and profitability

- European bank shares are currently at a six-year high in profitability, thanks to positive interest rate trends and strong credit performance. This surge has reignited mergers and acquisitions across various countries, including Greece and Poland. The forecast suggests a continuation of this trend, with regional and global banks driving the deal-making momentum.

Digital expertise will fuel partnerships and joint ventures

- The inclination of banks to form joint ventures and partnerships with FinTech companies is set to persist, driven by the need to acquire technology-driven expertise and innovative customer acquisition methods. These alliances grant banks access to new demographics like younger consumers, while FinTechs gain capital and broader customer reach. With big tech firms entering the financial services sector (so called TechFins), banks are compelled to strategically invest in FinTechs. This trend is expected to prompt partial acquisitions and investments by banks and TechFins to maintain a competitive edge in the evolving market.
- We foresee the acquisition of regulation technology (RegTech) businesses specializing in areas like anti-money laundering, financial crime, conduct risk, and transaction processing. Banks are likely to pursue consolidation for scale and strategic partnerships to enhance their solutions and expertise.
- Consolidation is anticipated among smaller-scale FinTech lending and payments businesses. Too many currently operate on a sub-scale level and must solidify their market presence to succeed.

PE deals will continue

- PE investment is expected to sustain momentum in the market. We anticipate a concentrated focus on the asset-light segment, with a reduced emphasis on areas of banking and capital markets characterized by substantial balance sheet commitments.

Enhancing income derived from fee-based services will continue to be an objective

- M&As will remain as a strategy for boosting fee-based revenue and reducing dependence on net interest margins, especially as policy rates might be approaching their zenith.

Environmental considerations will be a driving force behind transactional activities

- We anticipate that banks will pursue acquisitions that enable them to finance the green economy and tap into its expanding prospects. Such transactions can also enhance their consumer and employer branding, as well as their ESG metrics.

Divestment themes for 2025 - banking and capital markets

Portfolios rationalization will serve as a primary motivator

- Non-core divestments and portfolio rationalization have gained prominence for banking and capital market firms, partly due to recent market volatility and heightened uncertainty. This trend is likely to persist, following an extended phase of widespread market consolidation.
- Considering the necessity for substantial technology investments, numerous banks have been re-evaluating their commitments to their payments and merchant acquiring operations, considering whether these remain core to their business. Nonetheless, we foresee that banks will prioritize establishing robust strategic partnerships to stay competitive and to leverage the inherent value of these businesses, rather than opting for divestiture. Similar deals have taken place in Western Europe, like the recent joint venture between Commerzbank and Global Payments.
- Banks are poised to strategically divest business units that are expected to command higher price-to-book valuations compared to the overall group. This deliberate strategy is driven by the opportunity to capitalize on these higher valuations, allowing banks to liquidate assets at a premium and thereby liberate capital. This approach is particularly pertinent given the current pressures on bank profitability and balance sheets, where unlocking value through divestment becomes an attractive option for financial institutions seeking to optimize their capital allocation.
- Certain expansive banking groups are expected to persist in refining their geographical footprint by offloading regional banking activities, thereby concentrating investments on their core operations. This is a gradual process, and its continuation is anticipated. A similar pattern is expected in the European asset finance sector.
- Banks will maintain their efforts to divest loan portfolios associated with carbon-intensive industries to manage risk and exposure, and to improve ESG standings.

A reassessment of regulatory frameworks will also be a catalyst for divestitures

- Upcoming shifts in banking regulations are expected to drive divestitures. Specifically, imminent modifications to ring-fencing rules and the introduction of Basel 3.1 requirements will exert influence. For instance, certain divisions within banking groups may be perceived as overly capital-intensive and thus be sold, while other sectors might emerge as comparatively more appealing (such as unsecured cards and loans), consequently attracting more risk-weighted assets.

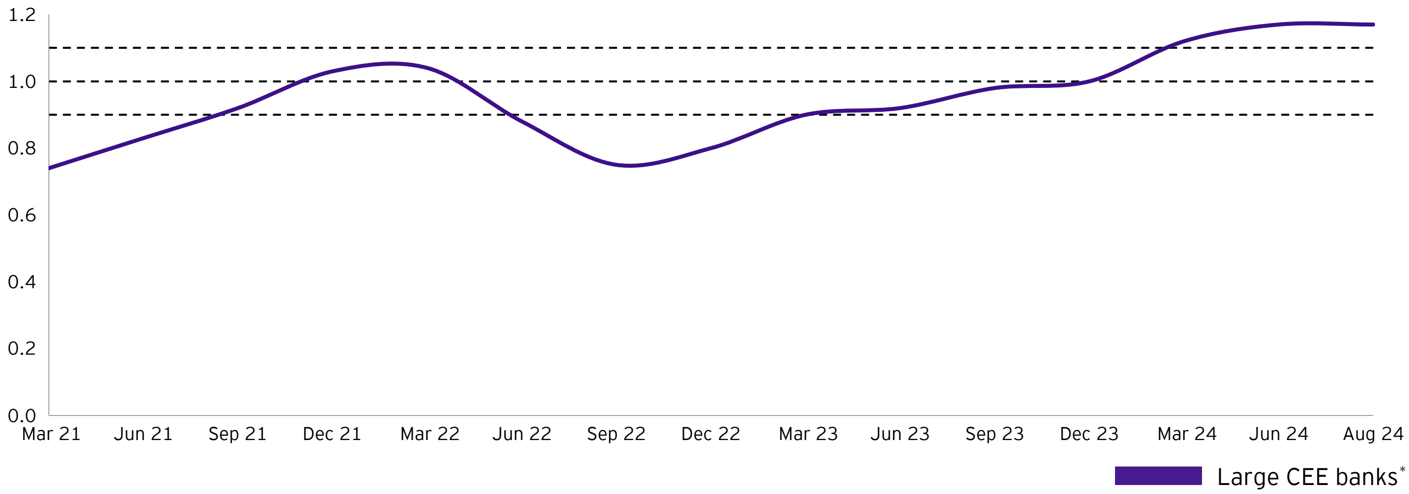
The volume of non-performing loan transactions is set to rise

- Banks are expected to escalate the sale of non-performing loan portfolios to specialized investors. This trend is anticipated to become especially marked in the event of a rise in loan defaults or if the economic outlook appears to deteriorate.

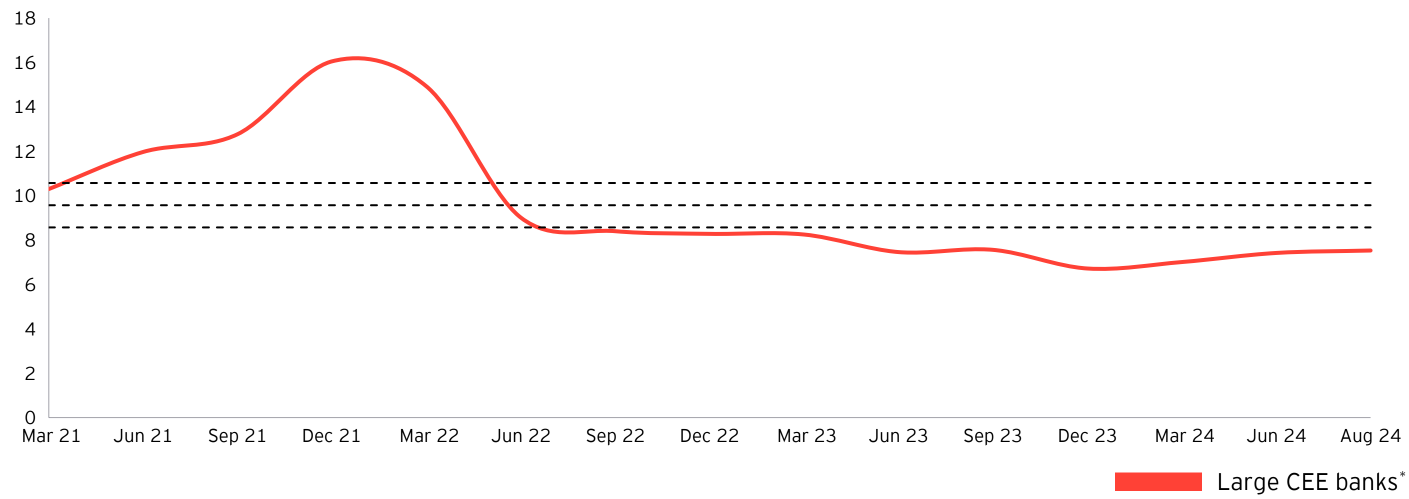
Impact of geopolitics

- Looking forward, geopolitical risks are expected to continue influencing financial stability in the euro area, with the European Central Bank urging Eurozone banks to hasten their withdrawal from Russia in anticipation of US sanctions. Trade tensions and regional conflicts are likely to persist, potentially unsettling global markets and impacting the euro area through disrupted trade and oil price volatility. EU financial leaders will need to remain vigilant and adaptable, incorporating these geopolitical factors into their strategic planning to safeguard institutional resilience.

Average price-to-book value (P/BV) ratio



Average price-to-earnings (P/E) ratio



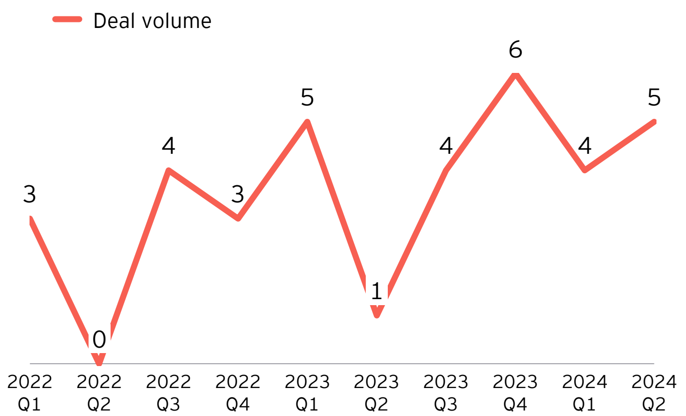
*We analyzed the following large CEE banks: PKO Bank Polski S.A., Bank Pekao S.A., Santander Bank Polska S.A., OTP Bank Nyrt., Eurobank Ergasias S.A., Piraeus Financial Holdings S.A., National Bank of Greece S.A., Alpha Services and Holdings S.A., Československá obchodní banka, a.s. (ČSOB), Česká spořitelna, a.s., Komerční banka, a.s., and Banca Transilvania S.A.

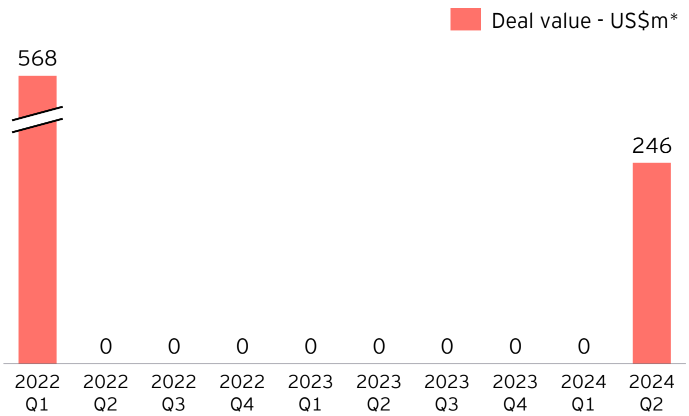
Source: Capital IQ Pro

Insurance

Insurance deal activity

50% increase in H1'24 deal volumes in comparison to H1'23





Sources: Capital IQ Pro, LSEG and Mergermarket data

M&A overview for 2024

M&A deal activity within the insurance sector of the CEE region in the first quarter of 2024 (Q1'24) experienced a slight decrease in deal volume, following the surge that culminated in the fourth quarter of 2023 (Q4'23). However, the upward trend resumed in the second quarter of 2024 (Q2'24), with deal volume increasing to five, largely driven by the insurance distribution sector. In Q2'24, the insurance sector of the CEE region not only saw an increase in the number of deals but also witnessed a rise in disclosed deal values, indicating an upward trend in the market.

Notable deals include:

1. Hellenic Bank public company LTD purchased CNP Cyprus Insurance in a deal worth US$195m. The deal will see Hellenic Bank having a leading position within the Cyprus insurance market.
2. Intracom Holdings S.A., a Greece-based conglomerate active in various industries such as real estate and technology, purchased Europe Asfalistiki (Europa Insurance Company S.A.), a Greece-based insurance company focusing primarily on the property sector, in a deal worth US$50m.
3. Corsair Capital LLC, a PE firm based in the United States secured a majority interest in MJM Holdings Sp. z o.o., a Polish insurance brokerage, for an undisclosed sum.

*Refers to deals for which the transaction values have been disclosed. Information about value was disclosed for 30%-50% of deals depending on year.

Top transactions by disclosed deal value in 2023 and H1'24

1 US$195m

Target: Cyprus Insurance Holdings Limited

Acquirer: Hellenic Bank plc

Announcement date: April 2024

Cyprus

2 US$50m

Target: Europa Insurance Company S.A.

Acquirer: Intracom Holdings SA

Announcement date: May 2024

Greece

3 Undisclosed value

Target: MJM Holdings Sp. z o.o.

Acquirer: Corsair Capital

Announcement date: January 2024

Poland

4 Undisclosed value

Target: Triton Marine S.A.

Acquirer: Howden Hellas SA

Announcement date: October 2023

Greece

5 Undisclosed value

Target: STEIN Bestasig Insurance Broker Srl

Acquirer: PIB Group LTD

Announcement date: April 2024

Romania

6 Undisclosed value

Target: AlphaLife Insurance Company

Acquirer: UniCredit SpA

Announcement date: October 2023

Greece

7 Undisclosed value

Target: SDI Group OOD

Acquirer: Acrisure LLC

Announcement date: August 2023

Bulgaria

8 Undisclosed value

Target: EINS Polska Sp. z o.o.

Acquirer: Acrisure LLC

Announcement date: October 2023

Poland

9 Undisclosed value

Target: Equinum Broker Sp. z o.o.

Acquirer: PIB Group LTD

Announcement date: April 2024

Poland

10 Undisclosed value

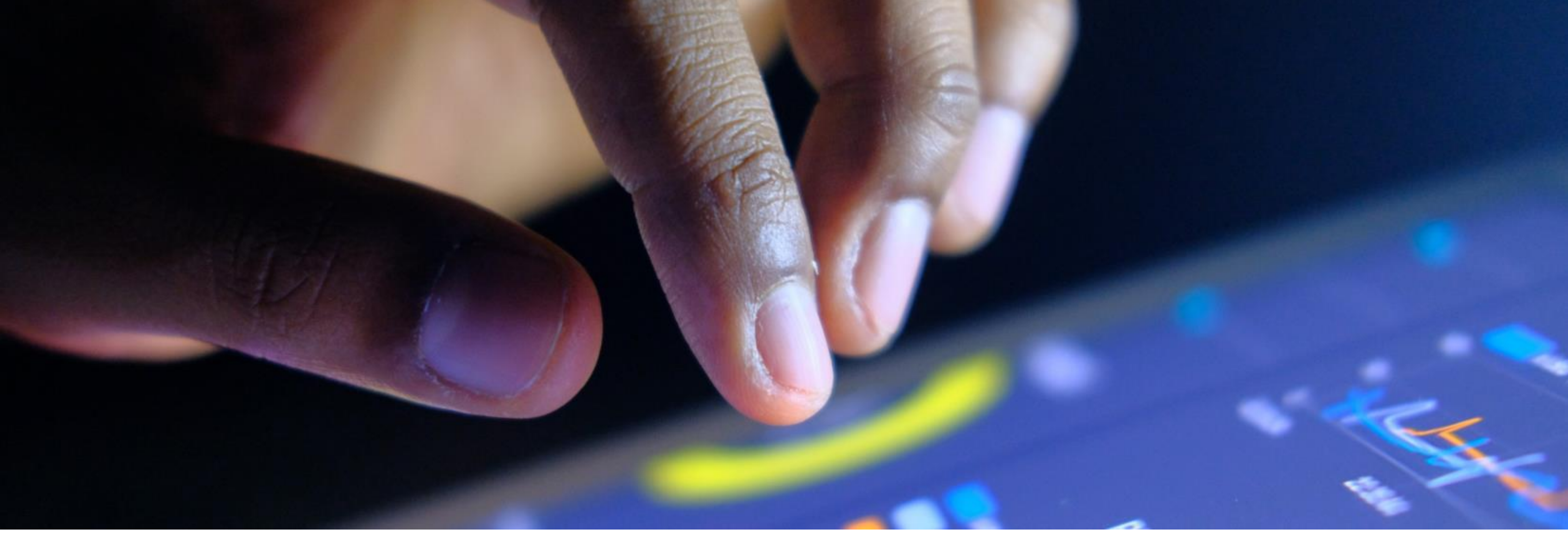
Target: Euro Posredovanje doo

Acquirer: Unilink Group/Acrisure LLC

Announcement date: December 2023

Croatia

Sources: Capital IQ Pro, LSEG and Mergermarket data



Transaction themes for 2025 - insurance

We anticipate that acquisitions will be propelled by advancements in technology, alongside trends within the Brokerage and Managing General Agent subsectors.

Anticipate ongoing consolidation within the insurance brokerage sector

- The insurance broking sector is expected to continue consolidating due to strong and stable margins, fragmented markets in certain regions, and strategies aimed at international expansion and platform development. Attractive valuations and diverse integration strategies will sustain the selling momentum.
- In the more mature insurance broking markets of the CEE region, such as Poland, we expect further consolidation driven by PE-backed consolidators and international brokers pursuing inorganic growth. An illustrative example from Q1'24 is the acquisition of the Polish MJM insurance broker by the US-based PE firm Corsair Capital.
- Three main strategies are expected to guide future deals in these mature insurance brokerage markets:
  - Routine small acquisitions at lower earnings multiples, generating sufficient deal volume to yield significant returns for a larger acquirer, which would then be sold at a higher platform-business multiple.
  - Acquisitions focused on the benefits of integration, including cost synergies and operational and technological enhancements, although these benefits may take time to materialize. Demand for services in these areas is expected to rise.
  - Consolidators developing and expanding international platforms through acquisitions.

Managing General Agents (MGAs) growing significance

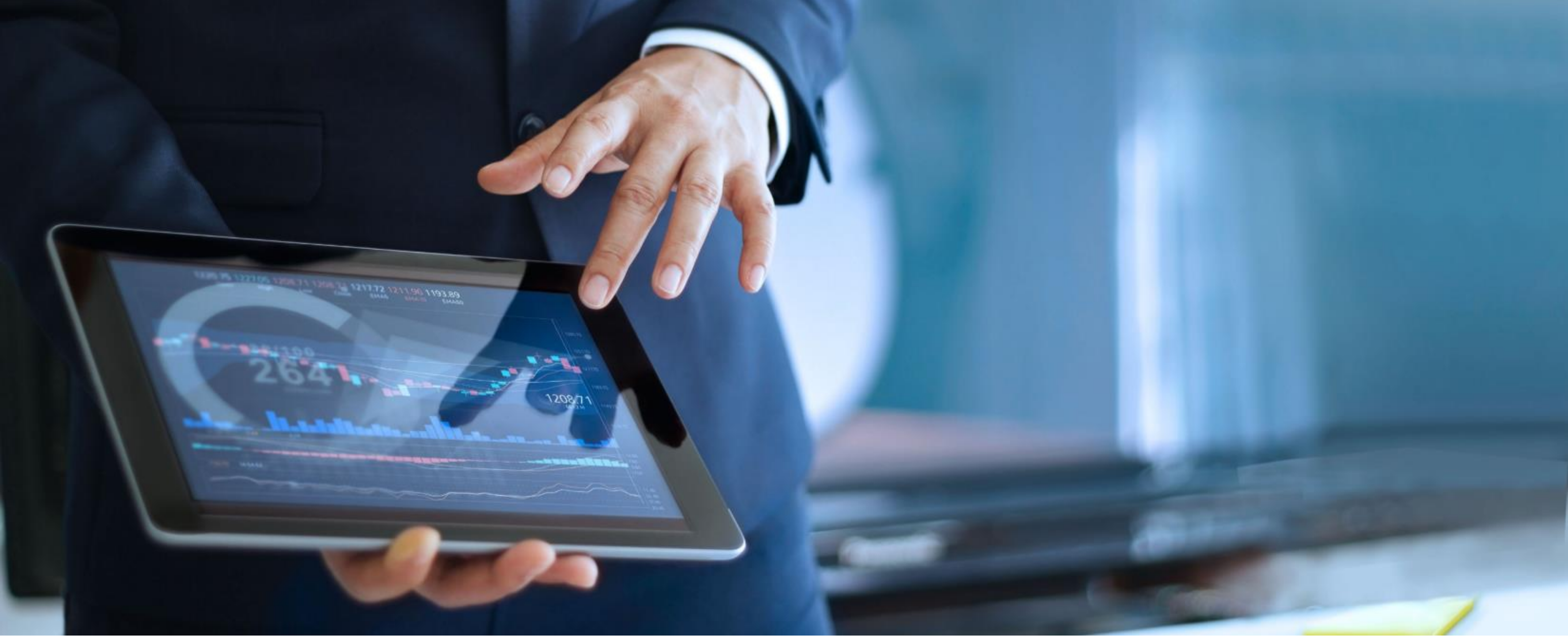
- The MGA model is gaining notable traction across the CEE insurance market. MGAs are making their mark by offering greater operational freedom in a traditionally highly-regulated industry. This rise is set to have an impact on M&A transactions, as it presents new opportunities for consolidation and strategic partnerships within the sector.

Innovation will remain a driving force behind strategic acquisitions

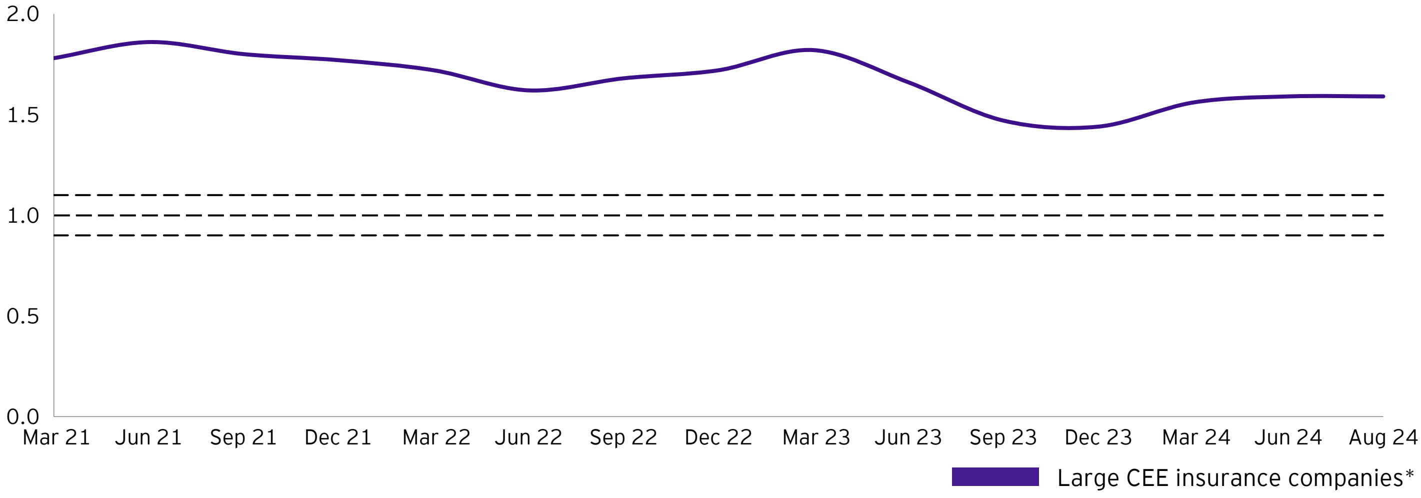
- Technology innovation will persist as a key driver of strategic acquisitions, with deal activity being fueled by the transition to cloud computing and the strategic procurement of Insurance Technology (InsurTech) companies. These acquisitions are viewed as essential for achieving growth, enhancing operational efficiency, and meeting the escalating expectations of customers and regulators.

Transaction activity in life and non-life insurance

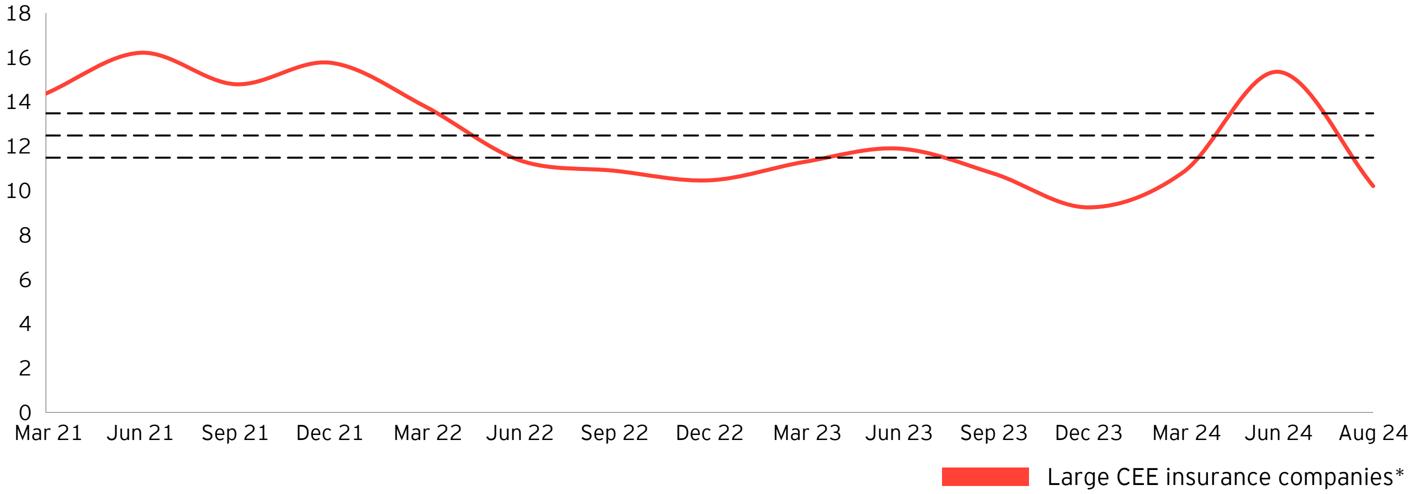
- The CEE region might also be influenced by broader market trends including life insurance transactions due to cost inflation and better investment yields causing owners to reconsider holding legacy businesses. Concurrently, non-life insurance will likely see continued divestitures and consolidation, propelled by inflationary costs and a shift towards modernization.



Average price-to-book value (P/BV) ratio



Average price-to-earnings (P/E) ratio



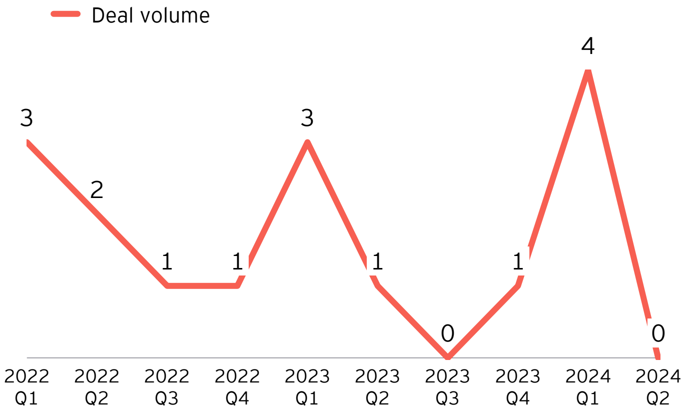
*We analyzed the following large CEE insurance companies: PZU S.A., Allianz - Slovenská poisťovňa a.s., Zavarovalnica Triglav d.d., Croatia Osiguranje d.d., Dunav Osiguranje a.d.o., CIG Pannónia Életbiztosító Nyrt., and MAPFRE Middlesea p.l.c.

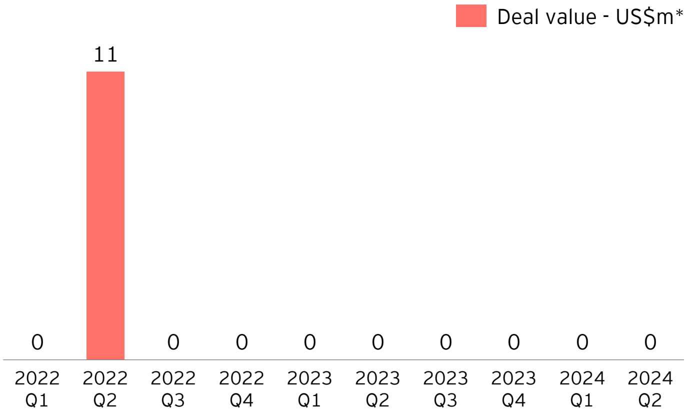
Source: Capital IQ Pro

Wealth and asset management

Wealth and asset management deal activity

0%	change in H1'24 deal volumes in comparison to H1'23





Sources: Capital IQ Pro, LSEG and Mergermarket data

M&A overview for 2024

M&A deal activity in the wealth and asset management sector within the CEE region saw an increase in Q1'24, rising from one deal in Q4'23 to four deals. However, there was a notable pause in momentum with no deal announced in Q2'24.

In H1'24, the wealth and asset management sector in CEE faced a challenging landscape, with four deals recorded but no disclosed deal value, marking a lag behind the insurance, banking, and capital markets sectors in both deal volume and value.

This is compounded by high interest rates, inflation, and shifting ESG regulations. The emergence of GenAI is leading wealth and asset management firms to significantly revamp their operations for better efficiency and client services.

Heading into H2'24, there is a sense of cautious optimism with the anticipation of declining interest rates, which could help catalyse growth.

Wealth and asset management firms are well-placed to adopt GenAI innovations, which promise to reshape investment strategies and client engagement.

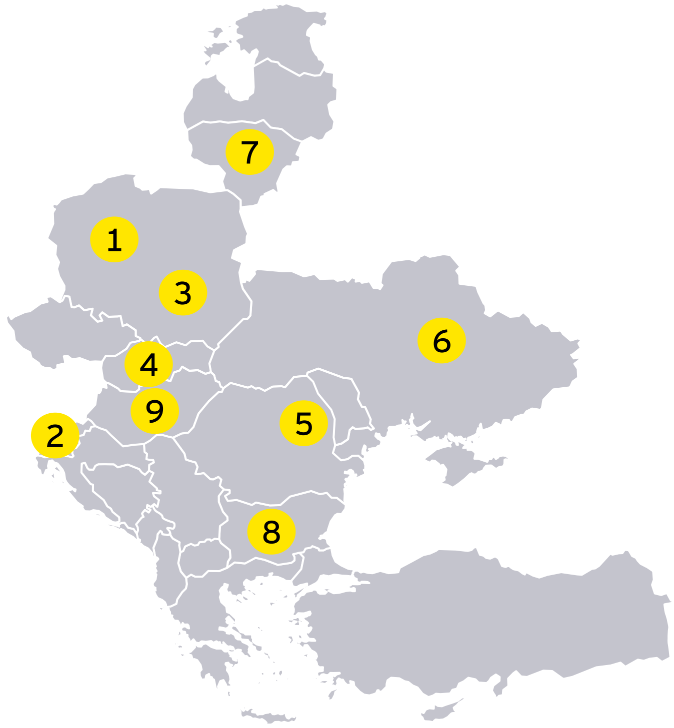
To navigate the evolving financial scene of 2024 and ensure sustainable AUM growth, wealth and asset management firms must focus on financial literacy, technological adoption, and attracting the right talent.

Notable transactions include:

1. Finax, a Slovak robo-advisor with operations in Poland acquired EFTmatic, the investment division of Belgian-Polish Aion Bank.
2. BT Financial Group, via Banca Transilvania and BT Investments, acquired BRD Pensions, a Romanian private pensions manager operating in both mandatory (Pillar II) and voluntary (Pillar III) sectors, from BRD-Groupe Societe Generale and Societe Generale Assurances.

*Refers to deals for which the transaction values have been disclosed. Information about value was disclosed for 30%-50% of deals depending on year.

Top transactions by disclosed deal value in 2023 and H1'24



1 Undisclosed value

Target	Acquirer: Agencja Rozwoju Przemyslu SA
TFI Energia SA	Announcement date: March 2023

Poland

2 Undisclosed value

Target	Acquirer: Elektroncek Group
PRIMORSKI SKLADI d.o.o	Announcement date: June 2023

Slovenia

3 Undisclosed value

Target	Acquirer: iWealth Management Sp. z o.o.
F-Trust SA	Announcement date: October 2023

Poland

4 Undisclosed value

Target	Acquirer: Finax AS
EFT Matic	Announcement date: January 2024

Belgium

5 Undisclosed value

Target	Acquirer: Banca Transilvania SA
BT Pensii SAFPF SA	Announcement date: February 2024

Romania

6 Undisclosed value

Target	Acquirer: Fingroup Factor LLC
ZNKIF Kaskad-Invest PAT	Announcement date: February 2024

Ukraine

7 Undisclosed value

Target	Acquirer: INVL Asset Management
Mundus Asset Management	Announcement date: INVL Asset Management

Lithuania

8 Undisclosed value

Target	Acquirer: Paynetics AD
Novus Asset Management	Announcement date: March 2024

United Kingdom

9 Undisclosed value

Target	Acquirer: Granit Bank
Diofa Alapkezelo Zrt	Announcement date: January 2023

Hungary

Sources: Capital IQ Pro, LSEG and Mergermarket data

Transactions themes for 2025 - wealth and asset management

We anticipate several key trends to propel ongoing M&A in 2025 within the sector, facilitating participants to achieve various strategic goals. These trends include enhancing technological capabilities, expanding into alternative asset classes, and achieving greater scale to capitalize on synergies.

Expansion of products and capabilities to drive transactions

- The focus on alternative assets will remain prominent as asset managers broaden their product offerings in sectors such as private credit, infrastructure, real estate and PE. This is in response to the higher profit margins and growing investor interest in these alternative sectors. We expect interest in acquisitions of alternative assets coming from large traditional managers in search of higher-yielding products. We also expect interest from alternative managers aiming to augment capabilities in areas like private credit and infrastructure.

Cost synergies and technological advancements to fuel consolidation

- In the wealth and asset management sector, smaller entities will increasingly struggle to maintain cost-intensive models and operate efficiently amidst rising regulatory costs and demands, prompting consolidation. The need for technological innovation and transformation will also drive this trend.

  Technology-led acquisitions will continue across all sectors, with a growing emphasis on technological prowess and transformation. There will be sustained interest in FinTech targets, either through outright purchases or by acquiring equity stakes and establishing strategic partnerships, as well as in accessing enhanced data management technology and operational improvements.

PE involvement to persist

- The wealth management and asset servicing domains will continue to see active PE engagement, with PE deal-making in the sector expected to rise in 2024. This will likely be fueled by ongoing roll-up strategies in the wealth management and asset servicing sectors, and the successful multiple arbitrage achieved by larger, consolidated entities. These can command higher earnings multiples due to their enhanced growth prospects and economies of scale.

European Financial Services Strategy and Transactions team overview

The EY Strategy and Transactions (SaT) Financial Services team assists clients in managing complexity by guiding them through the process of transforming their networks, optimizing their asset mix, and evolving to meet future challenges.

The SaT Financial Services team brings together strategy services in EY-Parthenon with teams experienced in Transactions and Corporate Finance.

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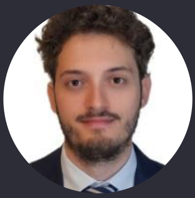

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Sources: Capital IQ Pro, LSEG and Mergermarket data

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EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

What makes EY distinctive in financial services Over 84,000 EY professionals are dedicated to financial services, serving the banking and capital markets, insurance, and wealth and asset management sectors. We share a single focus — to build a better financial services industry, one that is stronger, fairer and more sustainable.