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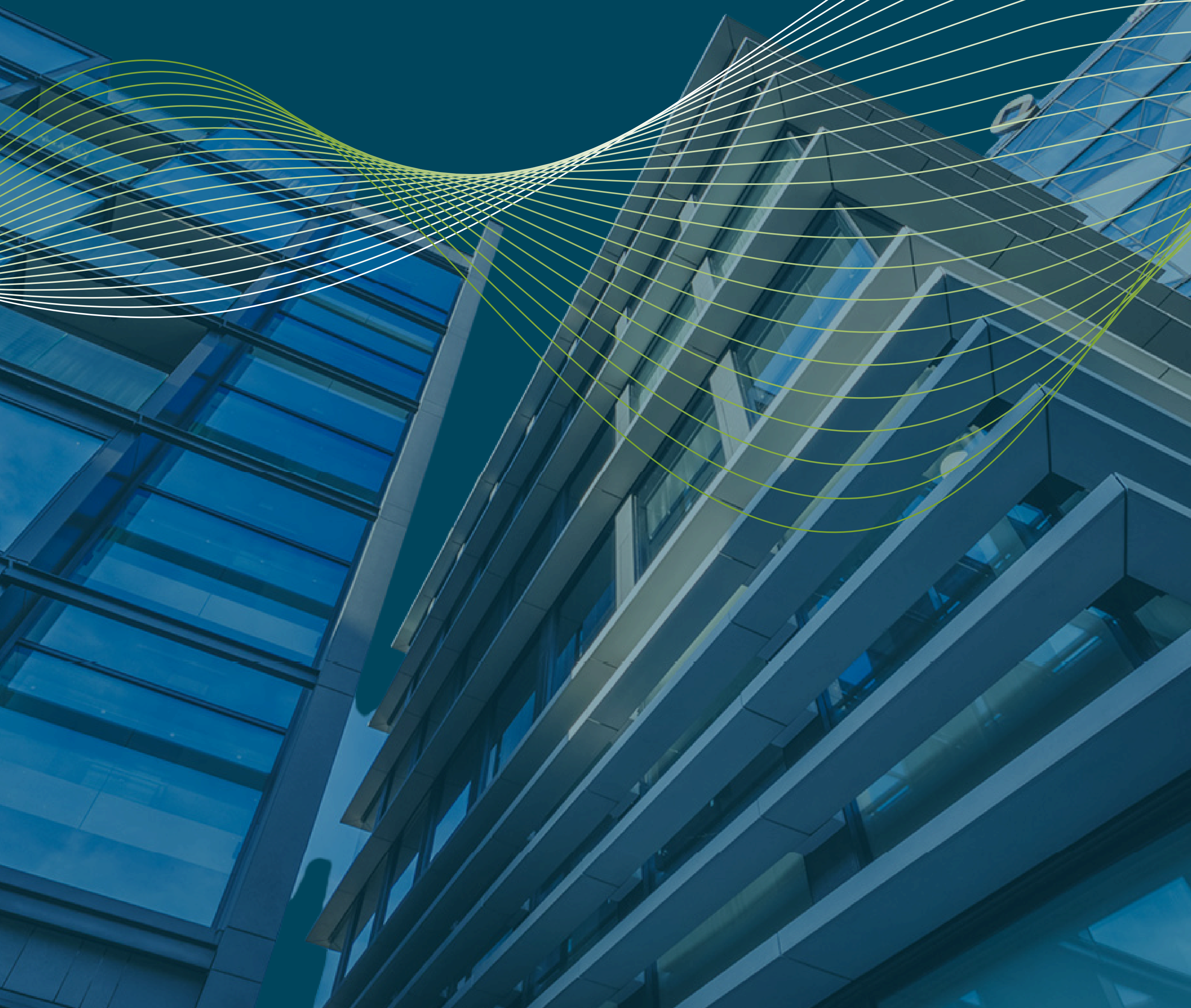
Lifting barriers to bank consolidation in Europe

September 2026



Contents

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Foreword

Europe's banking sector is stronger and more resilient than it was a decade ago. Yet despite the progress made through the Single Market and Banking Union, European banking remains highly fragmented. Banks continue to operate primarily within national markets, with limited cross-border activity and relatively little consolidation at the European level.

This fragmentation comes at a cost. It prevents banks from fully realising the benefits of a market of more than 450 million consumers and 33 million businesses and limits their ability to achieve the scale needed to invest in technology, digitalisation, artificial intelligence and innovation. In a banking environment where scale increasingly underpins the ability to deploy capital, support capital markets activity and invest in future capabilities, a more integrated European banking market would help ensure that banks can compete effectively in global financial markets.

The report finds that there remains considerable scope for further consolidation without creating material competition concerns. Banking market concentration across most EU Member States remains low to moderate, while concentration at the Banking Union level is exceptionally low.

The report identifies both the economic rationale for further consolidation and the barriers that continue to impede it. It argues that if Europe is serious about strengthening its competitiveness, financing future investment needs and building a more integrated financial system, policymakers must address the regulatory, supervisory and political obstacles that continue to fragment the banking market.

The objective is not consolidation for its own sake, but a banking sector capable of operating at the scale of the European economy, strengthening the financing capacity of businesses and households, and supporting Europe's long-term growth ambitions.

Executive Summary

This report examines the economic rationale for further consolidation in the European banking sector and identifies the barriers and policy reforms required to support a more integrated and competitive EU banking landscape.

European banking remains fragmented despite the existence of the Single Market and more than a decade of Banking Union. Cross-border banking activity remains limited, cross-border mergers remain rare, and banks continue to operate primarily at the scale of their domestic markets rather than that of the European economy. As a result, households and businesses are deprived of the full benefits that a more integrated and competitive European banking market could deliver, while the banking sector is not fully seizing the benefits of a market of more than 450 million consumers and 33 million enterprises.

This matters because scale has become increasingly important in global banking. The ability to invest in technology and artificial intelligence, serve European households and businesses, and support capital markets activity is closely linked to scale. European banks continue to compete alongside US institutions that benefit from operating within a fully integrated domestic market and have consequently achieved significantly greater scale in the European market.

Against this backdrop, the debate around banking consolidation has become increasingly prominent among policymakers, supervisors and industry participants. The recent European Commission communication on banking competitiveness offers renewed momentum to this debate by highlighting the importance of integration and scale to facilitate the development of a more competitive European banking sector that can more effectively support the needs of the European economy.

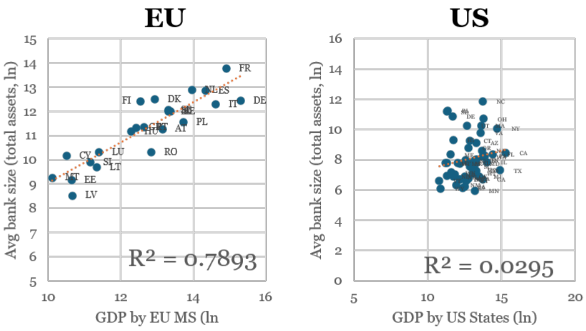
This report seeks to contribute to the ongoing policy discussion by identifying three principal economic drivers that support the need for further banking consolidation in Europe. These include:

1. The need to realise the benefits of the Single Market. European banks remain overwhelmingly domestic, with limited cross-border lending, deposit-taking and customer servicing. Banking market fragmentation prevents firms from fully exploiting the scale of the European economy. European banks largely grow in line with the size of their home markets, achieving scale domestically but failing to grow across borders within the EU. This contrasts with the US, where bank size is unrelated to the economic size of the bank's home State (see chart below). US banks are also able to leverage their large national market to grow cross-border and compete more effectively abroad.

2. Reducing costs for clients by making use of a larger scale. Technology, cybersecurity, AI investments and regulatory compliance increasingly favour institutions capable of spreading these costs across a broader customer base. Additionally, notwithstanding recent progress, Europe continues to maintain dense banking infrastructures and fragmented market structures that increase operating costs, compress profitability and dilute returns. Scale also allows access to a broader funding market that reduces funding costs and improves risk management.

3. Revenue synergies through broader customer access and product choice. A larger scale allows banks to offer their customers a wider range of products, services, and distribution channels. This can improve consumer choice, expand access to specialised financial services and allow customers to benefit from products that may not be commercially viable for banks of smaller scale. Scale is particularly important for capital markets activities, as many products require infrastructure, balance sheet capacity and specialised expertise to achieve commercial viability and compete effectively.

Average bank size and GDP by Member State (EU) and by State (US)



Source: EBA and US FED

It is inevitable to address competition concerns in a report on banking consolidation. The report identifies that there remains significant scope for consolidation without creating material competition concerns at the European level. Market concentration across the vast majority of EU member states banking systems remains low to moderate, while concentration at Banking Union level is extremely low when measured using the traditional Herfindahl-Hirschman Index, as cross-border activity remains low to negligible in many Member States.

Another commonly cited concern regarding greater scale is the potential increase in systemic risk of institutions that are perceived as too big to fail (TBTF). However, it must be recognised that the European regulatory framework now includes extensive safeguards and tools to address the risks associated with larger banks, including strengthened prudential, supervisory, and resolution requirements. Furthermore, smaller institutions are not inherently more resilient, as evidenced by the failure of a number of regional banks in the United States in 2023 (v.gr. Silicon Valley Bank) and as smaller institutions tend to have greater earnings volatility as shown in Section 1 of this report.

This report also contributes by identifying a number of barriers that currently prevent the emergence of a more integrated and consolidated European banking market and offers a set of policy recommendations to remove these obstacles and facilitate consolidation where it enhances resilience and competitiveness. Among the barriers identified include:

National Member State interference. National and regional governments have continued to intervene in deal processes by imposing additional conditions, withholding approvals or creating political uncertainty, increasing execution costs and delaying or preventing otherwise viable transactions. The Commission should use its Treaty enforcement powers more proactively and on a timely basis once transactions have been approved under EU merger control and prudential rules, so that national considerations cannot de facto block Single Market consolidation. We acknowledge the Commission's intention to make more proactive use of its Treaty enforcement powers, but we emphasise the need that this is undertaken on a timely and effective basis.

National foreign direct investment (FDI) regimes are emerging as an additional source of fragmentation. These regimes are increasingly being applied to banking transactions, creating an additional layer of national review alongside EU merger control and ECB prudential supervision. Stronger EU-level coordination and closer alignment with merger control and prudential frameworks are needed to avoid duplicative assessments and reduce execution uncertainty.

Competition assessments fail to consider the broader single market benefits of consolidation. Merger reviews continue to focus primarily on national market dynamics and local concentration effects, overlooking integration gains, scale efficiencies, resilience, innovation and EU-wide competitiveness objectives. Greater cooperation among antitrust authorities and more convergent methodologies for market definition and merger assessment would improve consistency and predictability.

Unharmonised and onerous supervisory processes. New and overlapping EU-level frameworks risk adding complexity rather than simplifying existing national approaches. Prudential assessments of significant M&A transactions should focus on the incremental risks directly arising from the transaction, avoiding duplicative reporting or reopening matters already covered through ongoing supervision.

Unclear and open-ended procedures can de facto block M&A. Broad discretion over forms, sequencing, documentation and information requests can extend approval processes and increase execution risk. A clearer and more prescriptive procedural framework is needed, including fixed timelines, sunset clauses and mechanisms such as *lex silencio positivo*, supported by a single coordinated prudential assessment led by a designated authority.

Uncertainty about capital management decisions during and after acquisition. Uncertainty around MREL eligibility, internal models, O-SII buffers, stress testing and supervisory approvals increases execution costs and reduces incentives to pursue transactions.

Persistence of regulatory ring-fencing. According to AFME estimates, approximately €225 billion of capital and €250 billion of liquidity remain trapped within subsidiaries, limiting banks' ability to allocate resources efficiently across the Banking Union and weakening the business case for cross-border expansion.

Transferability of Deposit Guarantee Schemes (DGSs) contributions in M&A. Banks that have made substantial ex-ante contributions to national DGSs may not receive full economic credit for those contributions when acquired by a bank from another Member State, as current rules provide only limited transferability. This can increase transaction costs or reduce the value of target banks, while divergent national DGS funding arrangements further complicate cross-border deals.

While these barriers are significant, enabling consolidation requires a holistic and ambitious policy response.

No single reform will be sufficient. While completing the Banking Union remains essential, policymakers must simultaneously address the broader challenges of the banking ecosystem as this is ultimately the factor that drives banks' appetite to undertake business in the EU. Capital complexity alongside regulatory and supervisory fragmentation continues to weigh on the attractiveness of expanding banking activities across borders.

This conclusion is consistent with the European Commission's recent work on banking competitiveness, which highlights the cumulative effect of regulatory complexity on European banks' ability to compete globally. Addressing one obstacle while leaving others untouched will not deliver meaningful change.

Stronger and more profitable banks are not an objective in themselves but a means of supporting broader European policy goals. More competitive banks are better positioned to finance businesses, households and strategic investments, including the energy transition, defence, digitalisation and infrastructure. Greater profitability also supports higher lending capacity, stronger resilience, increased tax contributions and greater investment in innovation and customer services.

This report does not suggest the outright replacement of smaller banks. A resilient and competitive European banking system depends on a diverse mix of institutions, including regional, national, and pan-European players. However, while Europe has no shortage of smaller banks, it continues to lack sufficient scale and cross-border integration among its largest institutions. The aim should therefore be to complement, rather than replace, the existing banking landscape.

A more integrated, efficient and competitive banking sector would strengthen the financing capacity of the European economy, support the Savings and Investments Union, deepen capital markets and enhance Europe's global competitiveness. The objective should therefore not be consolidation for its own sake, but the creation of a banking system capable of operating at the scale of the European market and supporting Europe's real economy and long-term growth ambitions.

1. Industrial logic for consolidation in European banking

Banks are the cornerstone of the European economy, providing the vast majority of credit to households and business, while playing a central role in financing economic growth and investment. However, EU barriers to consolidation prevent banks from fully realising their capacity to support growth, seizing the benefits of operating in the single market, and compete effectively with larger international peers.

There is a need for consolidation in the EU banking system. European banking integration remains limited, with the absence of cross-border M&A well illustrating the lack of effective single-market financial integration.

In this report we have identified three main factors driving the industrial logic for EU banking consolidation. First, notwithstanding the lack of a completed Banking Union[1], the EU's large single market and sizeable consumer base offers significant growth opportunities for European banks with a 450 million diversified client base and a potentially scalable infrastructure beyond national domestic markets.

Second, rising fixed costs and investment needs for banks (higher IT spend, digitalisation, and regulatory compliance requirements) are increasing the importance of scale, as scale allows institutions to spread these costs and remain competitive over time. Only with larger scale these costs can be effectively spread across a larger customer base, allowing banks to achieve efficiencies that ultimately benefit consumers and businesses through more competitive pricing, greater investment capacity and innovation, supporting competitiveness over time. Furthermore, measures of retail productivity and branch efficiency in the EU continue to lag behind those observed in other large banking markets, suggesting some degree of banking overcapacity and the need to streamline duplicative distribution networks across the EU.

Finally, larger scale allows banks to improve their customer offering by providing a wider range of products and enhancing customer choice, service quality and access to specialised financial solutions. Capital markets activities are particularly sensitive to scale effects, where balance sheet size and the capacity to warehouse risks are closely linked with European investment banking market share, placing larger institutions in a stronger position to compete in European and global capital markets.

The implicit premise of a merger is that the combined institution will perform better than its constituent entities operating separately. In other words, the rationale for consolidation rests on the existence of cost and revenue synergies that can be realised through integration and that enhance the value of the merged bank and its contribution to the wider economy.

Following the announcement of an acquisition, the acquiring bank typically discloses the expected cost and revenue synergies associated with the transaction[2]. For publicly listed firms, such announcements are reflected in share price performance, with investors rewarding transactions that are expected to create value. This market reaction implicitly reflects the view that the economic value generated by combining two banking franchises exceeds the value that each institution could create on a standalone basis (Feldman and Hernandez, 2021).

Factor 1: A fragmented market with limited cross-border servicing

European banks appear to make effective use of economies of scale primarily at the national level, with little evidence of making use of wider economies of scale at the euro-area level. The EU's large consumer base offers significant scope for scale, but an unfinished Banking Union and limited cross-border retail and SME servicing continue to constrain banks' ability to consolidate and operate efficiently across borders.

Banking remains as a primarily national domestic activity with limited cross-border servicing despite the existence of a single market. As shown in graphs 1.1 and 1.2, cross-border deposits account for only 3.4% of euro area deposits while cross-border lending stands at 5.4% of total lending. By countries, cross-border activity is less than 5% of total deposits and cross-border loans for less than 10% of total lending for the large majority of Member States. Luxembourg stands out as an exception, exhibiting higher levels of cross-border activity due to its large fund and wealth management industry, and the substantial presence of foreign corporates and non-resident clients.

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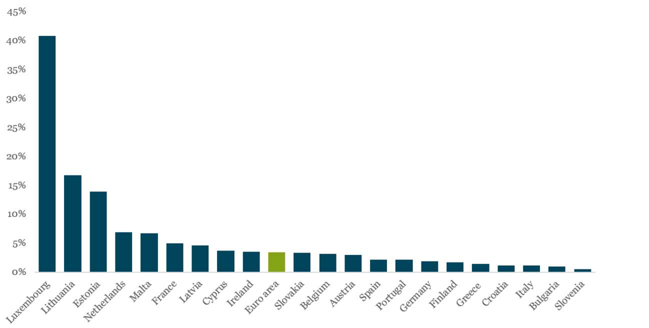
[1] An incomplete Banking Union, however, forces banks seeking to expand within the EU to replicate business models and operational infrastructures across Member States. This limits the capacity to realise economies of scale and constrains the efficient allocation of capital and liquidity across borders. The AFME Banking Union report (here) estimates economies of scale in the European banking sector, reaching a tipping point until EUR 451bn in assets. In other banking centres, studies have also found evidence of economies of scale in the Banking sector. See for example FDIC (2020), Clavijo (2000), or Ferrufino (1991).

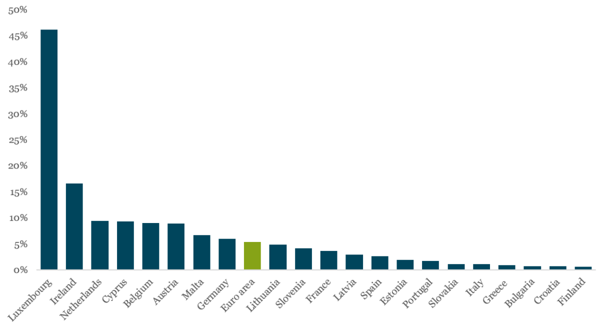
[2] For selected recent and proposed acquisitions, cost synergies represent c70% of total synergies. This includes, for example, Caixabank and Bankia with EUR 770mm in annual cost synergies and EUR 290mm in annual revenue synergies (here); Intesa-UBI with EUR 700mm cost synergies and 300mm in revenue synergies (here). For BBVA-Sabadell, UniCredit-Commerzbank, and UBS-CS, a net synergies figure was disclosed of EUR 900MM per year, EUR 1.2bn per year, and USD 8bn per year respectively. For UBS-CS it was disclosed the likelihood of revenue dis-synergies due to potential client and product overlap.

1.1 Share of cross-border deposits in the euro area (December 2025)



Source: *ECB. Share of deposits held by households and non-financial corporations resident in other euro area countries.*

1.2 Share of cross-border loans in the euro area (December 2025)



Source: *ECB. Share of loans granted by MFIs to households and non-financial corporations resident in other euro area countries*

The fragmented nature of EU banking markets is further illustrated in Chart 1.3, which compares the loan market share of the five largest banks across Banking Union Member States, the euro area as a whole, and the United States. At the euro area level, the five largest banking groups account for only around 20% of outstanding bank lending, compared with approximately 36% in the United States. This disparity reflects the fact that European banks continue to operate predominantly within national markets, with the largest institutions generally deriving most of their market share from their home jurisdictions rather than from a truly integrated EU banking market. By contrast, US banks compete and grow within a single integrated market, allowing them to achieve scale across a much larger customer supporting the growth of banks with the scale and balance sheet capacity to compete globally.

1.3 Loan market share of top 5 banks in euro area MS, Euro area aggregate, and USA

Country	% top 5 banks	% top 1	% top 2	% top 3	% top 4	% top 5
Greece	100%	29%	24%	22%	21%	4%
Slovakia	95%	28%	21%	20%	19%	6%
Bulgaria	87%	23%	22%	21%	12%	10%
Malta	84%	46%	15%	15%	4%	4%
Croatia	83%	24%	23%	21%	10%	5%
Estonia	74%	30%	20%	13%	7%	4%
Slovenia	74%	28%	22%	10%	9%	5%
Portugal	73%	19%	17%	15%	14%	8%
Cyprus	72%	40%	19%	6%	4%	2%
Belgium	69%	21%	18%	14%	13%	3%
Latvia	67%	24%	18%	13%	9%	3%
Finland	66%	29%	17%	10%	7%	3%
Spain	64%	22%	16%	14%	7%	5%
Netherlands	61%	22%	14%	13%	7%	5%
France	53%	17%	15%	8%	8%	5%
Italy	51%	20%	11%	7%	7%	6%
Lithuania	49%	17%	14%	9%	8%	1%
Austria	38%	19%	10%	4%	3%	2%
Germany	36%	18%	5%	5%	4%	3%
Ireland	28%	12%	11%	4%	1%	1%
Luxembourg	27%	9%	5%	5%	5%	2%
USA	36%	11%	9%	7%	6%	3%
Euro area	20%	5%	5%	5%	3%	2%

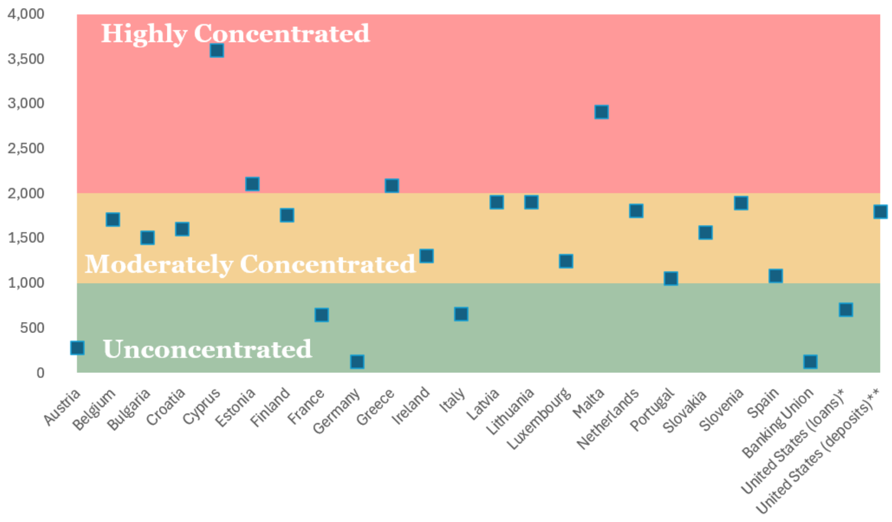
Source: ECB, Bank Pillar 3 reports, US FED FRED, American Banker. The table reports country level concentration in bank credit, defined as country-specific on-balance sheet credit exposures relative to outstanding lending in each country, as disclosed in banks Pillar 3 reports (EU CQ4 template). USA data based on outstanding gross loans and leases.

An inevitable question when discussing banking consolidation is whether it could lead to excessive market concentration and reduced competition. However, we observe that concentration levels across EU banking markets remain low to moderate, indicating that there is considerable scope for further consolidation without materially increasing competition concerns.

To assess concentration levels more formally, we examine the Herfindahl–Hirschman Index (HHI) for total credit as estimated by the ECB[3]. Overall, we observe low to moderate levels of concentration across the vast majority of euro area banking markets, as concentration concerns are largely confined to a small number of smaller banking markets and are not a prominent feature of the euro area's banking landscape as a whole. As shown in chart 1.4, Cyprus and Malta exhibit relatively high concentration levels, and Estonia and Greece also score above the euro area average, while the largest banking systems (i.e. Germany, France, and Italy) remain within significantly low concentration ranges.

The picture is even more evident when the Banking Union is treated as the relevant market definition. Under this broader market definition, concentration levels are very low (124 HHI as shown on chart 1.4), reflecting the large number of banking groups operating across Member States and the limited market share held by any individual institution at the Banking Union level.

1.4 HH concentration index for total credit, euro area and USA (2025)



Source: ECB. The concentration levels are based on the HHI thresholds referenced in the European Commission's Guidelines on the assessment of horizontal mergers. These are more stringent than the traditional US thresholds, which use HHI cut-offs of 1,500 and 2,500.[4]. Banking Union estimated by AFME based on market shares of the largest 79 banks operating in the BU.

This fragmentation has been repeatedly highlighted in multiple policy discussions. As discussed in the Draghi report on European competitiveness, the failure to build a genuine Banking Union prevents EU banks from achieving the scale, profitability, and investment capacity of their US peers, particularly in capital markets activities. Without deeper market integration and cross-border consolidation, European banks remain structurally smaller, less diversified, and more exposed to rising fixed costs, limiting their ability to support growth and innovation across the EU economy.

It is important to highlight, however, that some progress has been made to address some Banking Union constraints that would enable banks to operate at a larger scale. While EDIS, the third pillar of the Banking Union, is still incomplete, recent discussions have focused on strengthening the EU's crisis management framework[5]. Ongoing efforts toward insolvency law harmonisation[6] and capital markets reforms, including the recent simplifications to the Prospectus Regulation through the EU Listing Act, aim to reduce regulatory frictions and facilitate cross-border activity. However, uneven implementation, remaining national legal and operational differences, as well as language barriers in retail banking continue to limit full cross-border integration.

In the current context, even under a partially finalised Banking Union, certainly banking consolidation can contribute to break country barriers and allow banks to access markets outside their national jurisdiction.

Factor 2: Cost synergies. Reducing costs for clients making use of a larger scale.

Scale enables institutions to spread fixed costs more efficiently and invest more effectively in technology and risk management. These factors translate into persistent differences in profitability and cost efficiency across banks.

ECB supervisory data show a clear size-effect in bank performance. As shown in chart 1.5, large banks, on aggregate, tend to deliver higher return on equity (RoE) and lower cost-to-income ratios than small-sized institutions (chart 1.6).

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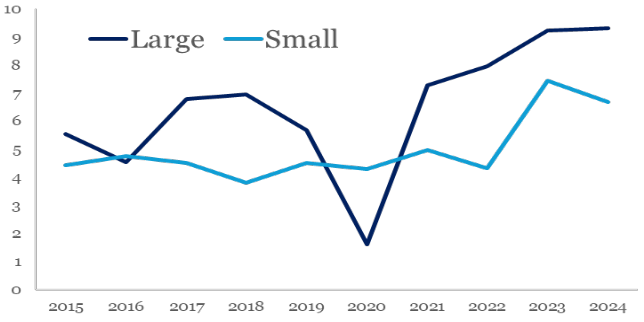
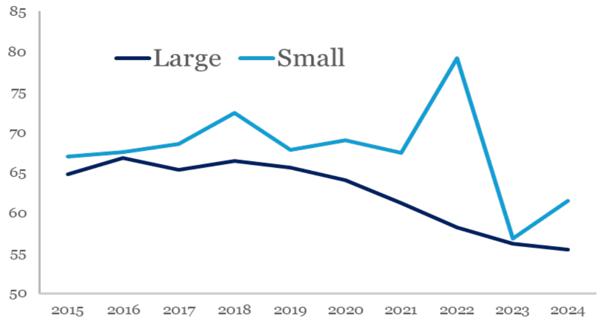
[3] The HHI measures market concentration on a scale from 0 to 10,000, with higher values indicating a greater concentration of lending among a small number of institutions.
[4] See Guidelines on the assessment of horizontal mergers and Horizontal Merger Guidelines
[5] See Timeline - Banking regulation - Consilium
[6] See Council greenlights common EU rules for insolvency proceedings - Consilium

1.5 Return on equity by bank size (%, EU)



Source: ECB. Small domestic banks: CBD2.A.B0.W0.11._Z._Z.S.A.I2003._Z._Z._Z._Z._Z._Z.PC large domestic banks: CBD2.A.U2.W0.11._Z._Z.L.A.I2003._Z._Z._Z._Z._Z._Z.PC

1.6 Cost-to-income by bank size (%, euro area)



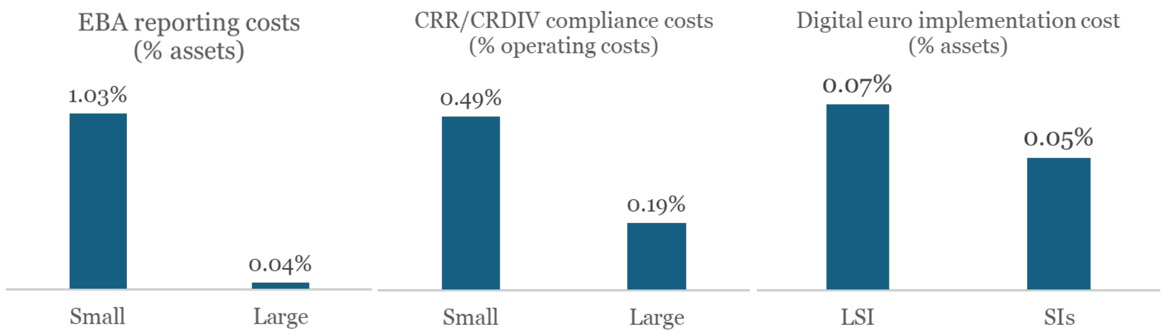
Source: ECB. Small domestic banks: CBD2/CBD2.A.U2.W0.11._Z._Z.S.A.I2100._Z._Z._Z._Z._Z._Z.PC large domestic banks: CBD2/CBD2.A.U2.W0.11._Z._Z.L.A.I2100._Z._Z._Z._Z._Z._Z.PC

The reasons behind the size differentials are multiple. On one hand, the banking industry has seen a sharp rise in fixed costs, particularly technology-related. According to McKinsey, IT costs alone have grown by around 5–10% per year, as banking invests more in technology (as a share of revenues) than any other major industry[7].

An interesting example is the digital euro project, the euro-wide project led by the ECB aimed at providing a central bank digital currency to complement cash and enhance payment efficiency. According to PwC[8], digital euro adoption is expected to deliver a proportionally heavier burden on smaller banks at around 0.07% of total assets for smaller LSIs, compared with 0.05% for SIs. Separately, other rising fixed costs also include cyber-security requirements and AI adoption, resulting in higher upfront investment needs that are harder to absorb for institutions with limited scale.

Compliance costs have also risen structurally. From a regulatory perspective, compliance with Basel III, resolution planning, AML and TF requirements, supervisory reporting, governance, and internal control frameworks add further cost pressure, with limited scope for proportionality in practice. According to the EBA, costs from reporting to the EBA represent a larger burden for smaller institutions, while according to the European Commission, CRR/CRDIV compliance costs are virtually double (relative to operating costs) for smaller entities. See chart 1.7 below.

1.7 Fixed costs by size of banking institution: a disproportionate burden on smaller banks



Source: EBA, PwC, European Commission

Scale may also strengthen banks' capacity to invest in emerging technologies (such as AI) by enhancing their negotiating position with large technology vendors. Since many of these services exhibit significant economies of scale, larger institutions are often able to negotiate substantially lower unit costs than smaller banks, generating efficiencies that would be difficult to achieve on a standalone basis.

It is relevant to note that as institutions grow[9], effective organisation, clear governance structures, and efficient communication become increasingly important to manage increased complexity and avoid inefficiencies that could offset scale advantages.

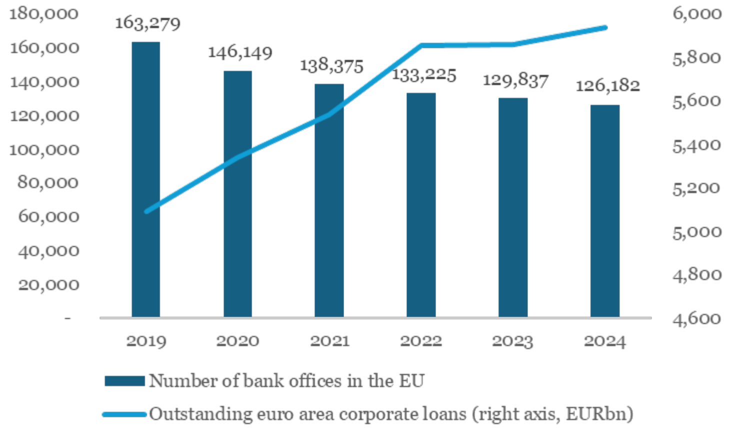
7 See McKinsey https://www.mckinsey.com/capabilities/tech-and-ai/our-insights/tech-forward/managing-bank-it-spending-five-questions-for-tech-leaders
8 Se PwC https://www.pwc.de/de/finanzdienstleistungen/pwc-digital-euro-cost-study-2025.pdf
9 See Beccalli et al. (2015)

From a cost perspective, an additional key operational cost relates to branch networks.

The European banking system continues to display structural overcapacity, particularly in retail distribution. By international standards, Europe maintains a very dense physical banking network, due to a historical reliance on branch-based intermediation and nationally segmented banking models.

It is important to recognise, however, that since the global financial crisis, euro-area banks have undertaken significant branch rationalisation. The total number of bank offices has declined steadily across most EU jurisdictions, accelerated by digitalisation and cost optimisation. This reduction has not led to a contraction in aggregate credit supply and has instead been associated with higher productivity in retail banking activities. ECB data shows that lending volumes have evolved broadly in line with macroeconomic conditions, while branch rationalisation has allowed to optimise branch-related administrative and operational costs. See chart 1.8.

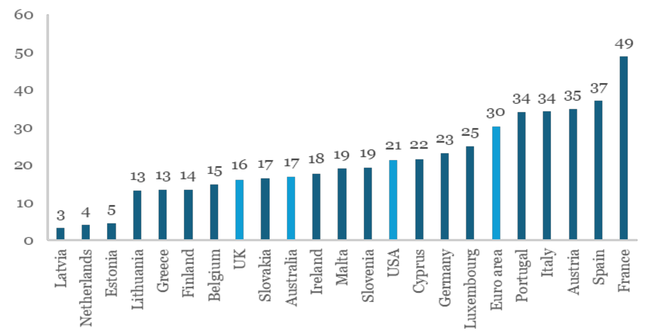
1.8 Number of bank offices and outstanding corporate loans



Source: ECB. Offices: SSI.A.D0.122C.N40.1.A1.Z0Z.Z. Loans: BSI.M.U2.N.A.A20.A.1.U2.2240.Z01.E

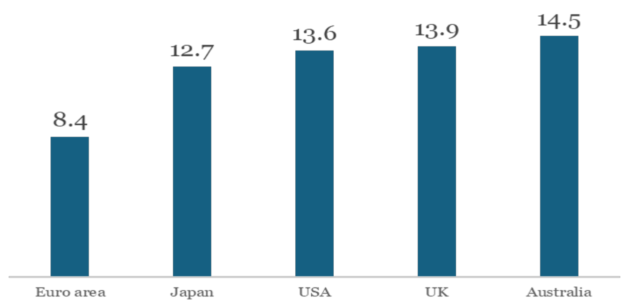
However, although banks have reduced absolute capacity, the euro area continues with more banks and more branches per capita than other large, advanced economies. As shown in chart 1.9, the euro area exceeds the US, UK, and Australia in the number of bank offices per capita, with some countries (some with traditional cooperative business models) almost doubling in size the office density observed in the US.

1.9 Bank offices per 100,000 inhabitants



Source: ECB, FDIC

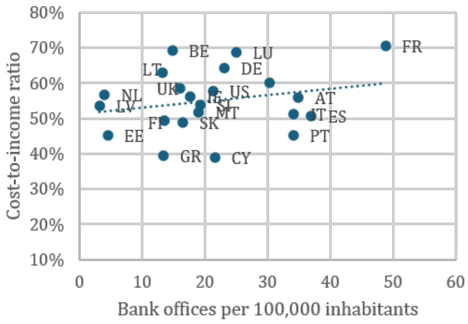
1.10 Debit cards per bank branch (thousands)



Source: IMF, MarketsReport

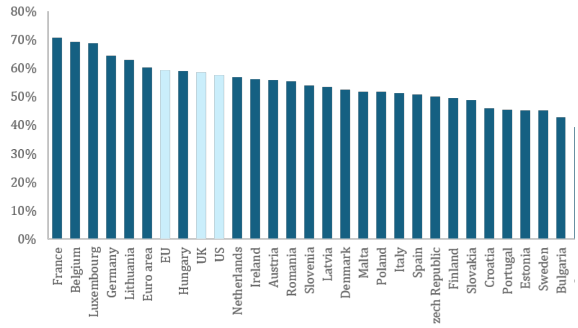
Despite branch rationalisation, cross-country comparisons also show that branches in the euro area continue to generate significantly less output per unit than those in other large banking jurisdictions. As shown in chart 1.11, the number of debit cards per bank branch in the euro area stands significantly behind that observed in the United States, United Kingdom, Australia, and Japan. Further consolidation can contribute to enhancing branch productivity and align the euro area banking sector closer to other major jurisdictions.

1.11 Bank offices network size and cost-to-income ratio



Source: IMF and ECB

1.12 Cost-to-income ratio by geographical location of bank (3Y average, 2023-25)



Source: IMF

Although the rationalisation of branch networks may raise concerns that it can reduce access to banking services for more vulnerable groups and contribute to risks of financial exclusion[10], banks are actively preventing these risks, for instance, through digital alternatives, dedicated banking agents, videocalls, specialised seniors lines, and customer-centric hybrid approaches that help maintain service accessibility[11].

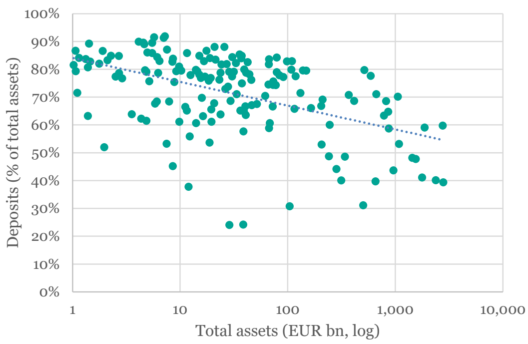
Financial costs and risk management synergies

Banking mergers also generate important financial and risk-management benefits. Larger institutions typically diversify their funding mix by accessing a broader base of domestic and international funding markets, issuing larger and more liquid debt securities and with lower funding costs as smaller institutions face higher funding spreads due to lower market liquidity and a narrower investor base.

Mergers may also improve funding efficiency by diversifying risks across markets, currencies, and therefore further reducing funding concentration.

As shown in Chart 1.13, larger institutions typically rely on a lower share of deposit funding and make greater use of wholesale and capital market funding. By contrast, smaller institutions tend to be more dependent on their domestic deposit base and, consequently, more exposed to local economic conditions, competitive pressures in retail savings markets and country-specific liquidity dynamics. The ability to access multiple funding channels can therefore enhance the financial resilience of larger banks and reduce their vulnerability to idiosyncratic shocks affecting any single funding source.

1.13 Larger banks have a more diversified funding mix: Bank size and share of deposits in funding mix



Source: LSEG

These effects can strengthen the resilience of the merged institution, improve its capacity to absorb shocks and support lending throughout the economic cycle.

Factor 3: Revenue synergies through broader customer access and product choice

Revenue synergies arise when the merged bank is able to generate higher revenues than the two institutions could achieve separately, where the transaction expands product capabilities or customer reach.

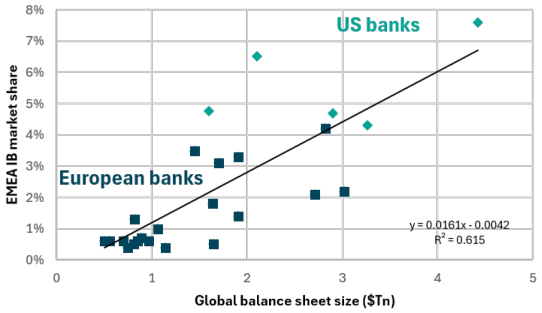
[10] See for example Gonzáles et al. (2015) and Kempson et al. (2000)
[11] See various examples of bank accessibility such as this, this, this, and this.

One of the most frequently cited sources of revenue synergies is the ability to distribute a broader range of products to the acquired bank's customer base. For example, a bank with a strong retail deposit franchise but limited wealth management capabilities may acquire a bank with a developed private banking platform, allowing investment products to be distributed across a significantly larger customer base.

Many European banks have strong domestic corporate relationships but relatively limited capital markets capabilities. A merger can allow the combined institution to offer clients a broader range of services, including Debt capital markets, Equity issuance; Securitisation; corporate advisory services (M&A); FX, derivatives and risk-management solutions; Transaction banking and cash management; or wealth and asset management distribution.

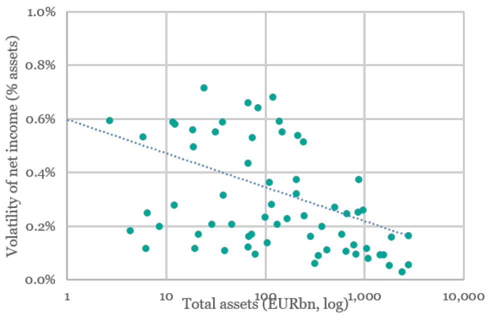
As shown in chart 1.14, there is a strong relationship between global balance sheet size and EMEA investment banking market share. The European Commission report on bank competitiveness well notes that "[investment banking] activities critically depend on size", as larger balance sheets provide the capacity to warehouse risk, commit capital to clients, and support cross-border transactions across a broad client base.

1.14 EMEA investment banking market share and balance sheet size by bank (2025)



Source: Dealogic and P3 disclosures

1.15 Smaller banks are more volatile: Balance sheet size and 5-year net income volatility



Source: LSEG. Based on banks of balance sheet size above EUR1bn

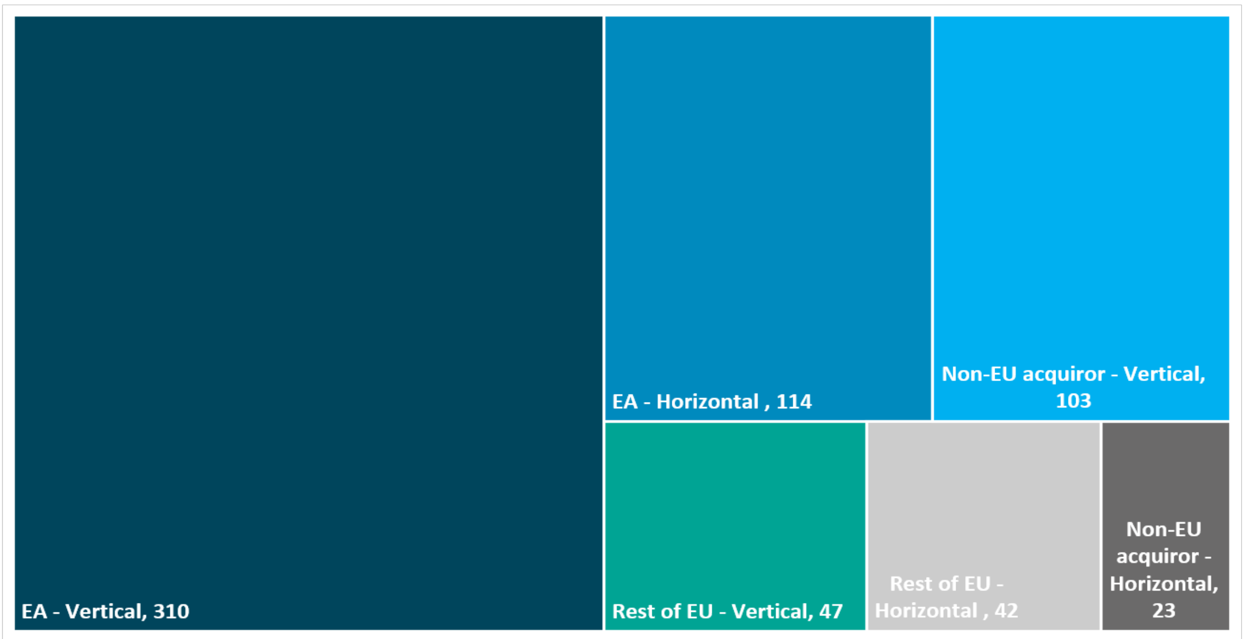
As such, larger banks can benefit from more diversified income streams, including capital markets, wealth management and other fee-based activities, which help stabilise earnings and reduce dependence on traditional lending income. As shown in Chart 1.15, larger banks tend to exhibit lower net income volatility, suggesting that greater scale is associated with more stable and resilient earnings. In this respect, diversification itself becomes a source of resilience, allowing larger institutions to better absorb shocks affecting individual business lines, sectors or markets.

2. Recent trends in banking M&A: horizontal and vertical gains

Consolidation and efficiency gains can be delivered via expansion on a horizontal and vertical basis. Horizontally, the most traditional form of growth, banks expand through the acquisition of other banks that deliver similar products and similar banking services, e.g. a retail bank purchasing another retail franchise. Vertically, banks acquire firms that provide other related financial services (e.g. wealth management) that add value by enhancing the product offering, enhance productivity of existing products (e.g. fintech providers) or expand distribution networks of traditional banking products.

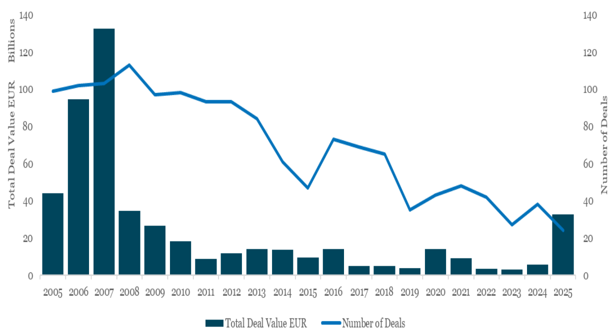
Dealogic data shows that the largest portion of M&A involving the banking sector in the EU over the last 5 years (on a deal count basis) have been vertical acquisitions, typically of insurance, fintech providers, or wealth management services. Likewise, 66% of bank-related M&As of the last 5 years have been within the Euro Area (EA), 14% involved at least one counterparty from EU countries outside the euro area (rest of EU) and 20% with acquisition partners located outside the EU. See chart 2.1. The growing number of acquisitions is also in part driven by increasing market valuations of firms providing more room for vertical or horizontal expansion.

2.1 Bank-related European M&As in the EU by type of acquisition. 2021-25. By cumulative number of deals



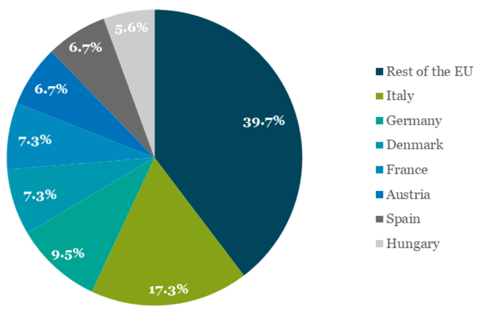
Source: Dealogic

2.2 EU horizontal M&As



Source: Dealogic

2.3 Share of horizontal banking M&As by country of target company (2021-25) – based on number of deals

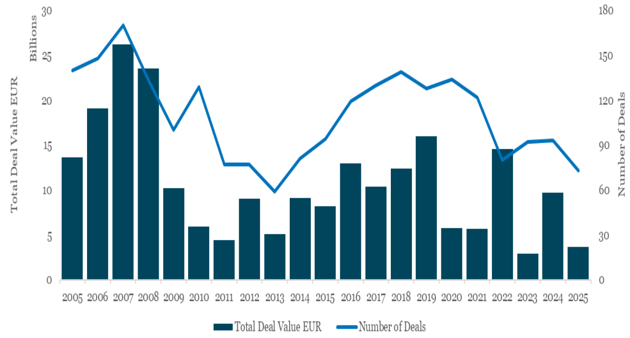


Source: Dealogic

Horizontally, consolidation activity has declined, with banking M&A deals dropping from over 100 transactions to 20 in recent years. Looking at the country of the target company, during the 2021-2025 period, Italy recorded the highest level of bank M&A activity, both by value and by number of deals, with most deals being domestic. See charts 2.2 and 2.3.

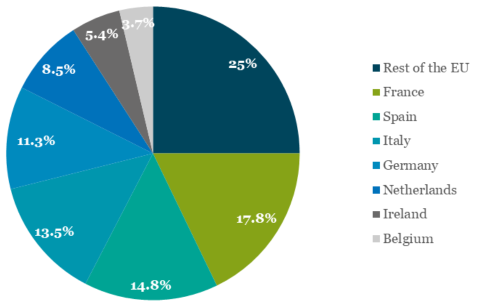
Vertical M&As have fluctuated with the business cycle but have performed more structurally steady than horizontal M&As over the last decade, both on a deal count and a deal value basis (see chart 2.4). In recent years, over the 2021–2025 period, France was the leading target country for vertical M&As by deal count, closely followed by Spain. See chart 2.5.

2.4 EU vertical M&As



Source: Dealogic

2.5 Share of vertical M&As by country of target company (2021-25) – based on number of deals

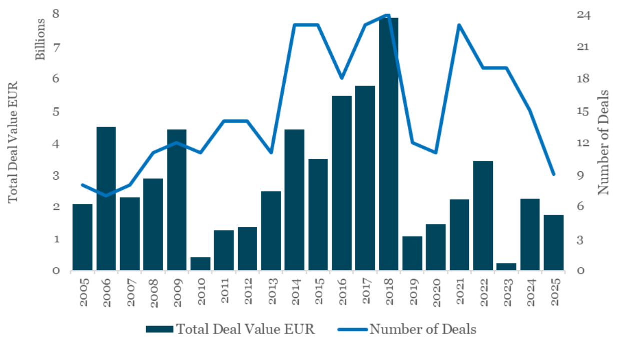


Source: Dealogic

A distinctive feature of banking acquisitions has been the participation of private equity (PE) funds and government entities in the acquisition of, frequently, banks under financial distress. As shown in Chart 2.6, PE firms (or banks held by PE firms) acquired EU banks particularly during periods of financial stress, such as when levels of NPLs rose sharply (2015-17) and during the Covid19 pandemic. Acquisitions of banks by governments were visibly more evident during the sovereign debt crisis (2012–15), while in recent years government purchases have been negligible. See Chart 2.7.

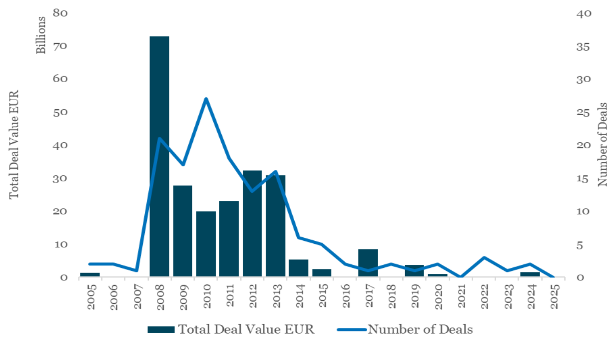
In recent years, Governments and PE firms may seek to offload their positions. For example, some of the most visible banking acquisition targets have been of assets owned or partially owned by governments (MPS in Italy) or by PE firms (Novobanco in Portugal)

2.6 Acquisition of banks by private-equity funds



Source: Dealogic

2.7 Acquisition of banks by Government-owned entities



Source: Dealogic

3. Assessment of policy environment

There are several concurrent factors contributing to a more supportive policy environment for banking consolidation. However, long-standing structural constraints and regulatory obstacles continue to impede more significant progress.

From a market perspective, governments are gradually exiting their stakes in banks that were acquired during the 2008 global financial crisis. European governments have sold over $80 billion of bank stocks since the start of bank re-privatization in 2013, with substantial sell-downs in Lloyds Banking Group, Natwest, AIB, Monte dei Paschi and Commerzbank, and it is anticipated that governments will further reduce stakes in the coming years. The sale of government stakes has allowed acquiring banks to build stakes and has removed previous shareholder constraints on consolidation.

Regulators, too, have become more supportive of banking M&A as a steppingstone to delivering the Banking Union, and M&A can be an advantageous use of capital from a regulatory perspective. At a Commission leadership level, EU Commissioner Teresa Ribera, in charge of leading the EU's competition policy, has urged Member States to back cross-border bank M&A to unlock the cross-border capacity of a more unified banking system. Additionally, Commissioner Albuquerque, in charge of the EU's financial services policy, has warned[12] on the relevance of EU banks to grow in scale and compete globally.

Banks are also increasingly finding it easier to obtain regulatory approval to deploy capital on M&A rather than on buybacks. A number have sought to benefit from the 'Danish Compromise' exception that allows banks to receive more favourable capital treatment when acquiring insurance or asset management assets. That is the case of recent vertical acquisitions which, as noted in chart 2.1, represent the largest portion of M&A (49% of total banking-related M&A in 2021-25).

However, critical barriers still remain.

National Member State interference

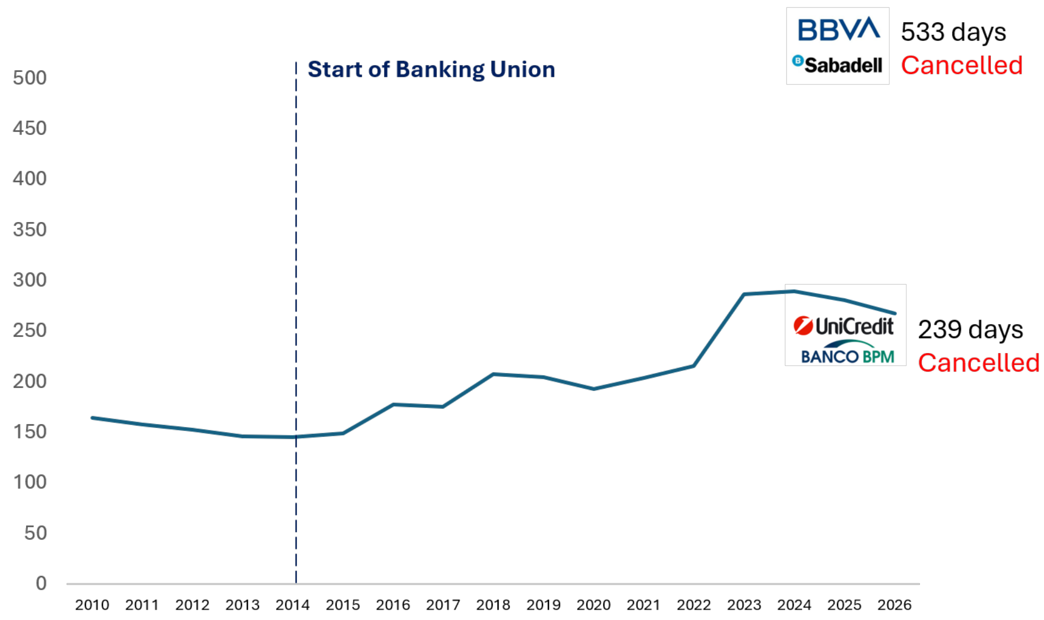
National and regional governments have continued to interfere with deal processes imposing additional costs or withhold approvals for full mergers, showing that a certain degree of political resistance to these M&A deals persists, as very visibly seen in recent major intra-EU banking acquisitions[13].

National Member State interference has also meant that the proposed transactions not only were unsuccessful but were subject to prolonged and excessive scrutiny resulting in high execution costs and significant business uncertainty. For the case of the proposed BBVA-Sabadell acquisition, the period between announcement (1 May 2024) and final rejection (16 Oct 2025) extended to 539 days, beyond the typical historic average time that it takes to complete a banking M&A (see chart 3.1), largely reflecting the multiple procedural, regulatory and political hurdles encountered throughout the process as well noted by the EU Commission by opening an infringement procedure on Spain[14].

It is important also to note that the time it takes to complete a banking M&A in the Banking Union has grown over the last decade to 285 days, which is above that of other banking competitors[15] like the US (144 days)[16], China (187), UK (173), Japan (115), and Switzerland (85). This gap is partly explained by overlapping approval processes across national and European authorities, and the continued scope for national discretion and political intervention in acquisitions.

[12] See https://www.reuters.com/sustainability/boards-policy-regulation/eu-commissioner-asked-about-unicredit-commerzbank-laments-obstacles-european-2025-10-24/
[13] See for example EU Commission complain to the government of Spain for violating EU law by interfering in a recent intended banking merger: https://www.politico.eu/article/commission-challenges-spain-over-its-move-to-hamper-banking-merger/ or a more general concern for all EU Member States: https://www.mlex.com/mlex/articles/2491621/eu-commission-pledges-to-keep-acting-against-states-interference-in-banking-deals
[14] See https://www.mlex.com/mlex/articles/2365933/spain-broke-eu-banking-laws-in-bbva-sabadell-case-eu-commission-says
[15] See AFME Banking Union report https://www.afme.eu/media/ntlodudx/afme-banking-union-report-september-25.pdf
[16]The average number of days to complete a banking M&A in the United States has significantly reduced over the last three years, from 219 days in 2024 to 144 in 2026.

3.1 Time it takes to complete a banking M&A in the Banking Union 2010-26. Compared with two recent failed acquisitions



Source: Dealogic. 3Y rolling average of the time in days between announcement and completion dates. Includes deals with deal value above €20mm and excludes deals where completion dates are below 30 days for statistical consistency. For the BBVA-Sabadell and UniCredit and BPM, the number of days is calculated between announcement and withdrawal dates.

The challenge posed by national Member State interference is compounded by limitations in the Commission's enforcement approach.

The European Commission is explicitly tasked with ensuring the application of the Treaties (article 17(1) of the Treaty on EU). Still, the Commission does not often use this enforcement role and when it does take action, the procedure is so slow that there is no effect for the cases at hand. According to the Single Market Scoreboard, the average case duration stands at 45.8 months while member states on average take 64 months to comply with court rulings. The Commission did open infringement procedures against Spain and Italy for their respective move against the intended mergers of BBVA-Sabadell and UniCredit-Banco BPM, but in the meantime these deals have not materialised and markets have moved on. Similarly, the Unicredit-Commerzbank transaction has also raised opposition from local authorities. Once mergers have been approved by the European Commission under merger control rules and by the ECB from a prudential perspective, in the banking sector there should be no more room for Member States to block these mergers because of national considerations.

Although it is a welcome step that the Commission, in its recent Banking Competitiveness Communication, has committed to using its enforcement toolkit where it identifies Member State interference, enforcement alone is unlikely to be sufficient. As noted above, concerns remain regarding both the effectiveness of enforcement actions and the lengthy timelines associated with addressing politically induced barriers once they have emerged.

National foreign direct investment (FDI) regimes are emerging as an additional source of fragmentation

These tools are increasingly applied to banking transactions, thereby adding a second layer of regulatory intervention alongside antitrust. If left uncoordinated, FDI screening risks undermining the EU single market for financial services.

A key concern relates to the overlap between national FDI powers and existing EU competences. Banking mergers are already scrutinised by the European Commission under merger control rules and by the European Central Bank from a prudential perspective. The addition of national screening mechanisms can therefore create overlaps, duplicative assessments and increased execution complexity.

These regimes, while remaining useful tools in case of genuine economic security concerns, may have significant impact on consolidation in banking sector. Multiple and potentially conflicting approval processes increase uncertainty and execution risk, reducing the attractiveness of cross-border M&A.

Banking market consolidation requires a more coherent and coordinated policy approach ensuring that interventions remain proportionate and justified, complemented by stronger EU-level coordination or oversight of national FDI decisions, as well as closer alignment between FDI screening, merger control, and prudential supervision frameworks.

While we welcome the ongoing review of the EU merger guidelines, the proposed reforms do not explicitly address the interaction between merger control, prudential assessments and national FDI screening mechanisms.

Lack of recognition of broader single market competitiveness benefits by national competition authorities

Competition assessments should consider not only local concentration effects but also integration gains, scale efficiencies and EU-wide competitiveness objectives, as discussed in section 1 of this report.

With this purpose, greater cooperation among antitrust authorities in merger control is essential. To ensure consistency and predictability, authorities should work towards converging methodologies for market definition and competitive assessment of mergers. This could be pursued by strengthening structured cooperation between competition authorities.

Moreover, the continued reliance on national markets dynamics affects the possibility for merger assessments to capture both national competitive effects and single-market integration benefits, including resilience, innovation and global competitiveness.

The European Commission's draft revised Merger Guidelines are a welcome step in this direction, recognising the potential benefits of scale, innovation, investment and resilience. However, merger assessments continue to focus primarily on competitive dynamics within relevant MS markets, which may limit the extent to which wider Single Market integration benefits are reflected in individual cases.

From an EU supervisory perspective, persistent uncertainties and inconsistencies remain

The EBA[17] recently published technical standards (RTS) for the prudential assessment of significant M&A transactions[18]. The RTS seek to harmonise supervisory practices across the EU by providing clearer criteria for assessing capital, governance, and risk impacts of M&A transactions. In its final RTS, although the EBA has sought to reduce the reporting duplication and some of the administrative burdens, a closer analysis shows that some information requirements remain, for instance those related to AML/CFT and for simple internal 'intragroup' transactions[19].

While these RTS aim to harmonise[20] supervisory practices, it is equally important to ensure that they remain within the legal framework established by CRD VI. As Level 2 measures, the RTS should operationalise the Level 1 provisions but should not introduce substantive obligations or materially extend the scope of the Directive. Preserving this distinction is essential to ensure legal certainty, regulatory consistency and the effective functioning of the Single Market.

Furthermore, these RTS are also an example of new rules that undermine harmonisation that was already achieved in 2007 as a lesson learned from, inter alia, the Antonveneta case[21]. They are introduced alongside additional rules on the acquisition of controlling stakes in banks (consulted on in 2025), with both frameworks cumulatively increasing complexity for M&A and consolidation in the banking sector. The rationale for introducing new rules remains unclear, particularly given the risk that lessons from Antonveneta are being forgotten.

Unclear and open-ended procedures can de facto block M&A

Form requirements (templates, documentation requirements, sequencing of approvals, information requests) play a significant role in determining the duration and complexity of approval processes in practice.

However, rulemakers often give insufficient attention to these procedural aspects, leaving broad discretion to national decision-makers and allowing review processes to be extended with limited constraints. This creates uncertainty and increases execution risk for transactions.

A clearer and more prescriptive procedural framework is needed, including fixed timelines for decision-making, the use of sunset clauses, and mechanisms such as *lex silencio positivo* to ensure timely outcomes.

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[17] See https://www.eba.europa.eu/publications-and-media/press-releases/eba-consults-draft-technical-standards-prudentially-material-transactions-under-capital-requirements
[18] See Technical standards on material acquisitions, material transfers, mergers and divisions under CRD | European Banking Authority
[19] See AFME response https://www.afme.eu/media/xz1jyeli/afme-response-to-eba-ma-rts-its-cp-response.pdf
[20] In AFME members' experience, EU-level "harmonisation" in many instances simply means consolidating existing multiple national frameworks and elevating them to the EU level, resulting in an accumulation of legacy provisions rather than a streamlined coherent framework. This approach is counterproductive. This approach was evident during the transfer of supervisory responsibilities to the ECB and is now re emerging with the shift of AML powers to AMLA. In practice, new EU rules often fail to replace national regimes and instead create additional regulatory layers, increasing complexity and compliance costs. As a result, firms must navigate overlapping requirements, multiple interpretations, and duplicative reporting and compliance obligations, undermining the very objective of harmonisation. True harmonisation requires simplification and the replacement of national divergences with a single, coherent framework, rather than merely consolidating existing rules at the EU level.
[21] See https://ec.europa.eu/commission/presscorner/detail/en/ip_05_1595

Cross-border bank mergers often require the involvement of multiple authorities, as also highlighted in the context of the FDI regimes, resulting in parallel assessments, multiple information requests or duplicative interactions with the institution, leading to increased execution complexity.

Coordination among authorities should translate into a single substantive prudential assessment of the transaction. A lead EU-wide authority should coordinate the prudential assessment on behalf of all relevant authorities, ensuring that the transaction is subject to a single coordinated supervisory review while preserving the effective exchange of information between competent authorities. This would reduce unnecessary execution complexity and better support the objective of facilitating bank consolidation within the Single Market.

Capital management uncertainty and costs during and after acquisition

At the euro area single supervisor level, the ECB discussed in a recent report the various considerations and risks during the implementation and post-merger phases[22], including on IT, governance, capital, and risk management integration of the two entities. There are however various other considerations and challenges on capital management, relating to MREL, capital buffers, and the RWA model of choice, that warrant review.

MREL

Market participants find that there is elevated uncertainty regarding the regulatory treatment of MREL following an acquisition, during the transitional period or phase prior to full legal integration, which can generate significant inefficiencies and additional costs.

Quite visibly, there is uncertainty regarding MREL eligibility when purchasing a bank that has MREL outstanding at time of acquisition, as the acquiring bank's resolution structure may differ from that of the target and therefore authorities might consider existing MREL instruments are no longer eligible for the consolidated entity. While SRB guidance[23] states that evaluation of MREL eligibility and transition periods at a timeline of c18 months after the conclusion of a transaction, uncertainty may remain, particularly for instruments with longer remaining maturities. In addition, time lags in recalibrating MREL requirements for the consolidated entity may increase costs.

IRB models

An important additional element is related to the integration of IRB models. Practical experience shows that supervisory expectations regarding the integration of IRB models remains a major barrier as it generates substantial operating costs and erodes a large part of the synergies that precisely justify the consolidation. Uncertainty arises regarding the treatment of internal models following M&As, including which IRB model the entity should use or whether it should move to the Standardised Approach, potentially leading to higher capital requirements. Moreover, any material changes to IRB models must be implemented in line with ECB supervisory timelines, adding complexity to the integration process.

In addition, certain requirements, particularly in operational risk, tend to penalise size or certain business models, creating disincentives for consolidation (eg. the calculation of the Business Indicator, which grows more than proportionally with size, and the calculation of the ILDC at the consolidated level).

OSII buffers

It is widely accepted that, as a bank grows in size, it becomes more systemically important resulting in a higher capital buffer to reflect the greater systemic risk it poses (i.e. a higher O-SII buffer).O-SII buffers are applied to institutions deemed systemic at a national level and are based on factors such as size, interconnectedness, complexity and cross-border activity. In practice, several methodological challenges remain, compounded by the fact that the calibration of O-SII buffers ultimately involves a degree of national supervisory discretion.

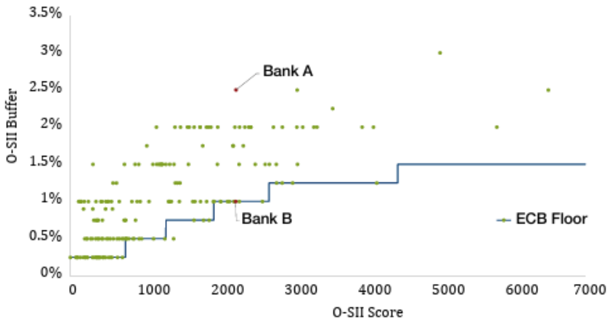
Differences in the calibration of O-SII buffers across Member States may result in the same transaction having different capital consequences depending on the acquirer's jurisdiction, potentially creating an uneven playing field between domestic and cross-border potential acquirers.

Although recent ECB reforms have sought to place greater emphasis on a Banking Union-wide perspective, acquirers still face uncertainty regarding the post-transaction treatment of their systemic importance and the resulting capital implications. This can create a disincentive to consolidation.

[22] See Guide on the supervisory approach to consolidation in the banking sector

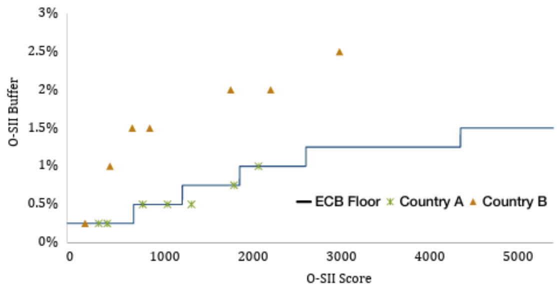
[23] See SRB Mergers & Acquisitions

3.2 OSII buffer dispersion in the BU



Source: EBA, 2025

3.3 OSII buffer dispersion: selected countries



Source: EBA, 2025

Banks have transformed both the size and quality of their balance sheets since the Global Financial Crisis (GFC) and the European sovereign debt crisis. Nearly two decades after the GFC, the banking sector is considerably more resilient and has the capacity to grow and consolidate. However, growth opportunities should not be selectively constrained by Member State discretion in the application and calibration of O-SII capital buffers.

Stress tests

Diversification benefits are not recognised in stress tests scenarios. While the economic capital framework captures diversification across geographies and portfolios, regulatory and supervisory frameworks, including stress-testing exercises, largely do not. This leads to higher capital requirements and underestimates the risk-reducing effects of operating across several markets.

The ECB also argues in the M&A report that supervisors calculate P2R and P2G based on the risk profile of the combined entity, considering that costs are incurred upfront while benefits materialise later, and may be adjusted if risks persist or improve.

Regulatory ring-fencing traps capital and liquidity

Regulatory ring-fencing constitutes a significant obstacle to cross-border banking M&A, as banks cannot freely move capital and liquidity between parent companies and subsidiaries in different Member States. According to AFME's Banking Union Report, around €225bn of capital and €250bn of liquidity remain trapped in subsidiaries[24].

While the EU legal framework allows supervisors to waive certain liquidity requirements at subsidiary level, enabling compliance on a group-wide basis, these waivers have not been granted to any banking union entity. Likewise, the CRR does not allow the application of capital waivers, thereby limiting the ability of cross-border groups to optimise capital resources and weakening the business case for cross-border consolidation.

Transferability of Deposit Guarantee Schemes (DGSs) contributions in M&A

Banks contribute ex-ante to national DGS. A bank that has contributed substantial DGS contributions cannot necessarily take full economic credit for those contributions when it is acquired by a bank from another Member State. Article 14(3) DGSD[25] provides only for the transfer of contributions paid in the preceding 12 months to the new DGS, which may not reflect contributions paid previously. As a result, the value of these contributions may not be fully portable, potentially increasing transaction costs or reducing the value of a target bank.

In addition, DGS funding arrangements differ across Member States, meaning that the financing of contributions in a M&A scenario can vary depending on the countries involved.

[24] See 2025 AFME Banking Union Report https://www.afme.eu/media/ntlodudx/afme-banking-union-report-september-25.pdf
[25] See Directive - 2014/49 - EN - DGSD - EUR-Lex

4. Proposals for enabling bank consolidation

Having addressed the consolidation challenges, market dynamics, and broader policy environment in previous sections, we set out a number of policy recommendations to facilitate consolidation in the banking sector and enhance the competitiveness of the EU banking sector by enabling them to fully leverage the scale of the Single Market.

The policy recommendations are widely based on the assessment of policy environment discussed in section 2.

We have grouped these recommendations into three areas. First, those related to structural market dynamics of fragmentation and overcapacity of the EU banking system. Second, those addressing the fact that bank mergers are ultimately approved by Member State authorities and therefore are subject to national discretion and intervention. And finally, a set of EU-wide recommendations where, as noted in Section 2, persistent challenges remain within the European supervisory and regulatory framework.

Issues	Policy recommendations
Market dynamics	
The market is fragmented with limited cross-border activity; scale remains mostly national. Overcapacity in the banking sector drives overlapping branches and compressed profitability. Lack of scale prevents institutions to spread fixed costs more efficiently.	Policymakers should complete the Banking Union to increase market appetite for M&A, enable cross-border consolidation and scale, and improve profitability. Policymakers should reduce capital complexity and address regulatory and supervisory fragmentation that weighs on the attractiveness of expanding banking activities across borders. Policymakers should apply capital and liquidity requirements at consolidated level and ensure group-level supervision. Policy makers should reduce national gold-plating and differences in the transposition of EU rules, including prudential and non-prudential requirements.
National barriers and discretion	
National political interference and slow, weak European Commission enforcement hinder bank M&As.	The Commission should use its enforcement powers more proactively and on a timely basis to safeguard the Single Market, and should establish a harmonised EU-level merger control process to ensure consistent assessments and limit political interference. The Commission should ensure that it's intended more proactive use of Treaty enforcement powers is applied on a timely and effective basis.
National foreign direct investment (FDI) regimes add fragmentation, overlapping with EU merger control and ECB supervision.	Policymakers should ensure that the review of the EU merger guidelines explicitly addresses the interaction between merger control, prudential assessments and national FDI screening mechanisms. Policymakers should strengthen EU-level oversight and improve alignment across FDI screening, merger control and prudential supervision.
Competition assessments focus on national market concentration, overlooking EU-wide efficiencies.	Policymakers should ensure that reviews of the EU merger guidelines capture wider Single Market integration benefits and not only concentration effects in relevant Member State markets.

	Policymakers should strengthen cooperation among national antitrust authorities and align methodologies to improve consistency and predictability.
EU-wide regulatory fragmentation and supervisory constraints	
Fragmented prudential assessment processes lead to duplicative reviews and increase execution complexity.	Policymakers should build on the SSM's role in Banking Union coordination by establishing a broader EU-wide coordination framework to ensure consistent treatment of transactions involving institutions both inside and outside the Banking Union. A single lead entity can manage a single notification package, timetable and supervisory dialogue and deliver a consolidated prudential conclusion. Within the Banking Union, the ECB is the natural single lead where the resulting bank falls under its direct supervision. In other cases, the lead entity could be the authority responsible for supervising the resulting bank or the combined group. Other competent authorities would continue to provide their views and relevant information, but should not conduct duplicative assessments or maintain parallel information requests. This recommendation would be limited to the prudential assessment.
Supervisory practices for M&A transactions remain unharmonised. Onerous form requirements and wide national discretion in M&A procedures.	Policymakers should ensure that new rules, including the EBA RTS on significant acquisitions, prioritise simplification and clarity and build on the harmonisation achieved since 2007, including following the Antonveneta case. Policymakers should develop a clearer and procedurally harmonised framework, including fixed timelines for decision-making, sunset clauses and mechanisms such as *lex silencio positivo* to ensure timely outcomes.
Uncertainty around MREL treatment during transition periods can create inefficiencies and costs. Uncertainty of MREL eligibility when purchasing a bank that has MREL outstanding at time of acquisition.	The SRB should provide ex ante clarity on MREL requirements and instrument eligibility during and after acquisition.
Supervisory expectations on IRB model integration raise costs and limit merger synergies.	Supervisors should take expected merger synergies into account when setting IRB model integration expectations.
Regulatory ring-fencing traps capital and liquidity within subsidiaries.	Policymakers should enable cross-border capital and liquidity waivers to improve resource allocation and support cross-border integration.
Uncertainty regarding OSII buffer of merged entity.	Supervisors should develop a clearer and more harmonised O-SII methodology and provide clearer expectations on the capital implications of acquisitions.

Lack of transferability of Deposit Guarantee Schemes (DGSs) contributions following a M&A and divergent national approaches to DGS funding.	Policymakers should improve the transferability of ex-ante DGS contributions following M&A. Policymakers should harmonise the collection of ex-ante DGS contributions across Member States.

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