



Building a better  
working world

## Banking & Capital Markets

# Global Capital Confidence Barometer



**Charlie Alexander**

EY Global Banking & Capital  
Markets Transactions Leader  
+1 852 2629 3961  
charlie.alexander@hk.ey.com  
Twitter: @CPAlexander\_EY

### A note from Charlie Alexander, EY Global Banking & Capital Markets Transactions Leader

This edition of the *Capital Confidence Barometer* finds a global banking and capital markets (BCM) sector firmly focused on growth.

Global banking M&A volumes and values fell by 16% and 34%, respectively, in 2017. However, our data points to a solid first quarter of dealmaking in 2018 with signs of strength in mid-market M&A, as well as in the payments and FinTech segments. The outlook remains healthy, with 45% of BCM executives surveyed expecting to actively pursue acquisitions in the next 12 months – above the long-term average.

### The industry is turning to M&A to fuel growth

After many years of focusing on regulatory compliance and reshaping their business models, banks are now firmly focused on growth. Increased levels of confidence in future earnings and short-term market stability and better targeting are leading to larger deal pipelines. However, executives are holding firm on discipline, with 65% citing competition from other buyers or disagreement on price as the primary reason to have canceled a planned deal. Read EY's [Global M&A themes 2018](#) for more insight on M&A drivers in the banking and capital markets across the Americas, Europe and Asia-Pacific.

### Portfolio transformation and the quest for digital skills driving deal activity

Almost two-thirds (62%) of respondents see portfolio transformation as the top priority on the boardroom agenda, as BCM companies look to become more agile, alert to new opportunities and quickly responsive to a fast-moving market environment. Banks are increasingly using data analytics and artificial intelligence (AI) to make more informed decisions about their portfolios.

### Disruption is being tackled head on

BCM executives are on the front foot in the face of disruption, with 33% having identified an asset at risk of disruption to divest during their most recent portfolio review. Read our [Financial services: Global Corporate Divestment Study 2018](#) for more detail on how companies are refocusing their portfolios to address emerging technologies and digital transformation.

### Market outlook

Looking ahead, almost all (97%) BCM respondents see the global M&A market as either stable or improving. Record levels of dry powder could also fuel increased activity in the broader BCM sector by PE acquirers. We expect to see increased PE investment in banking infrastructure, consumer lending, payments and nonperforming loans. Meanwhile, shareholder activism will continue to be a factor for boardrooms and is set to become more prevalent in Asia and Europe.

## Top five investment destinations



1

United States



2

United Kingdom



3

China



4

Brazil



5

France

## Macroeconomic environment and M&A outlook

Broad-based synchronized growth underpins buoyant economic outlook.

# 65%

see the global economy as **improving**.

# 66%

see the M&A market as **improving**.

# 45%

intend to pursue **acquisitions**.

---

## Growth and portfolio strategy

Executives are looking to transform their portfolios.

# 62%

say that portfolio transformation is top of the **boardroom agenda**.

# 33%

identified an asset at risk of disruption to **divest** during their most recent portfolio review.

# 29%

expect increased **cross-border dealmaking** as companies look across borders for growth.

EY | Assurance | Tax | Transactions | Advisory

### About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

### About EY's Transaction Advisory Services

How you manage your capital agenda today will define your competitive position tomorrow. We work with clients to create social and economic value by helping them make better, more-informed decisions about strategically managing capital and transactions in fast-changing markets. Whether you're preserving, optimizing, raising or investing capital, EY's Transaction Advisory Services combine a set of skills, insight and experience to deliver focused advice. We can help you drive competitive advantage and increased returns through improved decisions across all aspects of your capital agenda.

© 2018 EYGM Limited.  
All Rights Reserved.

EYG no. 02786-184Gbl  
1802-2578997  
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

[ey.com/ccb](http://ey.com/ccb)