Abstract: In this paper I proposed to myself to analyse the main bank acquisitions and mergers from Romania after 1989, causes that led to their appearance, their effects on the bank system and their future perspectives on the Romanian bank market. In the context of adherence to the European bank system a solution for the Romanian banks is the concentration of the bank system by mergers and acquisitions or the increase of the bank capitals because in the period of transition the smaller banks are vulnerable, don't dispose of an infrastructure that would allow them to offer financial services comparable to those offered by the great bank groups, can't offer large credits and is addressing to the smaller and average enterprise, which in their turn are exposed to all the shocks that are felt in the economy. The strategies of concentration and consolidation applied by the banks in this period implemented by the transactions with mergers and acquisitions are essential because of their success depends the existence of the bank, the rank it will have on the market, the profit of the bank, the efficiency, the increase of the satisfaction degree of the clients and the increase of the shares’ value. The increase of the interest of the investor in mergers and acquisitions determined the creating of the great financial conglomerates that offer a large range of services, operates simultaneously on many markets and include beside the bank activity insurance, leasing subsidiaries, investment funds, pension funds, subsidiaries specialized in credit saving. In the last decades the Romanian bank financial system suffered significant changes, registering an ample consolidation process, the number of bank institutions decreased and in the context of the present financial crisis, the continuing of the process of restructuring is anticipated. The main reason for choosing this subject if the fact that in the evolution of the concentration the bank mergers and acquisitions have a special purpose, they are necessary operations of draining the bank life by the absorption of the banks without stability by those with potential of economical and managerial stable capital. It is well known that the great banks, very strong and well consolidated created in the process of mergers and acquisitions have another potential in maintenance of the flux of profit and the balanced increase of the profitableness, having a great impact on the economy. The contribution consists in combining some conceptual elements with some empirical aspects, with the process of bank concentration created by acquisitions and fusions that leads to the elimination of some bank entities that are not credible and stable and maintenance of those that are efficient, useful and credible for the client and for the Romanian society. The subject is a present one in the entire world, in a continuous change and adapting to the existent tendencies in the entire world, having a major impact also on the Romanian bank market, on the bank financial institutions that in order to face the competition have directed their strategies for the diversification of the risks.

Keywords: mergers; acquisitions; bank; concentration; consolidation, globalization

JEL classification: G21; G34; F65
1. Introduction

In this research I proposed to myself to present in an original manner the concept of bank mergers and acquisitions by fathoming the following points: the main bank mergers and acquisitions from Romania after 1989, the advantages, the risks and the effects of the financial crisis on the phenomenon of fusions and acquisitions on the national level. The financial crisis and the risk of contagion of the global economy determined the fall of the market of mergers and acquisitions. To this fall contributed factors as the restraining of the existent liquidilities, the increasingly harder accesto the credits for the finanancing of the operations and, generally, the increase of the aversion to the risk of the investors against the unfavorable economical situation and the uncertainties regarding its future evolution. I considered important the theoretical aproach of the concept of mergers and acquisitions because they represent an essential component of the proces of bank financial globalization on the national and world level. Some specialists afirm that the mergers and acquisitions are one of the effects of the globalizaion, other consider that on the contrary they represent one of the factors that determine the globalization. Inside the strategy of bank concentration and consolidation a great number of banks adopt this type of increase; we could say that the mergers and the acquisitions represent the favorite method of creating this strategy. This is due to the fact that this type of strategy is the one offering the possibility to obtain the fastest increase compared to the internal growth and the creating of partnerships.

It is well know the fact that a developed market economy exists if it has strong banks, consolidated that could compete with the strongest banks in the entire world.

2. Mergers and acquisitions in the bank sector

2.1. The Typology of the mergers and acquisitions and their definition

The mergers and the acquisitions represent together with the internal growth and together with the partnerships creating, a method of developing a bank. The mergers and the acquisitions are a part of the strategies of internationalization and of strategic re expanding of the groups, when the fast action of external growth can bring the company advantages compared to the competition or when new information has to be achieved, for the technology, research – development, marketing or management. (Blooju, 2010)

The merging is made by absorbing a group by another group or by the merge of two or more groups to form a new group and are classified in three categories: horizontal merging (entities that produce and commercialize the same products on the market), vertical merging (entities that act in non related sectors).

The acquisition represents the process by which a company takes total or partial control on another company, in exchange for a price.

The degree of bank concentration is determined also by the intensity of international cooperation accomplished by cross border mergers and acquisitions that lead also to the support of the process of economical growth of the beneficiary countries. We could say that the relations of bank mergers and acquisitions don’t take place between the countries but between the bodies of the state.

One of the advantages of the bank mergers and acquisitions is the diversification; the banks that merge are summing up the financial potential and are created financial resources for the approach of another type of operations and their accelerated expansion. The great bank can difusse the risks, can cover the deficience from some market segments by the positive results from other segments which leads to the balanced maintaining and growth of the profitability. The acquisitions and mergers lead to the optimizing of the subsidiaries network in the sense of their optimization, the increase of the quality of the services offered and of the profitability; being the most convenient.
method of expanding, of penetration in the territory. A collateral advantage can be also the decreasing of the taxation; the strong banks involved in the merging will agglomerate not only the shares of the banks but also the results, respectively the profits and losses. Also an important factor is the quality of the management and the evolution of the competition spirit; it is known that the banks are involved in a competition due to the conditions of market where they function, from the desire to have better results and larger shares. The volume and speed with which the merging was made followed the growth of the market share, the increase of the business, the quality and efficiency in serving the clients, the reducing of the costs, the creating of additional profits for the shareholders and promoting more efficient procedures of management. Thus with a strong management can be harmonized some aspects related to the obstacles presented in the organizational cultures, the differences related to the language, the preparing and development of the business lines, the background of the strategic plans establishing. (Berea, 2001).

No matter the purposes of the external growth by mergers or acquisitions, the advantages they confer are multiple: the increase of the development rhythm of the bank by taking over some existent shares with visible, immediate efficiency; are reduced the risks by the increase of the economical force of the bank, also the costs of acquisition are usually underestimated. The mergers and the acquisitions especially those horizontal are a certain method of penetrating and controlling new markets and of increase of the market share for the newly created bank group.

The economical reality showed that the mergers and the acquisitions hide the negative secondary effects that can lead to the slowing of the rhythm of growth of the company, can lead to employers dismissal while trying to readjust the costs, to the decreasing of the innovation due to the focusing on the growth generated by acquisitions. The strategy of mergers and acquisitions is the strategy that gives the possibility to the banks to obtain the fastest an increase of the volume of activity by conquering new markets but is also the strategy that has the greatest effect on the national and regional economies. It was observed that overall the volume and ampleness of the mergers and acquisitions from all the areas increased continuously, in the period of the 80's took place over 55000 mergerss and acquisitions with a total value of over 1,3 billions of dollars, but in the period of the 90's lead to an explosion of this type of transactions being accomplished a double number of mergers and acquisitions with a value of approximately 11 billions of dollars. The mergers and the acquisitions remained one of the preferable strategies of the company after 2000. These mergers and acquisitions were made with the purpose of obtaining scale and strong economies on the markets following an increase of the competitiveness overall. (Dobocan, 2010)

In spite of their popularity many of the mergers and acquisitions don’t succeed to produce the financial benefits that are expected. In fact the studies underline that almost 70% of the mergers and acquisitions don’t succeed to improve the performance of the companies involved. (Drucker, 2001). The failure of the mergers and acquisitions, most of the times, is due either to the illusory synergy, to the vain of the high management or to a slow integration. The mergers and the acquisitions are a very complex type of strategy and in the same time challenging for the management of the company that has to solve problems as the integration of two organizational cultures totally different or the unification of two hierarchic structures totally opposite. The role of the top management in accomplishing a transaction is extremely important because if it is not made an adequate evaluation of the company that will be purchased or with which will be made the merge, can appear major difficulties afterwards.

It was proved that if there is no strategic vision the acquisitions and the mergers are not efficient.
In the last decades the nature of the bank activity was changed, the progresses registered in the technology made the interdependencies from the economy, the speed of the financial transactions would reach to a high level so that it would feel the need of renouncing to the old geographical limitations in favor of some banks from Europe and USA which determined the appearance of some great banks, overnational. During the period after the transition to the market economy were made mega transactions, and namely acquisitions or mergers between the great banks that created new gigantic structures. The justification for the performance of these mega transactions is the following: in order to succeed the conquering of a gigantic market as the global market we need gigantic companies, namely companies that would have the force to deliver products to a large market. (Dobocan, 2010). The great gigantic banks and financial groups are united, are merging, dominating and controlling the entire activity in this department. “We assist today to the so called mergemania (the mania of merging), the great ones becoming greater and stronger” (Mihai and Mihai, 2002). The bank globalization is made not only geographically, on the planet level, but also structurally; the great international financial groups being real conglomerates, that include, beside the banks, companies of insurance-reinsurance, investment or pension funds, activities on capital market, leasing, capable to offer the so called integrated financial services.

The bank systems of the developed capitalist countries were submitted to a process of change: first of all, there was a strong process of internationalization of the bank systems from the developed countries. Practicing an aggressive policy of implanting in new financial points on the globe, these banks consider the extending on other markets as a part of their development policy.

Having an important role in the process of concentration the mergers and the acquisitions have as an effect the restraining of the number of competitors and the creating of some privileged positions on the top, the creation of “quiet areas” in which the competition begins to be blur. (Hurduc, 2005).

A group of German specialists propose the decreasing of subventions, the elimination of the risky speculations, the forcing of creating its own reserved by the great banks because they consider that they are so great, than the growth fluctuations of credits affect the macroeconomy. The mega banks, relaxed quantitatively due to the restrictive decreasing, took as hostages the world economy and the governments of the main countries. (Gribincea and Ulim, 2003).

Thus the developed countries approved a series of measures in order to limit the impact of the banks on the global economy. The demands Basel III restrict the demands regarding the regulator on the liquidity in the euro area and approved already the regulations of the unique mechanism of surveillance of the banks, whose total assets are over 30 billions of EURO or 20% of the country’s gross domestic product. It is considered that the dimensions of the bank are significant due to the fact that the great banks are less careful (cautious), because they are sure that they are “too big to fail” and the tight connections between the great banks and the politicians could unbalance the entire financial system.

#### 2.2. Bank mergers and acquisitions in Romania

**2.2.1. The privatizing of the banks in Romania**

The privatizing is an important factor of the economical social reforms that leads to the creation of an economy based on the demands of the market. This phenomenon is not recent, it preoccupied the economists even from two centuries ago. Adam Smith observed a very important tendency “when the fields of the crown were passed in private property, they became during a few years, more neat and better cultivated” (Danila, 2000). In the context of the globalization and of integration in the European bank system a solution for
the Romanian banks beginning with 1990 was the privatization of the banks. The premise was created by the state in this period because it gave up step by step to the governing of the economical sector, allowing thus the emergence of the most enthusiast defenders of the principle of maximizing the value, and namely the private shareholders. We can affirm that the privatizations were the premises of the development of the mergers and acquisitions market from Romania. (Vancea, 2011).

We could say that the privatization means using more and more the private institutions of the state and less the state for the satisfying of the population needs and the extending of the role of the private sector or the diminishing of the role of the state in a certain activity” (Danila, 2000).

There were many dilemmas regarding the need of the privatization in the phase of transition of the market economy in process of development. Some specialists considered that the state should keep the management of the financial bank system because only this way the resources from the economy could be correctly managed. Another opinion was that regarding the fact that in the first period of transition to the market economy it could be found a strategic investor and this means the access of the great foreign investors to the key institutions of the financial system which means it would have the possibility to influence the decisions on the level of the national economy. (Danila, 2000)

But after 1989 it was observed that the strategy of privatization of the banks represents a critical factor of growth in a period of economical transition. (Danila, 2000). Or the absence of competition in the banks sector would have represented a great price because the inefficient allotment of the resources postpones more the industrial restructuring. (Danila, 2000)

In the process of privatization, the foreign banks present in Romania competed and are competing highly with the Romanian banks. The efficiency of the foreign banks from the point of view of the costs and a better financial know-how offered them a net financial advantage in relation with the internal banks. (Danila, 2000)

These mutations that appeared in the structure of the bank system have consolidated the position of the foreign capital, capital that attracts with it many advantages: the fact that more and more investors will credit the internal economy with cheap financing and the improvement of the profile of risk of the country that allows it to obtain a cheaper financing. We could say that due to the bank financial globalization the bank activity is in a continuous transformation due to the technological progresses that determined the scale economies to give up more and more the geographical limitations, fact that lead to the appearance of greater, overnational bank organizations. Against these great banks the governments of the states with an economy in process of transition have the possibility to integrate in the international market by attracting foreign investors or to build banks with national property that could compete with the foreign organizations, namely the consolidation of the national organizations.

The advantages of banks privatization are: quality and efficient management, the state authorities do not have the opportunity to interfere in bank activity so that we can talk about implementing measures and technologies that would assure the competitive spirit of the Romanian banking system with the foreign one, their price becomes competitive, so that the client would be pleased.

2.2.2. The peculiarities and characteristics of the bank merger and acquisitions market in Romania after 1989

In Romania, the banking restoration and privatisation process has started heavily; in 1997, the privatisation principles and procedure of the banks in which the state is a shareholder according to the Law 83/1997. There were 38 banks with privately owned capital having a limited weight within the indicators regarding the development of the bank activities. The state banks: The Romanian Commercial Bank, The Rural Bank, The Romanian
Development Bank, Bancpost and Eximbank were holding 2/3 of the total assets. (Berea, 2001).

The banks which were forced to downsize or be absorbed by merger by other banks are:

- **Dacia Felix**, become Eurom Bank in 2001 – on the date of May the 18th 2001, the Government has issued an Emergency Order that allowed the settlement of the creditors' claims by assigning to them accounts receivable held by KOLAL BV Amsterdam and created the conditions of the bank revitalisation. This bank, become Eurom Bank in 2001, was absorbed by Leumi Bank, one of the largest banks in Israel, with a market share of 32%. Leumi Bank purchased a share package of 95% of the Eurom Bank shares for 41.7 million dollars.

- **The Romanian Development Bank** (BRD) – privatised in 1999. The French Bank Societe Generale won in December, 1998, the auction for the privatisation of the Romanian Development Bank, the package of 51% of the shares exchanges for 200 million dollars. Of this sum, approximately 138 million dollars were paid to the authorities for 42% of the existing shares, the rest representing a 20% increase of the capital.

- **Bancpost** – the first step in favour of the privatisation of Bancpost was made on April the 2nd 1999, when General Electric Corporation and Banco Portugues de Investimento purchased 45% of the bank shares for 92.8 million dollars. The EFG Eurobank Ergasias of Greece bank purchased repeatedly a last 17% share package held by the state in Bancpost, paying 20.08 million dollars. So far (2006), the Greek bank has increased its participation to 62.74% of the capital.

- **The Rural Bank** – the privatisation of this bank was concluded by selling, on April the 12th 2001 the share package held by the state to the consortium formed of Raiffeisen Zentralbank Osterreich AG (93.19%) and the Romanian American Enterprise Fund (5.70%). Thus, the consortium has absorbed the package of 98% of the Rural Bank shares, renamed afterwards Rural Bank Raiffeisen, merging in June, 2002, with Raiffeisen Bank Romania, and in 2003 it absorbed the client portfolio of Citibank.

- **BCR** (Romanian Commercial Bank) has entered the last stage of the privatisation, respectively the negotiation for the selling of the majority shares package to a strategic investor. The winner of the auction for absorbing BCR was designated the Erste Austrian Bank, that offered for the majority shares package (61.88% of the social capital) approximately 3.75 mld. EUR;

- the merger between **Bank Austria Creditanstalt** (BA-CA, vision of the German HVB Group and the main shareholder of Romania Bank HVB) and Țiriac Bank; at a European level, the absorption of the HVB German group by UniCredit Italia has transformed the merger between Romania HVB Bank and Țiriac Bank in a triple one: the Romanian subsidiary of the Italian group will join the other two, the newly resulted bank being to have assets of approximately 2.5 mld. EUR and a network of over 100 units

- the operating permit revocation for the subsidiary in Romania of the National Bank of Greece, as a result of the assets and liabilities transfer, as well as of its mixed means sale to **The Romanian Bank-MKB**, the former foreign trade bank of Hungary, held with 89.62% by the German Bank Bayern LB, bought in October, 2005, the majority shares package pertaining to Romextrterra Bank, having, thus, a control on 55.36% of the capital; being operational since 1994, Romextrterra Bank was established by a group of companies with activities in the Oil and Gas Industry;

- **The C.R. Firenze Italian Bank** purchased a package of 56.23% of the Daewoo Bank Romania, the transaction of 30.5 mld. EUR being closed in March, 2005; C.R Firenze is a part of the group bearing the same name, that holds more banks and financial companies in Italy, in sectors like leasing, factoring and insurances;

- **ATE Bank**, the fifth bank in Greece judging by the Market value, absorbed 57.13% of Mindbank, for which it paid approximately 36 mld. EUR and, last year, the Greek group Piraeus Bank recently finalised the sale of the ATE Bank Romania subsidiary to the
business man Dorinel Umbralascu. Dorinel Umbralascu signed in April an agreement with Piraeus Bank for the absorption of the subsidiary ATE Bank Romania, followed by the payment of 10.3 mld EUR for 93.27% of the credit institution shares.

- the merger by absorption by the Țiriac HVB Bank of the UniCredit Romania Bank, the new entity developing its activity under the name of UniCreditȚiriac Bank, which in 2013 absorbed the RBS portofolio.
- the termination of the Blom Bank Egypt activity and its transfer to Blom Bank France Paris, Romania Subsidiary;
- the absorption of the di Roma Bank – București Subsidiary activity by UniCredit Țiriac Bank, as a result of the merger at the European level between the shareholders of the two institutions (UniCredit Group and Capitalia);
- changing the name of the SanPaolo IMI Bank Romania Bank to the Commercial Intesa SanPaolo Romania Bank as a result of the merger between Intesa SpA and SanPaolo IMI SpA;
- the absorption of the ABN Amro by the Royal Bank of Scotland which in 2013 was absorbed by Unicredit Țiriac Bank;
- MARFIN Bank absorbed the deposits of the Bank of Cyprus clients;
- the merger by absorption between Intesa Sanpaolo Romania and C.R. Firenze Romania (the absorbed bank), finalised in October the 1st, 2012.

3. Perspectives on the bank mergers and acquisitions in Romania in 2014
Due to the financial crisis and the reduced growing and development potential of the bank market in Romania, the mergers still represent a necessary element in the year of 2014. In order to survive, the small bank with a low market share will be bound to choose merging. If they have a large bank beside them, they will get through all the existing challenges in the financial field at the present day.
The most probable merger in 2014 could be:

- Millennium Bank: the greatest listed bank in Portugal by assets intends to withdraw from Romania by the end of 2014, selling the Millennium Bank subsidiary, which holds less than 1% market share.
- Marfin Bank: The envisioned transaction of selling the Cypriot bank by the end of the year at the latest has not materialised yet, but the bank is still for sale.
- The Carpatica Commercial Bank: mush has been said about this bank as well; its location is in Sibiu and it appears to be for sale.
- Given the fact that it has to withdraw the activities in all the Eastern Europe countries, the National Bank of Greece (NBG) bank group, which holds 85% of the Romanian Bank shares, is looking for a bank buyer.
- Also, Volksbanken AG (VBPS), the parent bank of Volksbank Romania, has in view the sale of the local subsidiary after the Russian bank Sberbank bought the largest part of the European subsidiaries of the Volksbank.
- Bancpost and Alpha Bank is also a merger supposed to be finalised this year, Bancpost will have 47.55 of the new bank capital and Alpha Bank – 57.5%.

Due to the economic recession, most of the banks have as objective the survival and the small banks in Romania are the target of the absorption operations and the merger and acquisitions market in Romania has transformed, relatively abruptly, from a seller’s market into a buyer’s market.
In an unstable and crisis-struck economy as this in Romania, the merger and acquisitions market reorient to small transactions. If, long ago, mega-transactions were the most wanted, currently the repositioning of the “players” and reorienting the interests drew the attention to small and medium businesses.
4. Conclusions
Natalița Hurduc says that the mergers and acquisitions are operations that are a necessity for the clearance of the bank life through the absorption of the entities with no viability by entities with viable economic and managerial capital potential. It can be said that by mergers and acquisitions, the non-competitive distributions of the bank potential are readjusted and there is a wish for efficiency and enhanced profit; being thus a way of the bank construction of the major repairs type that need support and help within the national bank system and the entire national economic environment. They have a considerable role in the increase of concentration degree since they are specific instruments for realisation and intensive increase of the concentration degree. (Hurduc, 2005)

If their implementing strategies were adequately applied, the bank mergers and acquisitions will lead to the costs decrease and the increase of profitability both for the bank and of the client. The globalisation will facilitate the dispersal of the bank risks and will improve the general performance of the individual economies by the refinement of the resources allotment.

As for the negative aspects, if the strategies applied are not adequately achieved, this aspect can lead to abuses due to the dominant market positions and the problems of moral hazard, as in the cases where the institutions are considered “too great to enter bankruptcy”. Moreover, the excessive involvement on the foreign markets without sufficient knowledge on the specific conditions of local economy can aggravate the vulnerability of individual banks.

As for the rhythm of the mergers and acquisition activity recovery in Romania, this is much slower compared to the rhythm of the better developed markets because the economy situation on the whole is the one determining their rhythm and evolution. Given the fact that the economy in Romania will keep ascending, the business environment will develop more and more and the inverors’ trust in economy will increase as well, determining the intensifying of the mergers and acquisitions activity.

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