# The dark side of the moon: knowledge as the basis for cross-border mergers and acquisitions?

**PROF. DR. SONIA FERENCIKOVA**
Vysoká škola manažmentu/CityU

**Abstract:** The main form of privatization in the Slovak banking sector was the acquisition of local banks by foreign banking institutions: several important foreign banks acquired the local ones and some foreign banks created "greenfield" operations. Special cases were the Austrian Bawag that bought the local Istrobanka, and the subsidiary of the Czech Ceskoslovenska obchodni banka acquired originally by a Belgian banking group KBC. The analysis in the paper is based on the study of this acquisition in the time of economic and financial crisis and euro adoption in Slovakia. Case study adresses the questions if is it possible to create value in the turbulent times when the „knowledge" from pre-crisis time is not relevant any longer, how it can be evaluated in the case of acquisition between two subsidiaries of foreign banks, and what are the major managerial challenges in such an aquisition. The conclusion about the sense of the deal for all the participants has finally been done.

**Keywords:** Slovak banking sector, privatization, acquisition, euro adoption, case study.

## 1 Introduction

The analysis in the paper is based on a selected case study of the acquisition of a local subsidiary of a foreign bank by another foreign bank in the time of economic and financial crisis and euro adoption in Slovakia ("roller coaster time") - namely we study how Ceskoslovenska obchodna banka Slovakia (in the meantime legally founded as independent daughter company of the KBC) acquired Bawag's Istrobanka in Slovakia. Our analysis is supported by the description of the partners, main economic challenges they faced in the time of acquisition and integration process and the analysis of the main economic indicators showing how this merger created value for the acquirer and how it contributed to the stability of the Slovak banking sector generally. The goal of our detailed case study is to analyze whether the deal under such difficult external circumstances is manageable and if it can even create a value for shareholders and turn into a success story.

There are different studies conducted about the value creation in FDI: some of them look at the stock market reaction (e.g. Kallunki, Larimo, Pynnonen 2001; Chari et al. 2004), some of them look more on the 'softer' side, knowledge acquistion, creation (reinventing) of new business models etc. (Christensen et. al. 2011; Jassimudin 2012). Some researchers point to the valuation discount with international operations due to the costs of agency and control and the difficulty of coordinating complex organizations and cultures. Others emphasize the value of a multinational network and the operational efficiency of a multinational enterprise. Thus, issues related to value creation are important and lively areas of business and finance. In fact, value creation is now at the frontier between the functional areas of finance and strategy. (Choi, Reid 2006).

Given the fact that Slovakian banking sector is basically created by the subsidiaries of foreign banks with the headquarters located and listed outside of Slovakia, we could not use any of these approaches, therefore we have decided to use a case study approach: we study a case of an acquisition under extremely complicated conditions (financial crisis, currency change, legal framework change, information and projects not relevant any longer etc.). The case study design has been chosen in order to obtain the necessary information for reaching the goal of the study. This design allows a lot of data and additional details to be collected and therefore, offers information which is normally a lot richer and in greater depth compared to other research methods (Yin, 1994). Focused interviews, with the possibility to remain open-ended, are aimed to offer in depth analysis and enhance the understanding of the studied process. We used the interviews with the management of the acquirer (Ceskoslovenska obchodna banka Slovakia or CSOB), especially with Evert Vandenbussche who was the head of the acquisition and integration team in CSOB, as well as articles in the economic press from that time period.

There is no case study written about the acquisitions in the Slovak banking sector yet – this is the first attempt to analyze a similar process in this industry in Slovakia. (However, the original parent company of CSOB Slovakia, CSOB Czech Republic was the subject of the case study analyzing its acquisition of the IPB Bank in the Czech Republic a decade ago (Ferencikova, Pucik 2004). The case study is understood as a research strategy that examines, through the use of a variety of data sources, a phenomenon in its naturalistic context, with the purpose of 'confronting' theory with the empirical world (Piekkari, Welch, Paavilainen, 2009). There is no doubt that the acquisitions are expected to lead to the new value for the shareholders, however the real situation can be completely different given the environment and circumstances following the deal. We consider the operation of the CSOB so unique and exceptional given the unusual complexity and complications the company faced in the acquisition process that it deserves the attention of the research front.

## 2 Situation in the Slovak banking sector

What was the situation in the Slovakia's banking sector between 2007-2009, when the acquisition between KBC Group and BAWAG P.S.K occurred? Macro-economically, the year 2007 was a successful one for the Slovak economy. High growth rates of the Slovak gross domestic product (GDP), standing at 10.4 percent, were mainly stimulated by the high export performance of the Slovak economy as well as increasing household spending, which went up by 7.1 percent in 2007. The automotive and electro-technical industries especially contributed to the above-mentioned success. For the banking sector the growing number of customer credits and mortgages were typical - it had influenced real-estate prices and, by and large, a building boom in Slovakia. It was quite commendable that growth in clients' credits was largely financed from stable resources provided by other clients' deposits. Quite remarkably, banks at that time did not hesitate to provide credits to small and medium-sized companies. The strategy pursued by the banks allowed them to retain a reasonably high profit. It is worth mentioning that Slovakia's banking sector at the time was one of the few across EU countries that, in financing clients' credits, was independent of short-term interbank resources.

Unfortunately, in August 2007, the situation in the world's financial markets were unfavorably affected by the development of USA subprime mortgages. The year 2008 meant the world financial crisis causing noticeable global turbulences, above all, at the turn of the third and fourth yearly quarters, when the crisis became yet more serious, to a point that threatened the very functioning of the world financial system. Not surprisingly, uncertainty and a lack of confidence in the financial markets led to a significant drop in securities prices. It is quite noteworthy, that the impact of the world financial crisis on Slovakia's banking sector in 2008 was, in comparison to the other advanced countries, reasonably moderate. It was precisely connected with the adoption of the common currency, the Euro, in January 2009, that Slovakia's banks had experienced a fairly big increase in primary resources by 2008 (mostly from clients' deposits). Due to this, clients' deposits well exceeded loans provided to the customers. This was a positive trend in the midst of a financial crisis, as the banks in Slovakia managed to become yet, more independent in the area of acquisition of resources in the financial market. In the same year, one could notice that the world financial crisis had started slightly affect Slovakia's banking sector – a bigger shock was avoided because of the banks' considerable dependence on a domestic economy, with just a negligible share of international activities. However, as a consequence of the global financial crisis, the Slovak economy could not avoid significantly slowed growth. The trend went on in 2009, when financial difficulties turned into an economic crisis.

Among the reasons for such unfavorable developments, one can list the accumulation of global imbalances with the following loss of confidence in international financial markets. The crisis also pointed to particular problems economy and finance face in the years to come. Following global demand, prior to the crisis mostly created by one country, this crisis was extended to increasingly challenge export-oriented countries such as Slovakia. Of course, such developments made Slovakia's economy yet more vulnerable as it is economy is opened-up and industrial structure are very sensitive to economic cycles. That accounts for considerable economic recession of the time. While in 2008 the domestic economy was growing at 6.2 percent, 2009 saw a fall to 4.7 percent. Slovakia's apparent export dependence was largely responsible for the country's poor economic performance, which was below average within the Eurozone (the domestic consumption in these countries plays a considerable role in the structure of their GDP). To be more specific, a belated downward trend started to manifest itself across economic branches oriented towards domestic consumption, especially in the case of the real-estate market, building and construction, as well as other selected industries. The economic recession rather quickly affected Slovakia's employment, which used to be among the highest among within the Eurozone.

Under these circumstances, Slovakia's banking sector with its fairly close dependence on the home economy, was a stick with two ends. On the one hand, such dependence was an advantage especially in the first stage on the crisis in 2007, when the crisis mostly affected international financial markets. With the gradual spill of the crisis over to the Slovak domestic economy, Slovak banks began to feel the pressure of the crisis. In 2009, the situation was aggregated by the adoption of the Euro, which mostly affected the profitability – decreased the earnings of banks. Slovak banks faced a 50 percent fall in a year-by-year gains, which was also the consequence of growing costs incurred by setting their credit losses. Overall, in 2009 Slovak banks acted conservatively, focusing for example, on loans with a high likelihood of repayments. Conservatism also prompted the banks to concentrate on less risky industrial sectors and companies. At the same time, one has to bear in mind that credit restraints to individual firms are also encountered. The number of investment opportunities has decreased.

The situation in the Slovak banking sector at that time in regard to the share of the foreign and domestic capital is shown in Table 1.

**Table 1 Growth of Equity Capital in the Commercial Banks and Branch Offices of Foreign Banks in SR 2009 (as of 31.12.)**

| Type of bank | Equity capital (in EUR millions) | |
|---|---|---|
| | subscribed | paid-up |
| Commercial Banks and Branch Offices of Foreign Banks Total | 2,074.3 | 2,074.3 |
| Commercial Banks - Total | 1,617.1 | 1,617.1 |
| of which: | | |
| Banks without foreign capital participation | 143.9 | 143.9 |
| Banks with foreign capital participation | 1,473.2 | 1,473.2 |
| Branch Offices of Foreign Banks */ | 457.1 | 457.1 |

Source: NBS (2015) *Survey of Financial Market Development, 1993 – 2017*, Bratislava
*/ With branches of foreign banks this relates to finances provided by a foreign bank to its branch

Crises, as it often happens tend to reveal what is difficult to discover in better times. Hence, 2009 was a revolutionary year showing differences between Slovak banks. One example of such differentiation was the quality of loan portfolios, especially in terms of credit failures. A clear distinction could be seen in the area of interest rates. Specifically, while the majority of banks saw a drop in interest income from business and banking sectors, interest income from households remained at the same level and was above all, larger in big banks. One could also see the differences in loan policies, the above mentioned growth in households loans was, unlike in the past, concentrated in the hands of selected banks as some other banks had significantly reduced their activities in this segment.

# 3 Main players in the acquisition process

*KBC Group*

The beginnings of KBC Group could be traced back to 1998, when two Belgian banks, Kredietbank and CERA bank as well as the Belgian insurance company ABB, merged to create KBC Group and Insurance Holding Company. In 2008, the KBC Group is represented across over 30 countries; it employs 55,000 employees, almost 30,000 thereof acting in Central and Eastern Europe. The KBC Group offers their services to over 12 million clients, with 8 million of those in Central and Eastern Europe. The KBC Group NV is involved in the NYSE, EURONEXT and Luxembourg Stock Exchange. The group has headquarters in Brussels.

KBC is a multi-channel banking and insurance company active in Europe and it provides services primarily to retail and private clients, as well as small and medium-sized companies. In addition to their banking insurance activities (through banking subsidiaries, insurance agency and the Internet), KBC is also engaged in asset management, private equity, corporate banking, leasing, factoring, brokerage services as well as project- and real estate finance.

In the last decade before 2008, KBC established themselves across a majority of countries which became EU members as of May 1st, 2004 such as Poland, Hungary, the Czech Republic and the Slovak Republic. Recently, KBC have accomplished a number of acquisitions and in 2008 it was present in Bulgaria (DZI Insurance, DZI Invest and EIBANK), Romania (KBC Securities Romania, Romstal Leasing and INK Insurance Broker), Russia (Absolut Bank) and Serbia (KBC Banka and Senzal, renamed to KBC Securities AD Beograd, Hipobroker, actually KBC Broker a Bastion, renamed to KBC Securities Corporate Finance). Their acquisitions reflect the criteria of KBC expansion to the Central and Eastern European markets, making good use of the regional economic proximity to Europe for further penetration of their banking and insurance products.

*Československá obchodná banka, a.s. (ČSOB, a.s)*

Československá obchodní banka, a.s. (Czechoslovak Commercial Bank, a.s.) was set up in 1964 as the only one bank offering services in the areas of international trade, finance and currency exchange operations in the former Czechoslovakia. Following 1989, the bank expanded into providing services for both physical and legal entities. After the division of Czechoslovakia into two independent states, the bank was active in both markets, and was headquartered in Prague. The bank functioned in the Slovak market as a subsidiary of the foreign bank. In 1999, a majority of its shares was bought by KBC Group and on January 1st, 2008, a joint stock company, Československá obchodná banka, a.s. (ČSOB, a.s.) was established in Slovakia.

In 2008, the company's main business covers services for all segments of clients: physical entities (retail clients), small and medium-sized enterprises, financial markets and private banking business. The services were provided through the network of over 100 branches. The company ČSOB, a.s., is a universal bank focusing, above all, on funding housing and investments. It offers by far the widest range of financial services on the market, pursuing the successful distribution model (KBC) for banking insurance and asset management. The ČSOB Financial Group comprised of ČSOB Bank (ČSOB Banka), ČSOB Insurance (ČSOB Poisťovňa), ČSOB Asset Management, ČSOB Pension Fund Management Company (ČSOB Dôchodcovská správcovská spoločnosť), ČSOB Leasing, ČSOB Building Savings Bank (ČSOB Stavebná sporiteľňa) and ČSOB Factoring.

*BAWAG P.S.K.Group*

The BAWAG P.S.K Group (Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft) was established as the merger of BAWAG and P.S.K.in the year 2000. The acquisition sought a successful expansion of both banks with their total volume of assets amounting to 44.8 billion euro. In 2008, BAWAG P.S.K. ranked as the fifth largest banking subject in Austria and the leading retail bank for medium income clientele. The Group views becoming a provider of universal financial services on the basis of good knowledge of the market, with complex individual care for clients and pursued of product innovation as its objective goal. With its 160 BAWAG branches across over 1,300 post-offices, BAWAG P.S.K. has at their disposal the largest centrally-controlled distribution network in Austria. The Group is also the market leader in the area of payments clearing services in Austria. It employs 6,300 employees altogether.

*Istrobanka, a.s.*

The BAWAG P.S.K.Group entered the Slovak market via acquiring Istrobanka in 2002 (becoming its sole owner) from the former Slovenská poisťovňa and the Bratislava municipality. Istrobanka, a.s. had provided services and products primarily in the areas of mortgages and consumer credits, credit card issuance as well as the promotion of electronic banking and Internet banking for physical entities. Istrobanka, a.s. had also been known for offering services to small-and medium-sized enterprises (SME). What set the bank aside from other banks active then in the territory of the Slovak Republic was that it also provided services for the communities. The targets in this case were city councils, local authorities, or spin-offs of city and local councils. At the time, Istrobanka, a.s. saw as its goal or strategy, offering attractively priced products to the widest possible segment of clients. Given such ambitions, in 2007 Istrobanka ranked as the eighth largest credit provider in Slovakia, controlling a 2.2 percent of the market share in the area of deposits and a 3.2 percent market share in the area of credits. With its 750 employees, the bank services were able to cover 125,000 retail, SME, and corporate clients via 60 branches, 9 thereof within the BILLA chain of shops. Through its affiliations, the bank also provided services in asset management. By the end of 2007, the banks' total assets stood at roughly 1.22 billion euro, with its equity reaching 100.5 Million euro (ČSOB, 2008). However, according to Slovak bankers' community the quality of their portfolio was not good and their main product was saving book to the retail customers with attractive yields to attract liquidity.

## 4 Expectations of the players and the challenges they faced

What were, then, the expectations of acquiring Istrobanka, a.s.? According to André Bergen, CEO of KBC, taking over Istrobanka was a "logical and significant step towards KBC expansion in Central and Eastern Europe", initiated ten years ago. The acquisition of Istrobanka was expected to render ČSOB the fourth largest player in the Slovak banking business. To quote André Bergen again, the acquisition of Istrobanka is going to "enforce KBC's position within an attractive and ever more stabilized Slovak market that is offering major opportunities for further penetration of banking and insurance products." He is equally enthusiastic about making use of the cross-selling potential in retail and corporate banking, which he believed, were to bring KBC's savings stemming from the bigger size and ensuing growth in share value (ČSOB, 2008).

The ČSOB General Manager and Country Manager ČSOB Financial Group Daniel Kollár says that "the acquisition of Istrobanka is going to considerably strengthen KBC and its position in the Slovak market as well as promote ČSOB market share with immediate effect, from 7.6 percent to 10.5 percent in credits, from 6.5 percent to 8.5 percent in deposits. For KBC Group, the acquisition of Istrobanka means fulfilling half of its goals, namely reaching, by 2010, a 10 percent market share in Slovakia" (ČSOB, 2008).

Jan Vanhevel, CEO of the KBC operation in Central and Eastern Europe also sounded equally optimistic: "KBC believed that the know-how and rich experience in the area of asset management and insurance will result in a successful introduction of the banking insurance model. We are convinced that both employees and clients of the banks, ČSOB and Istrobanka, will closely co-operate and benefit from the upcoming merger of the two companies" (ČSOB, 2008). "Without Istrobanka, we would not have 10% of the market which is critical mass for sustainable profitability" (Evert Vandenbussche, Bratislava, 26.10.2012).

The optimism in CSOB was also fueled by the analysis of the JP Morgan who was advising on this deal. However, it must be recognized that during the preparation of the JP Morgan business case in the first quarter of 2008, there was no awareness of the crisis that would hit the financial world and global economy in autumn 2008, three months after closing the transaction. JP Morgan calculated the synergies based on following assumption of the GDP growth rates in Slovakia: 8.5% in 2009, 8.2% in 2010, 7.8% in 2011 and 7.5% in 2012 (Internal CSOB documents, 2010). [1]

Such an expression of over-optimism begs the question, why did BAWAG P.S.K. subsequently sell Istrobanka? As for David Roberts, General Manager of the BAWAG P.S.K., "BAWAG P.S.K. made a decision to concentrate on activities in the Austrian market last year. At the same time, in our international activities we wish to make use of the product leader principle. Selling Slovakia's subsidiary was then, the best path to follow for Istrobanka's future evolution" (ČSOB, 2008).

In this context, it might be of interest to know the opinion of Istrobanka's General Manager, Volker Pichler. He perceived the events as follows: "Istrobanka's management have welcomed the decision and are looking forward to the close co-operation with ČSOB, appreciating the promise to support the expansion of our banking and insurance business with a clearer orientation towards the retail segments." He also added that they were convinced that "both employees and clients of the banks will be considerably benefiting from belonging to one of the leading bank and insurance group in Europe" (ČSOB, 2008).

Given the information above, it would be not unwise to suggest that the real reasons for disposing of Istrobanka, which used to be a part of BAWAG P.S.K., were the change to the ownership structure of BAWAG P.S.K., or that the failure to meet the goals set for Istrobanka within the Slovak banking business. In fact, Istrobanka was supposed to get a 5 percent market share in Slovakia, which it did not.

*Major milestones of the deal*

- August 2007 – Beginning of the financial crisis in the USA.
- January 1, 2008 – CSOB Slovakia established as an independent subsidiary of KBC Belgium (Not a CSOB Czech Republic subsidiary any longer).
- March 20, 2008 – KBC Belgium announced that KBC Belgium and BAWAG Austria agreed on sale of Istrobanka Slovakia;
- July 1, 2008 – KBC received all the approvals necessary from the Antimonopoly Office of the Slovak Republic and from National Bank of Slovakia to acquire full ownership (100%) of Istrobanka and Istro Asset Management. KBC acquired them for 350 million EUR (10.54 billion Slovak crowns) which was 3.5 higher than the book value (the book value was 100 million EUR). It was also the date of closing of SPA (share purchase agreement).
- September 1, 2008 – A new leading team for CSOB and Istrobanka (Country Team) had been created. Miroslav Paulen, chairman of the board, and CEO of Istrobanka had become a member of it.
- September 2008 – Collapse of Lehmann Brothers, worldwide financial crisis (JP Morgan, advisor of KBC on acquisition of Istrobanka was strongly hit by the crisis, as was KBC itself in Belgium).
- October 1, 2008 – CSOB and Istrobanka has started to sell their products together.

[1] However, due to the financial crisis the reality was completely different: according to the Eurostat, the real GDP growth in 2009 was – 4.9%, in 2010 4.2% and in 2011 3.4%.

- January 1, 2009 – Euro introduction in Slovakia.
- April 1, 2009 – CSOB Asset Management took over the funds of Istro Asset Management.
- July 1, 2009 – Istrobanka and CSOB Slovakia legally merged.

Acquisition happened in the middle of the financial crisis. Istrobanka was bought for 3.5 book value (what was normal in those days), i.e. the headquarters and the shareholders have the expectations that the deal will be profitable. The experience of investment bankers and the numbers from the advisor of the deal showed that it should be profitable (for example, the projection of the merged unit for 2009 profit before tax was 32 million EUR, but the reality was 7 just million, i.e. the difference was – 15 million).

The interim period between the announcement and approval of the merger by Slovak authorities (Antimonopoly Office and National Bank of Slovakia)

After March 20, 2008 the authorities needed 3.5 months for the approval. In this process (closing) CSOB could not do anything: Evert Vandenbussche, the then country team member responsible for the merging process, wanted to have the access to the Istrobanka files, but BAWAG did not allow him to do that. Later BAWAG accepted the following rule: Evert could ask officially Istrobanka board in the letter to get access to certain information; he then got the official answer. BAWAG was in the meantime bought by an US hedge fund and Istrobanka management from Austria needed to follow the rules of their owner. Theoretically, once the process of closing is over, merger can proceed fast, but it was not possible because after the closing the information necessary was missing and Evert and his team needed to start from scratch (they did not have any preparation period).

In the middle of the merging period (July 1, 2008 – July 1, 2009) the euro should have been introduced to Slovakia. The country team of CSOB Slovakia faced the issue of having two units with different levels of the preparation for launching euro: while CSOB was very well prepared, Istrobanka was lagging behind them. There was also a difference in priorities: while KBC named the euro introduction as the priority, Evert considered merging itself as the most important issue.

# 5 Conclusions

The Slovak banking sector is a textbook example of the importance of FDI in this sector in the particular transformation country. If we look at the Appendix 1, we realize that there are only two local banks among 14 banks active in Slovakia: one is Postova banka and the other one Prima Banka (however, this one was originally Belgian Dexia acquired after financial crisis by a local financial group). The biggest and most important Big Four in the Slovak banking are foreign investors: Slovenska sporitelna (owned by Austrian Erste Bank), Vseobecna uverova banka (owned by Italian Intessa/SanPaulo group), Tatrabanka (owned by Austrian Raiffeisen Bank) and Ceskoslovenska obchodna banka (our case study example owned by Belgian KBC).

When we look closer at the CSOB example, we have to conclude that their position on the Slovak market is the result of the successful acquisition of Istrobanka and the way the management handled this process. It was incredibly difficult to manage this overpriced acquisition at the time of financial crisis and the euro introduction to Slovakia followed by legal changes and division of the CSOB unit between Slovakia and Czech Republic. However, from the broader perspective the deal make a lot of sense. Even though the original expectations and numbers envisioned by the management and consultants before the acquisition in the time of economic prosperity were not met (however, banking sector almost collapsed and therefore each and every bank in Europe needed to reshuffle and change the expectations dramatically), the wished market position was achieved and the bank currently belongs to the top players on the Slovak market.

Therefore we can conclude that the business logic can be sometimes different that just the numbers and so-called "knowledge" from the past: if KBC had not acquired Istrobanka, they would not have reached the position of an important player on the Slovak market and would have to withdraw from it. Currently, depending on the indicators, they are number 3 or 4 on the market and combined with the insurance unit they are the biggest financial group in Slovakia. It gives them special strength not only in the financial number, but also in economies of scale and negotiation power they have on the local market. The acquisition therefore made sense and has taught us that it make sense to move over the troubled water of economic condition with a vision where we want to be in the future, not only in the next 2-3 years.

The situation in the Slovak banking sector in regards to the ownership structure is pictured in Table 2. CSOB is a strong player among the banks with foreign capital participations and given its finally positive experience from the acquisition of Istrobanka considers then next acquisition of the local Sberbank (what was originally Austrian Volksbank acquired by Russian Sberbank who considers the desinvestment in Slovakia). (Interview with Daniel Kollar, CEO, 25.6.2015).

**Table 2 Growth of Equity Capital in the Commercial Banks and Branch Offices of Foreign Banks in SR 2014 (as of 31.12.2014)**

| **Type of bank** | **Equity capital (in EUR millions)** | |
|---|---|---|
| | **subscribed** | **paid-up** |
| Commercial Banks and Branch Offices of Foreign Banks Total | 3,445.4 | 3,445.4 |
| Commercial Banks - Total | 1,849.0 | 1,849.0 |
| of which: | | |
| Banks without foreign capital participation | 153.9 | 153.9 |
| Banks with foreign capital participation | 1,695.1 | 1,695.1 |
| Branch Offices of Foreign Banks */ | 1,596.4 | 1,596.4 |

Source: NBS (2015) *Survey of Financial Market Development, 1993 – 2017*, Bratislava
*/ With branches of foreign banks this relates to finances provided by a foreign bank to its branch

CSOB is not the only interested party in this deal: the two next potential acquirers are big Slovak financial groups what can mean in the future another round of de-privatization: acqusitions of foreign subsidaires by the local capital.

## Literature

1. Bonin, J., Hasan, I., Wachtel, P. 2003. Privatization Matters: Bank Performance in Transition Countries. Conference on Bank Privatization. World Bank. Washington D.C. November. Mimeo.
2. Chari, A., Ouimet, P.P., Tesar, L, L. 2004. *Acquiring Control in Emerging Markets: Evidence from the Stock Market.* Available at SSRN: http://ssrn.com/abstract=607202 or http://dx.doi.org/10.2139/ssrn.607202 [Accessed on September 1 2014].
3. Choi, J.J., Reid W. C. 2006, Introduction to Value Creation in Multinational Enterprise, in J. Jay Choi, Reid W. Click (ed.) *Value Creation in Multinational Enterprise (International Finance Review, Volume 7)* Emerald Group Publishing Limited, pp.3 – 15.
4. ČSOB. 26.3.2008. Press news - KBC took over Slovak Istrobanka. [online]. Retrieved from: < http://www.csob.sk/o-nas/servis-pre-media/tlacove-spravy?rok=2008&Page=3>http://epp.eurostat.ec.europa.eu/statistics accessed on February 11, 2013 [Accessed on 24 October 2011].
5. Ferencikova, S., Pucik, V. 2005. *A Shotgun Wedding: Creating a Leading Czech Bank.* International Institute for Management Development, IMD-3-1351,pp.1–17.
6. Internal CSOB documents. 2010. Bratislava
7. Interview with Evert Vandenbussche, Bratislava, 23.11.2011, interviewer S. Ferencikova.
8. Interview with Evert Vandenbussche, Bratislava, 26.10.2012, interviewer S. Ferencikova.
9. Interview with Evert Vandenbussche, Bratislava, 11.2.2013, interviewer S. Ferencikova.
10. Interview with Daniel Kollar, Bratislava, 25.6.2015, interviewer S. Ferencikova.
11. Kallunki, J.-P., Larimo, J.; Pynnönen, S. 2001. *alue creation in foreign direct investments,*MIR: Management International Review, pp. 357-376.
12. Najvacsie banky Slovenska. 2015. http://firmy.etrend.sk/rebricky-firiem0/najvacsie-banky.html accessed July 7, 2015.
13. National Bank of Slovakia – NBS. 2004. *Analysis of the Slovak Banking Sector 2004,* Bratislava.
14. NBS. 2005. *Analysis of the Slovak Financial Sector 2005*. Bratislava.
15. NBS. 2007. *Analysis of the Slovak Financial Sector for the Year 2007*. Bratislava.
16. NBS. 2008. *Analysis of the Slovak Financial Sector for the Year 2008*. Bratislava.
17. NBS. 2009. *Analysis of the Slovak Financial Sector for the Year 2009.* Bratislava.
18. NBS. 2010. *Analysis of the Slovak Financial Secor for the Year 2010*. Bratislava.
19. NBS. 2011. *Analysis of the Slovak Financial Sector for the Year 2011*. Bratislava.
20. NBS. 2012. *Analysis of the Slovak Financial Sector for the Year 2012*. Bratislava.
21. NBS. 2013. *Development of the Banking Sector Equity 2003-2012*. Bratislava.
22. NBS. 2015. *Survey of Financial Market Development, 1993 – 2017*, Bratislava.
23. Christensen, C.M., Alton, R., Rising, C., Waldeck, A. 2011. *The New M&A Playbook.*
24. Harvard Business Review, pp. 49-57.
25. Jassimudin S. M. 2012. *The Handbook of Mergers and Acquisitions.* UK: Oxford University Press.
26. Piekkari, R., Welch, C., Paavilainen, E. 2009. *The Case Study as Disciplinary Convention. Evidence from International Business Journals.* Organizational Research Methods, vol. 12 (3), pp. 567-589.
27. Sestakova, M., Ferencikova, S. 2014. *Transformation of the Slovak Banking Sector*. Contributions to International Business. Acta Wasaensia 303, pp.95-118.
28. Yin, R. K. 1994. *Case Study Research: Design and Methods.* London: Sage Publications.

29. Zhu Minyan. 2012. *The impact of foreign bank entry in emerging markets: knowledge spillovers or competitive pressure?* ESRC Centre for Competition Policy, University of East Anglia, Norwich, CCP Working Paper 12-4.

**Appendix 1 The largest Slovak banks in 2013** (Based on total assests for the financial year)

| Name of the bank | | Total assests 2013 (ths. eur) | Total assests 2012 (ths. eur) | Change 2013/12 (%) |
|---|---|---|---|---|
| 1 | Slovenská sporiteľňa, a.s. | 11 664 515 | 11 745 863 | -0.69 |
| 2 | Všeobecná úverová banka, a.s. | 11 017 434 | 10 737 895 | 2.6 |
| 3 | Tatra banka, a.s. | 9 453 403 | 9 046 558 | 4.5 |
| 4 | Československá obchodná banka, a.s. | 5 554 999 | 5 384 965 | 3.16 |
| 5 | Poštová banka, a.s. | 3 736 539 | 3 332 977 | 12.11 |
| 6 | Prvá stavebná sporiteľňa, a.s. | 2 414 496 | 2 285 245 | 5.66 |
| 7 | Sberbank Slovensko, a.s. | 2 029 725 | 1 748 369 | 16.09 |
| 8 | Prima banka Slovensko, a.s. | 1 900 387 | 1 979 364 | -3.99 |
| 9 | OTP Banka Slovensko, a.s. | 1 420 781 | 1 270 666 | 11.81 |
| 10 | J & T Banka, a.s., pobočka | 1 017 066 | 1 107 029 | -8.13 |
| 11 | Komerční banka, a.s., pobočka | 912 308 | 716 628 | 27.31 |
| 12 | Privatbanka, a.s. | 614 190 | 682 112 | -9.96 |
| 13 | Wüstenrot stavebná sporiteľňa, a.s. | 386 172 | 374 472 | 3.12 |
| 14 | ČSOB stavebná sporiteľňa, a.s. | 221 366 | 216 848 | 2.08 |
| 15 | Oberbank AG, pobočka | 126 839 | 95 752 | 32.47 |

| | | | | |
|---|---|---|---|---|
| 16 | Commezbank Aktiengesellschaft, pobočka | 103 112 | 159 196 | -35.23 |
| 17 | The Royal Bank of Scotland plc, pobočka | 84 781 | 160 794 | -47.27 |
| 18 | BKS Bank AG, pobočka | 52 889 | 43 558 | 21.42 |
| 19 | Banco Banif Mais S.A., pobočka | 12 011 | 11 844 | 1.41 |
| 20 | UniCredit Bank Czech Republic and Slovakia, a.s., pobočka | n | 4 027 134 | – |
| 21 | ING Bank N.V., pobočka | n | 889 219 | – |
| 22 | Citibank Europe plc, pobočka | n | 590 084 | – |
| 23 | ZUNO BANK AG, pobočka | n | 378 894 | – |
| 24 | Fio banka, a. s., pobočka | n | 13 080 | – |
| Špecializované štátne banky | | | | |
| 25 | Slovenská záručná a rozvojová banka, a.s. | 477 635 | 474 576 | 0.64 |
| 26 | Exportno-importná banka SR | 419 387 | 331 345 | 26.57 |

Note: 15-24 Branch offices of the foreign banks, 25-26 Special state-owned banks
Source: http://firmy.etrend.sk/rebricky-firiem0/najvacsie-banky.html accessed July 7, 2015

**Contact data:**

**Sonia Ferencikova, prof. Dr.**

Vysoká škola manažmentu/City University of Seattle, Panónska cesta 17, 851 04 Bratislava

sferencikova@vsm.sk