

# Abstract

The European banking industry has experienced profound change in regulation, technology and market structure over the last two decades. Since the late 1990s, a strong wave of mergers and acquisitions (M&A) and market consolidation process have been induced by changing external environment. The aim of this thesis is to find out whether M&A transactions in the European banking sector can be justified by creating value for involved banks' shareholders. For this purpose we first discuss theoretical motives, which indicate the potential sources of value creation. Furthermore, we conduct an event study examining value implications of 59 M&A transactions of listed European banks carried out between 1998 and 2007. Our findings suggest large value creation for the targets' shareholders. On contrary, significant value destruction is found for shareholders of the bidding banks. The net wealth effect for combined entities of targets and bidders is still significantly positive; therefore, we conclude that banking M&As have been successful. Moreover, we present results for several sub-samples analysing differences in terms of value creation between domestic and cross-border deals, cash and equity-financed deals and transactions of different sizes.