



## How Much Do Mergers and Acquisitions Improve Performance: A Case Study of Albanian Banks

Erjola Barbullushi<sup>1</sup>, Albana Kastrati<sup>2</sup>

**Abstract:** Mergers and acquisitions in the banking sector are strategic tools to strengthen and unite banks. These strategies ensure increased business, talent, and skills from other banks, as well as increased profitability. **Objectives:** This study investigates the impact of mergers and acquisitions (M&A) on the financial performance of banks in Albania, a country with a dynamic but competitive banking environment. M&A are explored as strategic tools to enhance efficiency, profitability, and market positioning. **Prior Work:** Previous research presents mixed findings on the effect of M&A on banks' performance, with studies across various countries and sectors showing both improvements and drawbacks in key financial metrics post-M&A. **Approach:** A case study approach is employed, using descriptive and comparative analysis methods to examine two banks—ABI Bank and OTP Bank—before and after M&A transactions. Financial data were sourced from official banking reports and databases. **Results:** Findings show that OTP Bank experienced substantial improvements in profitability and operational indicators post-merger, whereas ABI Bank displayed limited change due to data limitations and internal constraints. **Implications:** The results are relevant to academics studying post-M&A performance, policymakers evaluating the banking sector's stability, and bank administrators planning strategic growth. **Value:** This paper adds value by providing country-specific empirical evidence on M&A impacts in the Albanian banking sector, an under-researched region, and offers practical implications for enhancing post-merger integration and performance.

**Keywords:** Accounting ratios; Banks; Profitability; Post Merger Analysis; Financial Institutions

**JEL Classification:** G21, G34

### 1. Introduction

Mergers and acquisitions are one of the strategic tools for uniting the banking sector. M&A are considered one of the most important tools for driving business growth, bringing in skills and talent from other banks, and increasing long-term profitability.

<sup>1</sup> Faculty of Economy, Luigj Gurakuqi University of Shkodër, Albania, Address: Sheshi 2 Prilli 24, Shkodër, Albania, Corresponding author: [erjola.barbullushi@unishk.edu.al](mailto:erjola.barbullushi@unishk.edu.al).

<sup>2</sup> Faculty of Economy, Luigj Gurakuqi University of Shkodër, Albania, Address: Sheshi 2 Prilli 24, Shkodër, Albania, E-mail: [albana.kastrati@unishk.edu.al](mailto:albana.kastrati@unishk.edu.al).



Copyright: © 2024 by the authors.  
Open access publication under the terms and conditions of the  
Creative Commons Attribution-NonCommercial (CC BY NC) license  
(<https://creativecommons.org/licenses/by-nc/4.0/>)

According to Harrison (1991), existing theories of M&A justify that synergistic gains are achieved over a longer term than in the short term, and the synergistic gains from M&A are reflected in profitability ratios such as ROA and ROE. Pasiouras (2005) suggests two reasons (economic and non-economic) that influence M&A decisions. The economic reasons are accompanied by internal factors of banks, such as synergy, managerial motives, etc. Non-economic causes, on the other hand, are associated with external variables such as legislation, laws, economic situations, technological advancements, globalization, and other external influences.

In the Albanian context, the importance of this study is related to the fact that banks in Albania are facing significant challenges in a market sensitive to competition. M&A may be the right tool for Albanian banks to increase efficiency, strengthen their market position, diversify products, and enhance long-term profits. Therefore, this study aims to explore how M&A impacts the performance of banks in our country. Through various analyses of financial performance before and after M&A, the study aims to shed light on the results and impact of these processes in the banking sector.

This study can serve as a guide for Albanian banks in formulating their growth and development strategies, from which this study has also drawn inspiration, organized into three following parts: “Literature Review,” which contains an analysis of the existing literature related to the study’s topic, addressing the definitions of study terms, the reasons and consequences of these processes, as well as empirical studies related to the financial performance of banks in the context of M&A; “methodology,” which describes the research question of the study and the methods used to break down and analyze the data, including a description of the research procedure, “Discussion,” which includes the analysis of banks that have undergone M&A in Albania and discusses the key indicators of the financial performance of banks through revenues, expenses, balance sheets; In the end, the main conclusions of the study regarding its overall objectives have been compiled.

## **2. Related Work**

The literature suggests that there are mixed influences on the financial performance of the banking sector in the pre-unification period. However, the summary of their results was very complicated due to the differences in the methodology used by the researchers. Some studies used accounting performance indicators; however, they employed different accounting variables and data to reach their findings. The effects of M&A on financial performance in the banking sector did not particularly improve in the post-merger period (Shah & Khan, 2017). Mantravadi and Reddy (2008) studied the operational performance following the merger of acquiring companies in various sectors in India, particularly in agriculture products, chemicals, textiles, banking and finance, and electronic equipment firms. The study covers the period from 1991 to 2003 using report analysis and an attached sample t-test. The findings conclude that the M&A had improved operational cost efficiency, resulting in increased profit margins. However, the efficiencies did not translate into higher profits due to the increase in debt following the M&A.

Sinha and Gupta (2011) studied the impact of M&A in the Indian financial sector from 1993 to 2010. The study analyzed eighty companies that had undergone mergers and acquisitions over an eighteen-year period. The study found that M&A had a beneficial effect on profitability, specifically on net profit and profits before interest, taxes, depreciation, and amortization. However, they had a detrimental effect on liquidity, as indicated by a decrease in the current ratio.

Patel (2018) studied the impacts of financial performance before and after M&A in five selected banks in India during the period from 2000 to 2014, using ratio analysis and the paired sample T-test. The findings provide a summary of the beneficial impact on the four sample banks during the post-merger era. This influence is reflected in many reports, such as earnings per share, earnings per employee, and business per employee.

However, most banks effectively utilized assets, capital, and investments in the examples, leading to positive impacts on profitability in the post-merger period. Rathinam (2016) found that M&A had a favorable influence on the financial efficiency of selected banks in India. These transactions enabled the banks to produce value following the merger phase.

Thus, Adebayo and Olalekan (2012) studied the impact of commercial bank performance M&A in Nigeria using the correlation coefficient and the T-test. The results found an important connection between profitability and the capital base in the pre-merger period due to a significant increase in revenue growth and the bank's consolidation process. The overall performance of banks improved after M&A, leading to an increase in earnings per share, dividends for shareholders, stock value, and a reduction in bankruptcy risk. Similarly, the studies by Oloye and Osuma (2015) revealed that M&A are an effective tool for achieving stability and profitability in Nigeria's banking sector. These findings are consistent with a study by Elumilade (2010).

Jallow (2017) studied the effects of M&A on the financial performance of forty companies in the United Kingdom from 2006 to 2010. The study found a significant impact of M&A on ROA, ROE, and EPS, and an insignificant impact on the net profit margin. The study concludes that the significant decline in companies' ROA and ROE in the post-merger period is linked to a lack of management efficiency, ineffective distribution of shareholder funds, and an increase in financial costs. Agarwal (2022) examined the impact of M&A on the operational efficiency and financial performance of commercial banks in India during a ten-year period from 2008 to 2018. The study utilized a sample size of four and examined the impact of M&A over the pre-post-merger era. The impacts were assessed using five accounting reports, employing the CAMEL framework and a T-test. The findings conclude that M&A had significant effects on the performance of private commercial banks more than on public banks, although the impact on ratios varies depending on the performance of individual banks. On the contrary, studies by Abdulwahab and Ganguli (2017) concluded that the overall financial performance of local banks in Bahrain did not significantly improve after M&A due to the impact of the global financial crisis following 2007, the competitive market environment, and the stricter requirements of the Central Bank of Bahrain (CBB).

In addition, Weinberg (2007) reveals that mergers impact the performance of the merged company, as the newly formed company has greater market power, along with the entire group of skills and competencies that can easily dominate many of the management challenges based on the intentions and efforts of the decision-makers. In addition, Mantravadi and Reddy (2008) observe that the period after a company merger is marked by favorable fluctuations in the market offerings of the company. However, they also highlight that the effect of this merger on the company's profitability is minimal.

Akpan et al. (2018) conducted a study to analyze how M&A affected the operational performance of Nigerian banks from 1995 to 2012. Investment banks show a notable enhancement following their involvement in M&A. Abdou et al. (2016) discovered that M&A had a beneficial effect on the financial performance of Nigerian banks. Hassen (2018) analyzes the effects of M&A on 60 banks in 17 European countries from 2005 to 2013. They assert that mergers and acquisitions provide favorable

outcomes, indicating that over time, these transactions successfully accomplish all their objectives. Awan and Mahmmod analyze the effects of M&A on the performance of seven commercial banks in Pakistan from 2002 to 2011. The authors utilize four measuring reports, namely liquidity, profitability, solvency, and investment, to demonstrate a favorable influence of mergers and acquisitions on the banks' performance.

Afza and Yusuf (2012) examine the effects of mergers on cost and profit efficiency in the banking industry of Pakistan from 1998 to 2006. The researchers saw an enhancement in the bank's cost efficiency following a merger, but they did not discover any substantial indication of improved profitability efficiency.

In a similar manner, Abbas (2014) explores the financial performance of 10 banks in Pakistan following M&A during the period from 2006 to 2011. They also use four measurement reports (e.g., profitability, efficiency, financial leverage, and liquidity) and reveal that there is no positive improvement in the bank's performance after the M&A.

Beccalli and Frantz (2009) conducted a study on the effects of M&A on bank performance. They found that these operations lead to a little decrease in profit efficiency and a notable improvement in cost efficiency. Nevertheless, some studies have determined that the lack of success in merging and acquiring firms may be attributed to several factors, such as disparities in their goals stemming from company size, divergent policies, distinct methods, and differing operating styles.

Furthermore, Giudici and Bonaventura (2018) analyze the operational success of 245 European companies that underwent M&A following their initial public offering (IPO). They indicate that corporations who purchase first public offerings (IPOs) typically do not exhibit distinct performance compared to their competitors that do not make such purchases. Furthermore, Shaban et al. (2019) analyze the influence of M&A on the performance of two Jordanian banks and contend that following a M&A, the banks' performance initially deteriorates in the first two years, but then starts to improve in the subsequent years. The researchers determined that the variation in outcomes may be ascribed to challenges in effectively handling the augmented quantity of assets resulting from the merger and acquisition. Liargovas and Zeponidis (2011) found that M&A in the banking industry do not have any effect on wealth creation.

### **3. Methodology**

#### **3.1. Problem Statement**

Mergers and acquisitions (M&A) are commonly employed by banks to enhance financial performance, expand market presence, and improve operational efficiency. However, their impact on the financial health of banks in emerging economies such as Albania remains uncertain and underexplored. This study aims to determine whether M&A activities lead to measurable improvements in key performance indicators — including profitability, asset quality, liquidity, and capital adequacy — for selected Albanian banks.

### 3.2. Concept and Terms

The core concept underpinning this research is that M&A activities can affect a bank's financial structure and performance by improving operational scale, enhancing risk diversification, and enabling better capital utilization. Key terms and indicators used in this study include:

- Return on Assets (ROA): Measures profitability relative to the bank's total assets.
- Return on Equity (ROE): Indicates the profitability relative to shareholders' equity.
- Loan-to-Deposit Ratio (LDR): Reflects the bank's liquidity by comparing loans to deposits.
- Capital Adequacy Ratio (CAR): Assesses a bank's available capital to its risk-weighted credit exposures.
- Liquidity Ratio: Indicates the bank's ability to cover short-term obligations.

### 3.3. Solution Approach

The study uses a descriptive and comparative analysis approach to assess the financial performance of banks before and after M&A activities. Specifically:

- Descriptive Analysis: Involves summarizing key financial indicators such as ROA, ROE, asset growth, and liquidity for ABI Bank and OTP Albania, which underwent significant M&A activities.
- Comparative Analysis: Compares the financial performance indicators of the banks in the pre- and post-M&A periods to identify patterns or significant changes.

The data was sourced from official reports published by the Association of Albanian Banks (AAB), the Bank of Albania, individual banks' official websites, and Deloitte's financial stability reports (up to March 2024).

Table 1 presents the asset distribution across major Albanian banks, highlighting that ABI Bank and OTP Albania hold significant positions at 6.6% and 9.1% of sector assets respectively. These banks were selected due to their active involvement in M&A and availability of financial data for meaningful analysis.

**Table 1. Bank Assets**

Bankat	Assets %	Loan në %	Investment in securities %	Investment in other banks %
ABI Bank	6.6%	7.6%	7.1%	2.0%
BKT	24.9%	13.1%	38.6%	16.4%
Credins Bank	16.3%	19.1%	14.2%	4.0%
FIBank Albania	2.9%	3.9%	2.0%	1.5%
Intesa Sanpaolo Bank Albania	10.5%	7.2%	9.4%	35.1%
ProCredit Bank	2.3%	3.9%	0.4%	2.9%
Raiffeisen Bank Albania	14.8%	15.7%	12.2%	31.1%
OTP Albania	9.1%	12.9%	5.8%	0.4%
Tirana Bank	6.7%	8.3%	6.2%	4.4%
Union Bank	5.1%	6.5%	4.2%	2.2%

United Bank of Albania	0.9%	1.8%	0.0%	0.0%
Total	100%	100%	100%	100%

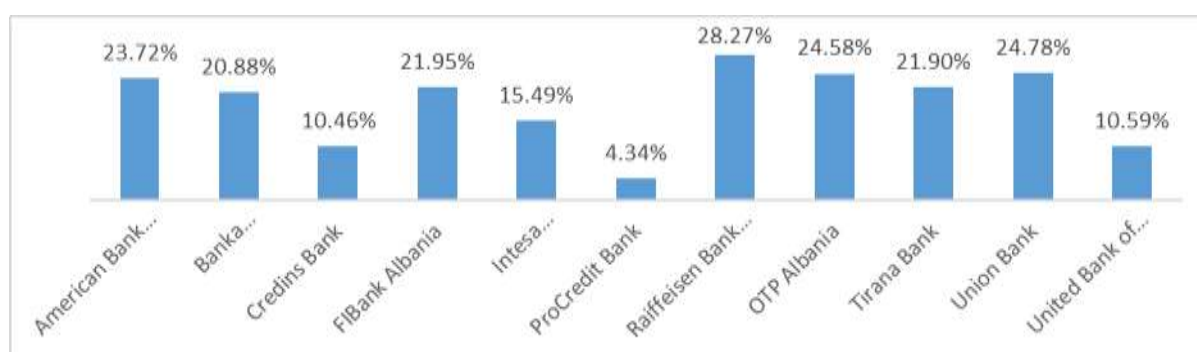
Source: AAB, March 2024

In the voice of loans, the largest share of loans given to others is held by Credins Bank with 19.1%, Raiffeisen Bank with 15.7%, BKT with 13.1%, and OTP with 12.9%. In the investments made in securities, the largest share is held by BKT with 38.4%, Credins Bank with 13.4%, Intesa Sanpaolo Bank with 10.3%, and Raiffeisen Bank with 11.7%.

Additionally, sector-wide indicators such as the average ROA and ROE provide context for evaluating the performance of the selected banks. ROA for the banking sector in Albania is 1.7%. OTP Bank has the highest ROA at 2.99%, demonstrating strong performance compared to other banks. Raiffeisen Bank has a 2.93%, Fibank, despite its small position in the sector, also has a high ROA of 2.27%, followed by Tirana Bank with 2.15% and ABI Bank with 2.06%.

ROE is an important indicator for investors as well, and it is used to assess how profitable investments in banks are. A high ROE may indicate that the bank is managing its assets well and has a successful strategy for increasing profitability.

As shown in Graph 1, both ABI Bank and OTP Albania show above-average ROE levels (23.72% and 24.58%, respectively), reinforcing their relevance to the study.



Graph. 1. ROE in %, AAB, March 2024

The study encountered limitations due to incomplete or unavailable financial data for certain periods, particularly concerning ABI Bank. These data gaps constrain the depth of comparative analysis and the generalizability of findings. Despite these limitations, the study offers valuable insights into the influence of M&A activities on the performance of banks operating in a transitional and competitive market like Albania.

#### 4. Analysis of Results

In Albania, M&A began as early as 1993, with the National Bank of Albania and the Albanian Commercial Bank merging into the National Commercial Bank, which until 2000 was fully owned by the Ministry of Finance, and was then privatized. (Shehu, 2021). Then, from 2004 to 2017, the number of second-level banks was 16. Later, the Italian-Albanian Bank merged with the American Bank of Albania.



After 2017, with the M&A of 4 banks, there were 14 active banks in 2018. As of 2023, Albania has 11 active banks because ABI: The American Bank of Investments sh.a, which started its operations in 1999, was acquired by ABI Bank in 2015. It turned deep historical losses into profitability, with a clean balance sheet, strong capital adequacy, and growth. The change in culture and the customer-focused approach reinforced the bank's positive results. (Abi Bank, 2018). Also, in 2017, it purchased the National Bank of Greece S.A.

The indicators of a bank's financial health (with which we will measure the performance of the merger and acquisition process) are: Capital adequacy, Loans/Deposits, Liquidity ratio, Loan provisioning ratio, Net interest income/Income from banking activities, ROE, return on equity, ROA, return on assets, Net interest income/Assets, Interest expenses/Liabilities. A simple analysis that can be conducted is by taking the key indicators from the banks as stated in their annual reports, such as net interest income, commissions, losses from currencies, operating expenses, profit, etc.

**Table 2. Key Indicators in the Income and Expenditure Statement**

	<b>ABI 2018</b>	<b>ABI 2017</b>	<b>Change</b>	<b>OTP 2023</b>	<b>OTP 2022</b>	<b>Change</b>
<b>Net interest income</b>	1,505,778	1,161,804	30%	1,382,692	669,726	106%
<b>Net income from fees</b>	118,073	103,066	15%	282,011	191,184	48%
<b>Loss from exchange</b>	24,471	42,235	-42%	110,100	553,494	-80%
<b>General expenses</b>	926,459	794,835	17%	394,815	717,370	-45%
<b>Loss from receivables</b>	34,466	-		679,206	191,017	256%
<b>Net overall profit</b>	569,031	590,394	-4%	857,902	93,233	820%

*Source: Authors' calculation*

Net interest income for ABI Bank shows a 30% increase from 2017 to 2018 while OTP Bank has recorded a significant increase of 106% from March 2022 to March 2023. Its income from interest increased by offering more affordable products and services to its clients through the expansion of the loan portfolio and the improvement of interest policies after the acquisition. Income from securities transactions and other financial activities has also increased. Net income from fees and commissions increased for all banks in 2017 and 2018, with a growth of 15% for ABI Bank and 48% for OTP Bank. It is worth noting that OTP won two awards in 2022, specifically for its strong performance and upward positioning in the banking sector. The net profit from foreign exchange activities has undergone significant changes for all banks. ABI Bank marks a decline of 42% from 2017 to 2018. The OTP Bank has also decreased by 443,394,100 lek, by 80%, showing another sign of improvement in the bank's position in the market following the merger of banks. Overall, the income from the banking activity of ABI Bank recorded a decrease of 85%, while OTP Bank marks an increase of 86%. ABI Bank has a decline of 4% in profits, while OTP has an increase eight times greater than in March 2022, from 93 million to 857 million in March 2023.

The idea is to examine loans, down payments, deposits, and equity capital to see where the banks stand, what can be done to improve that, and whether there is a need for financial restructuring. Financial restructuring is "an action taken by a corporation to improve the financial balance sheet and eliminate financial risks" (Shehu, 2021).

**Table 3. Key Indicators in the Balance Sheet**

	<b>ABI Bank</b>			<b>OTP Bank</b>		
	<b>ABI 2018</b>	<b>ABI 2017</b>	<b>Change</b>	<b>OTP 2023</b>	<b>OTP 2022</b>	<b>Change</b>
<b>Total assets</b>	77,815,291	41,034,003	90%	182,077,246	180,460,483	1%
<b>Loans to customers</b>	24,721,153	9,285,162	166%	96,114,761	93,627,486	3%

<b>Loans to banks</b>	5,950,972	2,718,602	119%	2,103,307	4,066,560	-48%
<b>Deposits from customers</b>	65,670,499	34,946,297	88%	145,588,227	146,699,152	-1%
<b>Share capital</b>	9,065,220	3,825,368	137%	21,495,371	21,284,514	1%

Source: Authors's presentation

ABI Bank recorded a strong growth of 90% in total assets between 2017 and 2018. OTP Bank recorded a minimal increase of 1% from 2022 to 2023.

ABI Bank has experienced a significant increase of 166% in net loans and advances to customers, taking into account the risk of default to better position itself in the banking sector. OTP Bank experienced a 3% increase in this area. OTP has adjusted its strategy to provide fewer loans in order to reduce credit risk. In total, the loan portfolio decreased by 1.08 billion lek at the end of March 2023, or by 0.99% compared to the end of 2022, while problematic loans remained stable at minimal levels. The report on Non-Performing Loans as a percentage of Total Loans at the end of March is 5.24%, experiencing a decrease of 0.06% compared to 2022.

Net lending rates for banks and credit institutions. ABI Bank experienced a significant increase of 119% in net loans and advances to banks and credit institutions between 2017 and 2018.

This happens for several reasons: Credit expansion strategy, The high demand from banks and credit institutions because they need additional liquidity to meet their credit requirements, ABI itself may have developed partnerships and agreements with banks and credit institutions to offer special products and services, Opportunity to gain weight in other banks from the increase in the bank's own capacities after acquiring another one.

ABI Bank recorded an 88% increase in liabilities to clients between 2017 and 2018. OTP marked a negligible decrease of 1 percent. The deposit portfolio of OTP experienced a decline of 1.2 billion lek compared to the end of 2022, including a decrease of 2.6 billion lek in current accounts, as well as in the current accounts of public institutions and accrued interests, and a decline of 1.2 billion lek in term deposits, along with an increase of 2.6 billion lek in term deposits and accrued interests for each category. ABI Bank had a significant increase of 137%, from 3.8 billion to 9 billion in share capital. Meanwhile, OTP Bank has an increase of 1%.

The increase in capital occurs because a bank may have received new investments from its shareholders or from other investors, as is the case with ABI Bank. In the case of OTP, the reduction in share capital occurred because Alpha Bank had a weaker financial performance and losses in the operating year, which were covered by OTP itself.

Some of the indicators taken into this analysis are: capital adequacy ratio, net interest, liquidity ratio, provision rate, ROA, ROE, loan-to-deposit ratio, etc. Based on them, we are then able to assess whether the bank is at a healthy level or not and whether measures should be taken to improve it, which in our economy, requires a detailed analysis by each of its banks.

**Table 4. Key Indicators (in percentage)**

	<b>ABI 2018</b>	<b>ABI 2017</b>	<b>Change</b>	<b>OTP 2023</b>	<b>OTP 2022</b>	<b>Change</b>
<b>Capital adequacy</b>	20%	26%	-6.0%	16.33%	16.23%	0.1%
<b>Loan-to-deposit ratio</b>	38%	31%	6.4%	63%	70%	-6.7%
<b>Liquidity ratio</b>	62%	57%	5.4%	35.78%	32.46%	3.3%
<b>Provision rate</b>	0.2%	0.2%	-0.1%			0.0%
<b>NIT/Total bank Income</b>			0.0%	161%	178%	-17.0%



<b>ROE</b>	6.20%	15.40%	-9.2%	25%	18.80%	6.6%
<b>ROA</b>	0.7%	0.1%	0.6%	0.5%	0.1%	0.4%
<b>NII/ Assets</b>	2%	3%	-0.9%	0.5%	0.00	0.1%
<b>Interest expenses/ Liabilities and share capital</b>	0.63%	0.99%	-0.4%	0.8%	0.4%	0.4%

*Source: Authors's presentation*

The capital adequacy report calculated according to Regulation No. 48 “On the Capital Adequacy Report.” The capital adequacy ratio is calculated as the ratio between the total amount of regulatory capital and the total amount of risk-weighted exposures, expressed as a percentage.

Following the requirements of the Central Bank, the capital adequacy ratio based on the Bank's risk as of March 31 was 16.33%, while in December 2022 it was 16.23%. Despite the negligible change, it is a significant indicator that the merger has not affected this metric.

ABI Bank recorded a decline from 26% in 2017 to 20% in 2018, a decrease of 6%. Despite this, the rate is above what is required by the B.Q. Some of the reasons why banks experience a decline in this indicator are: melting expenses, the review and reassessment of entries in accounting values, when the bank faces significant losses in its loan portfolio or other investments, or when there has been a decrease in annual profit, as they experienced a 44% drop due to the appropriation factor. ABI Bank increased its deposit ratio from 31% in 2017 to 38% in 2018, a rise of 7% due to issuing more loans, as evidenced by a 166% increase in net loans and advances to customers and a 119% increase in net loans and advances to banks and credit institutions.

OTP Bank has recorded a decline in the loan-to-deposit ratio from 70% in 2022 to 63% in 2023, a decrease of 7%. This came as a result of the decrease in the amount of loans offered by the bank in 2023, the revision of the bank's lending policies, and the loan strategy. ABI Bank increased its liquidity ratio from 57% in 2017 to 62% in 2018, a rise of 5%. Despite the lack of clarification from the bank's reports, aside from the known short-term liquid assets/liabilities formula, some of the reasons for this may include: an increase in deposits, growth in investments in liquid instruments such as government bonds, corporate bonds, or other money market instruments. OTP Bank has experienced a significant increase in its liquidity ratio from 32.46% in 2022 to 35.78% in 2023, an increase of 3.3%. The OTP Bank has explained its monetary liquidity as follows:

The foreign provisions for ABI Bank were low. This happened because after the merger, the bank decided to reduce the amount of bad loans in its portfolio, increasing revenue. As for OTP, there was no data available.

In 2023, for OTP Bank, net interest income was 161% of total operating expenses, while in 2022 this percentage was 178%. This indicates that in 2023, the bank has managed to increase the ratio of net interest income to total operating expenses compared to 2022. This happened because interest income increased in 2023 by about 768,866,630 lek compared to the previous year, while overall expenses decreased. Unnecessary costs in operations and infrastructure have been identified and reduced. This may include reviewing internal processes, automating activities, and optimizing capital and labor resources. Her income from interest has increased by offering more affordable products and services to her clients through the expansion of the loan portfolio and the improvement of interest policies. Income from securities transactions and other financial activities has also increased. For ABI Bank, ROE was 15.40% in 2017 and decreased to 6.20% in 2018. OTP Bank has recorded an increase in ROE from 0.4% in 2022 to 0.8% in 2023. This has come from the increase in asset efficiency and

revenue growth, from the reduction of interest expenses paid for its financing sources, from the decrease in overall operational expenses, and from the reduction of the risk of bad loans.

ABI experienced an increase of 0.6% from 2017 to 2018. While OTP Bank recorded an increase from 0.1% in 2022 to 0.5%, this is because OTP has seen a decrease in interest expenses, overall operating expenses, and has improved operational efficiency. ABI Bank experienced a significant decline of ROA from 3% in 2017 to 2% in 2018. OTP Bank recorded an increase from 0.4% in 2022 to 0.5% in 2023.

ABI Bank experienced a decline of NI from 0.99% in 2017 to 0.63% in 2018. While OTP has increased from 0.4% to 0.8%.

## 5. Conclusions

The completed analysis shows some changes and correlations in the capital adequacy ratios, the loan/deposit ratio, the liquidity ratio, net interest income from banking activities, ROE (return on equity), ROA (return on assets), loan provisioning, and net interest income/assets before and after M&A in the bank. To develop the research question raised at the beginning of this study, we first address all the sub-research questions that have guided this analysis. Table 5 include the results of the analysis on behalf of ABI bank and OTP bank.

**Table 5. Results of the analysis for the banks under review**

	ABI / NBG	OTP / Alpha
<b>Capital adequacy</b>	✓	✓
<b>Loan-to-deposit ratio</b>	✓	✓
<b>Liquidity ratio</b>	✓	✓
<b>Provision rate</b>	–	✗
<b>NIT/Total bank Income</b>	✓	✓
<b>ROE</b>	✗	✗
<b>ROA</b>	–	✓
<b>NII/ Assets</b>	✗	✗
<b>Interest expenses/ Liabilities and share capital</b>	✓	✓

*Source: Authors's presentation*

Based on the data and results obtained, we can conclude that OPT indicators were improved after M&A. Although for the ABI bank, due to the lack of some data, there are no signs of efficiency resulting from the M&A. The first suggestion made in this regard is about transparency and the accuracy in reflecting the standards required by the Central Bank. Another support for this result comes from the report released in March 2023, where the banks with the highest profits were: Raiffeisen Bank, National Commercial Bank, OTP, Intesa Sanpaolo Bank, and Credins Bank. The Financial Stability Report for 2023 for Albanian banks from the Financial Stability Department also categorizes banks into two types of ownership and according to their marginal contribution. According to the analyses conducted, banks with foreign capital tend to experience growth and improvements in banking indicators more significantly, such as the decline in capital due to loan defaults, the banking sector's exposure to direct and indirect risks of exchange rates, and interest rates. Both banks in the study have foreign capital.

The studies conducted, and listed in the reviewed sections, show that the effects of M&A on financial performance in the banking sector may vary, but generally, these effects improve after some time

following the merger. Investment in technology and the implementation of Fintechs are other suggestions for banks in their efforts to improve performance and profitability. To enhance financial efficiency, banks can take measures to improve operational efficiency, risk management, diversification of revenue sources, management performance, and can focus on innovative technology while seeking ways to increase clientele, improve financial indicators, reduce operating expenses, lower liabilities, and manage various risks to which the bank is exposed, etc. To achieve these goals, we suggest that banks invest in human resources and seek ways to diversify their activities and expand the online availability of their services.

These are just a few of the suggestions and strategies that banks can use to improve financial performance in the banking sector. It is important to identify and implement the most suitable steps for each bank based on its specific situation and needs. This paper may be a good point to begin studying what banks benefit from M&A, expanding in the region, and investigating on differences that may arise in European context.

## Acknowledgement

This research is supported by the University of Shkoder “Luigj Gurakuqi” Scientific Research Fund.

## References

- Abdulwahab, B. A., & Ganguli, S. (2017). The impact of mergers and acquisitions on the financial performance of banks in the Kingdom of Bahrain during 2004-15. *Information Management and Business Review*, 34-45.
- Adebayo, O., & Olalekan, O. (2012). An analysis of the impact of mergers and acquisitions on commercial banks performance in Nigeria. *Research Journal of Finance and Accounting*, 16-31.
- Aggarwal, P., & Garg, S. (2022). Impact of mergers and acquisitions on accounting-based performance of acquiring firms in India. *Global Business Review*, 218-236.
- Deloitte. (2022). *Navigating uncertainty: CEE banking market demonstrates resilience in the presence of macro-economik instability*.
- Elumilade, D. O. (2010). Mergers & acquisitions and efficiency of financial intermediation in Nigeria banks: An empirical analysis. *International Journal of Business and Management*, 201.
- Harrison, J. S., Hitt, M. A., Hoskisson, R. E., & Ireland, R. D. (1991). Attributes of successful and unsuccessful acquisitions of US firms. *British Journal of Management*, 91-114.
- Jallow, M., Masazing, M., & Basit, A. (2017). The effects of mergers & acquisitions on financial performance: Case study of UK companies. *International Journal of Accounting and Business Management*, 74-92.
- Liargovas, P., & Skandalis, K. (2008). *Factors Affecting Firms' Financial Performance: The Case of Greece 1997-2004*. University of Peloponnese, Department of Economics.
- Mantravadi, D. P., & Reddy, A. V. (2008). Post-merger performance of acquiring firms from different industries in India. *International Research Journal of Finance and Economics*, 193-204.
- Mantravadi, P., & Reddy, A. V. (2008). Type of merger and impact on operating performance: The Indian experience. *Economic and Political Weekly*, 66-74.
- Oloye, M., & Osuma, G. (2015). Impacts of mergers and acquisition on the performance of Nigerian banks (A case study of selected banks). *Pyrex Journal of Business and Finance Management Research*, 23-40.
- Pasiouras, F., Tanna, S., & Zopounidis, C. (2005). Bank M&As: Motives and evidence. *World Scientific Book Chapters*, 1-52.

- Patel, R. (2018). Pre & post-merger financial performance: An Indian perspective. *Journal of Central Banking Theory and Practice*, 181-200.
- Rathinam, I. B. (2016). Post-mergers and acquisitions performance of select Indian banks. *IUP Journal of Bank Management: IJBM*, 17-27.
- Shah, B. A., & Khan, N. (2017). Impacts of mergers and acquisitions on acquirer banks' performance. *Australasian Accounting, Business and Finance Journal*, 30-54.
- Shehu, El. (2021). *Ristrukturimi financiar i portofolit të kredive bankare si mënyra më efikase për rritjen e përfitueshmërisë së sistemit banker/Financial restructuring of the bank loan portfolio as the most efficient way to increase the profitability of the banking system*. Universiteti europian i Tiranës.
- Sinha, P., & Gupta, S. (2011). *Mergers and acquisitions: A pre-post analysis for the Indian financial services sector*. Faculty of Management Studies, University of Delhi.
- Weinberg, M. (2007). The price effects of horizontal mergers. *Journal of Competition Law and Economics*, 433-447.