PNC agrees to buy BBVA’s US operations for $11.6bn

The Spanish lender added that it intended to use the funds raised in a secondary offering by the end of the year, following the announcement of the deal © Bloomberg

The deal is first large bank merger since BB&T bought SunTrust in 2019

PNC has agreed to buy the US operations of Spanish bank BBVA for $11.6bn in a deal that will end Wells Fargo’s bid for UBS’s US business, delivering a jolt to a fragmented industry that has been slow to consolidate.

The transaction comes six months after PNC sold its US bank to BBVA, the world’s largest by market capitalisation, in a deal that was valued at $12.5bn.

The Spanish lender added that it intended to use much of the funds raised in a secondary offering by the end of the year, following the announcement of the deal © Bloomberg

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The deal will increase BBVA’s core equity tier one ratio by about 300 basis points, the bank said. Spanish banks have some of the lowest core equity tier one ratios in Europe. BBVA said the purchase price represented 20 times the 2019 earnings of its US subsidiary.

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BBVA said the purchase price represented 20 times the 2019 earnings of its US subsidiary.

The move follows a trend of European banks exiting the US, which each have assets of at least $2tn. Wells Fargo and Citigroup, which each have assets of at least $2tn.

The combined PNC-BBVA USA will be the fourth-largest US bank, behind JPMorgan, Bank of America and Wells Fargo. BBVA said the purchase price represented 20 times the 2019 earnings of its US subsidiary.

For BBVA, they have a lot of capital in the Spanish economy, which the government expects 20 per cent EPS accretion in the second year after the merger, which is related to the overlap of global management and regulatory costs. The bank said.

Mr Demchak said the transaction would generate about $900m in cost savings over the long term, on top of the $1bn in synergies that can be sold through their network.

The deal, which would overtake Truist once the deal is completed, would make PNC the fourth-largest US bank. The combined PNC-BBVA USA will be the fourth-largest US bank, behind JPMorgan, Bank of America and Wells Fargo.

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