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More bank buyouts ahead

Barclays-ABN AMRO talks about possible \$80 billion merger spark speculation that other deals could follow.

By Jeff Cox, CNNMoney.com contributing writer

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NEW YORK (CNNMoney.com) -- Merger talks between Barclays of Britain and ABN AMRO of the Netherlands could lead to the biggest banking deal in European history and spark another round of consolidation in the industry, analysts said Tuesday.

The two banks said Monday that they were in exclusive discussions about a merger ([see correction](#)) and some analysts said that [Barclays \(Charts\)](#) could end up agreeing to buy [ABN \(Charts\)](#) for about \$80 billion - a deal that would probably win approval by regulators.

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Analysts also said that the banking industry will likely see significant changes as a result.

Yet it remains unclear whether a deal, if one is reached, would trigger a wave like the flood of mergers that took place in 1998, when Citicorp and Travelers joined to form [Citigroup \(Charts\)](#); Bank One acquired First Chicago NBD, [Bank of America \(Charts\)](#) and NationsBank joined forces, and [Wells Fargo \(Charts\)](#) and Norwest merged.

Dick Bove, senior financial analyst at investment bank Punk Ziegel and Co., is one of the few analysts who is not optimistic that Barclays will get approval to buy ABN. But regardless of whether that deal gets approval, Bove expects to see more bank buyouts ahead.

"There's just such a negative view of where bank earnings are going to go over the next year or two that it's going to put a lot of pressure on potential sellers to sell," Bove said. "I think we've come to a buyer's market, whereas it's been a seller's market the last few years. I think there will be more transactions."

Comerica, [National City \(Charts\)](#), [Zions \(Charts\)](#), and [First Horizon \(Charts\)](#) are among the institutions that Bove sees as potential buyout targets. He expects that J.P. Morgan is one firm that will actively pursue acquisitions.

Should Barclays fail, there aren't any U.S. banks likely to go after ABN, but Dick Langan, head of M&A at Nixon Peabody LLC in New York, said a deal would give Barclays an American stake as it picks up ABN's LaSalle Bank.

"With that global solidification of the combined entity, I think it's going to put pressure on some of the other banks to respond," Langan said.

Vasco Moreno, analyst with Keefe, Bruyette and Woods in London, said European banks remain strong after coming off a huge year for consolidations, with M&A activity jumping 104 percent 2006. But with a possible Barclays-ABN deal being worth almost half of the total of all the mergers in Europe last year, 2007 could turn into an even better year.

"You'll see a lot more [European] banks going down the same route," Moreno said. "Nobody wants to be the last one at the party waiting to dance. Everyone wants to be in a position to control their own destiny, to choose their partners. As a result you'll see consolidation."

And Usha Haley, director of the School of Business at the University of New Haven, sees Barclay's and ABN as natural partners.

"It looks like they have synergies, it looks like they have complementary businesses," she said. "They bring a geographical scope into the merger."

Available suitors

Should Barclays fail in its acquisition bid, there appear to be plenty of players on the sidelines that may be interested in buying ABN, including ING, Spain's BBVA, France's BNP Paribas and the Royal Bank of Scotland.

ING spokesman Peter Jong said the Dutch company would not speculate on an ABN deal, though he did say the company is interested in participating, should large-scale bank consolidation take hold in Europe this year. [Royal Bank](#) of Scotland declined comment.

(Correction: An earlier version of this story stated that Barclays and ABN-Amro had reached a merger agreement. CNNMoney.com regrets the error. [Return to story](#)).

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