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PII: S1057-5219(16)30167-3
Reference: FINANA 1055


Received date: 29 October 2015
Revised date: 22 June 2016
Accepted date: 14 November 2016


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Who acquires whom among stand-alone commercial banks and bank holding company affiliates?

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Article type: SI: FEBS2015 - Audencia

Abstract

This paper presents the difference in the likelihood of being targets or acquirers among stand-alone banks, single-bank holding company (SBHC) affiliates and multi-bank holding company (MBHC) affiliates. Using a sample of U.S. commercial bank data from 1997 to 2012, we find that MBHC affiliates exhibit a greater likelihood of being targets than do stand-alone commercial banks, while stand-alone banks have a greater probability of becoming targets than do SBHC affiliates. On the other hand, our findings show that MBHC affiliates tend to have a greater likelihood of being acquirers than do SBHC affiliates, which again have a greater probability of being acquirers than do stand-alone banks. Those banks that acquire another bank within the same MBHC structure tend to be smaller and more financially constrained than those banks acquiring outside the same MBHC structure, whereas targets that are acquired by another bank within the same MBHC structure tend to be smaller, higher profitability and capital than targets that are acquired by banks from outside the MBHC structure. Our results suggest that the MBHC parent attempts to discipline distressed, poorly performing and smaller affiliates by involving them in mergers and acquisitions.

Keywords: merger; acquisition; bank holding company affiliates; stand-alone commercial banks

JEL Classification: G200, G210, G340

\textsuperscript{1}We extend our appreciation to the conference attendees of the 5\textsuperscript{th} International Conference of the Financial Engineering and Banking Society 2015 and Scottish Doctoral Colloquium in Accounting and Finance 2016. The usual disclaimers apply. Send correspondence to Kim Cuong Ly, Adam Smith Business School, University of Glasgow, University Avenue, Glasgow, G12 8QQ, United Kingdom; telephone: (+44) 141 330 7797; e-mail address: k.ly.1@research.gla.ac.uk.
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