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# Regional Bank Alliances: Current Situation and Challenges

## Significance of alliances and the role of Japanese commercial banks

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### Summary

- Alliances (business alliances and capital tie-ups) in the regional bank industry have begun to take off as government measures to reorganize regional banks begin to function. The types of alliances can be categorized into business and capital alliances between regional banks, and business and capital alliances with so-called financial platformers, such as major banks other than regional banks and securities companies. The aim is to improve the expense ratio by improving gross operating profit and reducing operating expenses.
- On the other hand, it is assumed that investors will demand that a clear set of parameters for evaluating alliances be established. The parameters for assessment will be whether or not improvement in the consolidated return on risky assets (RORA), which is highly correlated with consolidated ROEs, can be achieved in the future. Even if a diversification strategy is implemented, the level of returns will remain low even if the region's risky assets are accumulated while maintaining their current soundness.
- In order to avoid this, it will be necessary to further explore the diverse needs of various regions and make a positive commitment to regional risks. The question of whether alliances can strengthen the management base of the entire regional bank industry and rebuild the customer base of individual banks through more attentive marketing to regional customers will determine the direction of the business models of Japanese commercial banks.

#### Attention

This report is a summary translation. The official document is only in Japanese, included in the DIR Research Quarterly Review (Vol.45).