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Effects of Reorganization and Merger of US Regional Financial Institutions

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Summary

- The number of US commercial banks has halved in the past 20 years due to consolidation.

- In this situation, the Dodd-Frank Act was amended in 2018 to raise the standards for strict regulation and supervision, making it easier for medium-sized banks to conduct M&A. Some listed regional financial institutions are expanding their assets through M&A and other means.

- Recent cases can be categorized into three types: (1) dominant-enhancing projects aimed at increasing market share in existing areas; (2) area-expanding projects aimed at accessing regions where population growth rates are high and enterprises are clustered; and (3) corporate-enhancing projects aimed at securing earnings other than traditional net interest income, such as insurance and asset management businesses for the wealthy. In cases of comparatively large project sizes, dominant-enhancing projects account for half of these cases.

- While the impression of reducing the workforce of acquired companies is strong among U.S. companies, in the case of strengthening dominance, it provides education and training opportunities for retaining and relocating personnel rather than reducing personnel.

- In addition, the effects of the merger will not only reduce costs, such as reducing the number of branches, but also have great expectations for synergy effects, such as the provision of products and services with mutual strengths to customers.

- Efforts toward post-merger integration (PMI), including the ability to implement smooth system integration, hold the key to post-merger growth.

Attention

This report is a summary translation. The official document is only in Japanese, included in the DIR Research Quarterly Review (Vol.47).

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