

Wealth Effects of Intraholding Company Bank Mergers: Evidence from Shareholder Returns

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Abstract

Using an event study approach, this analysis examines whether or not intracompany mergers of subsidiary banks by multibank holding companies result in significant, positive, abnormal stock returns. Such a result implies that investors expect this type of merger will improve future profitability, presumably by permitting efficiencies to be realized or revenues to increase. The analysis of the stock returns for a sample of 39 consolidating companies indicates that this is the case.

These findings appear to be quite robust. Furthermore, the findings imply that permitting holding companies with interstate operations to consolidate their banking units across state lines could yield efficiencies as proponents of interstate branching claim.

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