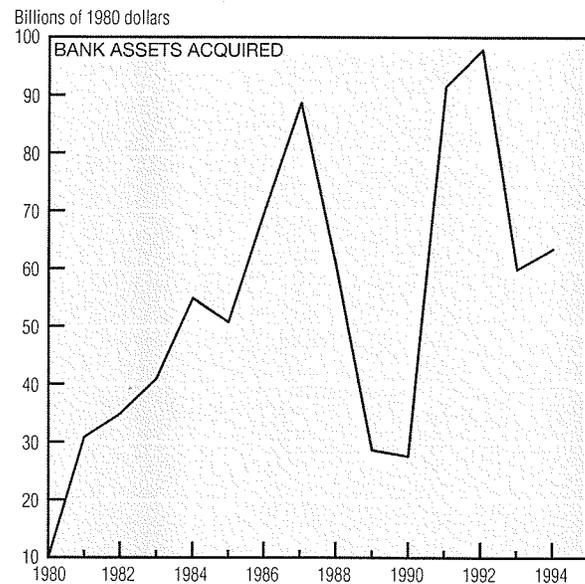
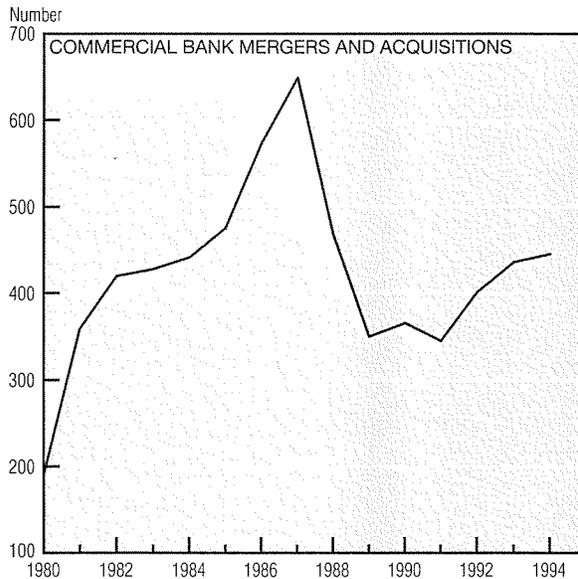
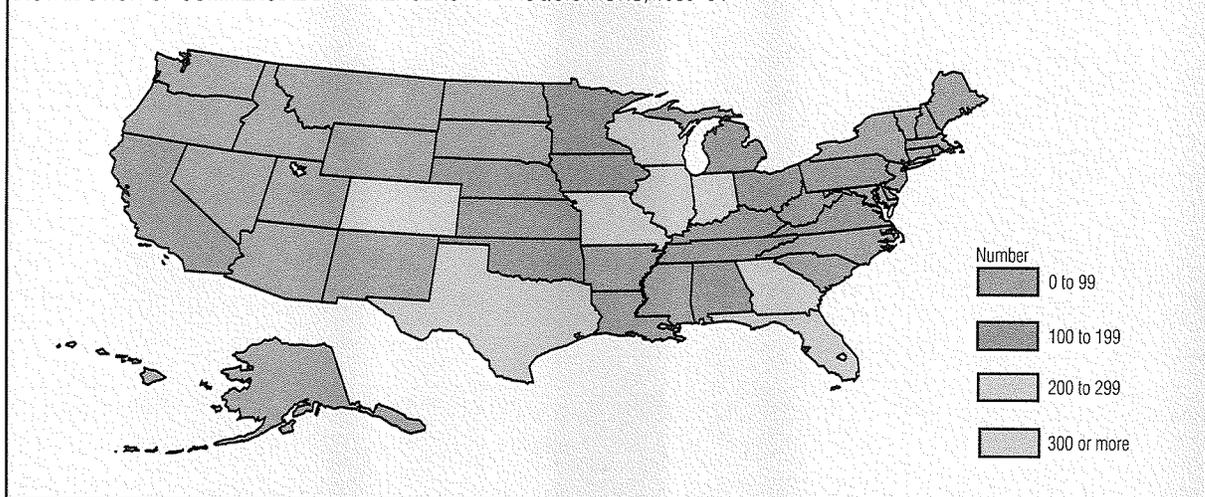


Bank Mergers and Acquisitions



DISTRIBUTION OF COMMERCIAL BANK MERGERS AND ACQUISITIONS, 1980-94



SOURCES: Stephen A. Rhoades, "Bank Mergers and Industrywide Structure, 1980-94," Board of Governors of the Federal Reserve System, Staff Study No. 169 (January 1996); and "Mergers and Acquisitions by Commercial Banks, 1960-83," Board of Governors of the Federal Reserve System, Staff Study No. 142 (January 1985).

Between 1960 and 1979, U.S. bank mergers and acquisitions totaled 3,404. This consolidation continued in the 1980s and early 1990s, largely due to state regulatory changes that allowed out-of-state bank holding companies to acquire home-state banks. From 1980 to 1994, bank mergers swelled to 6,345. Moreover, other data available for 1995 provide additional evidence that this latest wave of mergers and acquisitions is continuing.

The banking sector's recent

merger activity is explained by the Interstate Banking and Branching Efficiency Act. Enacted in 1994, this legislation made interstate branching easier and more attractive, particularly when pursued through the acquisition of existing banks. It defined nationwide standards for a bank holding company's acquisition of a bank in any state (implying that state laws on out-of-state acquisitions would no longer apply) and created the necessary conditions by which bank holding companies will

soon be able to convert their subsidiaries into a single network of branches.

This industry consolidation affects how some banks conduct business. Significant changes occur within an acquired bank, making it more similar to its acquirer in both usual performance measures and its asset portfolio. This suggests that economies of scale and cost savings due to the acquirer's greater managerial efficiency have been important motivations for bank mergers.