

Given the recent traumatic events in the world's banking industry it is important to understand what drives bankers to create larger and larger, often multinational, banking groups. In this paper we investigate whether the targets in cross-border bank M&As are materially different from those banks targeted in domestic M&A deals. To address this question we use a sample of over 24,000 banks from more than 100 countries. We begin by estimating the probability that a bank will be a M&A target; this probability is based upon both bank specific and country specific characteristics. The sample also naturally includes banks that were not involved in any M&A deal, this set of banks acts as a control sample for the study. We then estimate a multinomial model that distinguishes between (i) targets in domestic operations, (ii) targets in cross-border operations and (iii) non-targets. The main message of the paper is that, with few exceptions, domestic and foreign investors target similar banks. In particular, contrary to what one might expect, bank size does not affect differently the probability of being a domestic or a cross-border target, but it has a positive and highly significant effect in both cases. What differs between national and international M&As are the characteristics of the countries where banks operate. On average, banking systems characterized by lower leverage, higher cost inefficiency and lower liquidity are more likely to be targets of cross-border acquisitions, while none of these characteristics affects the likelihood of being acquired domestically.