

## Portfolio Restructuring of Banks: The Impact on Performance and Risk

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**Abstract :** Driven by difficult market conditions and increasing regulations, many banks are making the strategic decision to restructure their portfolio by divesting several business segments. Using a unique dataset of 727 portfolio restructuring announcements by 161 international listed banks over the period 1999 to 2015, we investigate the impact of restructuring measurements on the stock performance as well as on the banks' profitability and risk. Employing the event study methodology, we detect positive stock market reactions on the announcement of restructuring measurements. These positive stock market reactions indicate that shareholders reward banks' specialization activities. However, the results of the system GMM regressions show a negative relation between restructuring measurements and banks' return on assets and a positive relation towards the individual and systemic risk of banks. These empirical results indicate that there is no guarantee that portfolio restructurings will result in a more profitable and less risky institution.

**Keywords :** bank performance, bank risk, divestiture, restructuring, systemic risk

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