How do borrowers find their banks? The value of individuals in bank relationship formation

Marco Ceccarelli* Christoph Herpfer† Steven Ongena‡

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Abstract

We investigate the role of individual commercial bankers in facilitating bank-borrower relationships. We find that after a relationship banker switches to a new bank, her former borrowers are 4 times as likely to initatie a new lending relationship with that lender, compared to the unconditional mean. These newly formed relationships extend beyond lending and include cross selling of bonds and other financial services unrelated to lending itself. The newly acquired borrowers brings an increase in deal volume of 5%, or 1.6 USD million for the average deal, across the various product groups. We plan to investigate (a) whether the likelyhood of a banker getting poached increases with the value of their client portfolio, (b) which clients the banker brings over to her new employer, and (c) whether the borrowing terms improve or decline after the switch.

JEL Classifications: D22, G21, G32.

*University of Zurich and Swiss Finance Institute, Plattenstrasse 14, Zurich 8032, Switzerland; marco.ceccarelli@bf.uzh.ch.

†Emory University, Goizueta Business School, 1300 Clifton Road, 30322 Atlanta, Georgia; christoph.herpfer@emory.edu.

‡University of Zurich, Swiss Finance Institute, KU Leuven, and CEPR, Plattenstrasse 14, Zurich 8032, Switzerland; steven.ongena@uzh.ch.

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