

Online Appendix

We adopt the probit model and show in Table OA.1 that the results are broadly similar to the results presented in the main analysis.

Table OA. 1 Impact of bank business model on fintech acquisitions using the probit model. This table shows the results for the dependent variable *FintechAcquisition*, which is a binary variable that equals 1 if a bank acquired a fintech company in a given quarter and equals 0 otherwise. The results are presented in four models, each of which relates to one of the four banking business models identified: diversified banking (BM1); wholesale banking (BM2); traditional banking (BM3); and investment banking (BM4) in the period under study (2005Q1-2021Q4). Time fixed effects were included to account for unobserved time-varying factors. All variables have been winsorized at the 1% and 99% levels to avoid outliers from skewing the study's findings. All variables were lagged by one period to mitigate potential concerns about endogeneity and reverse causality. Variance inflation factor (VIF) scores are reported as mean values of independent variables and are used to check for multicollinearity

	(1)	(2)	(3)	(4)
Diversified Banking	0.272*** (0.100)			
Wholesale Banking		-0.370*** (0.126)		
Traditional Banking			-0.430** (0.174)	
Investment Banking				0.539*** (0.157)
Size (ln)	0.548*** (0.045)	0.535*** (0.043)	0.524*** (0.043)	0.496*** (0.043)
ROE (%)	0.008 (0.009)	0.009 (0.009)	0.006 (0.009)	0.006 (0.009)
NPL (%)	-0.064 (0.051)	-0.046 (0.047)	-0.066 (0.051)	-0.040 (0.046)
Efficiency (%)	0.001 (0.031)	-0.001 (0.031)	0.001 (0.030)	-0.009 (0.031)
Liquidity (%)	0.018*** (0.004)	0.014*** (0.003)	0.015*** (0.003)	0.006 (0.004)
Intangible (%)	0.050** (0.025)	0.052** (0.024)	0.057** (0.024)	0.060** (0.024)
Capitalization (%)	-0.041** (0.017)	-0.035** (0.016)	-0.049*** (0.017)	-0.041*** (0.016)
IT_Expenditure (%)	0.003 (0.012)	0.006 (0.012)	0.004 (0.012)	0.010 (0.011)
GDP_Growth (%)	-0.021 (0.020)	-0.020 (0.020)	-0.020 (0.020)	-0.019 (0.020)
Interest_Rate (ln)	-1.326 (0.843)	-1.340 (0.844)	-1.338 (0.850)	-1.369 (0.857)
Bank-quarter Observations	406,675	406,675	406,675	406,675
Number of Banks	9,280	9,280	9,280	9,280
Wald Chi2	223.5	230.4	234.9	253.1
VIF	1.15	1.15	1.17	1.18

* p<0.1, ** p<0.05, *** p<0.01

Additionally, since US bank-level data is officially reported on a quarterly basis, the annual frequency is sometimes used in the literature in the main analysis or for robustness checks (van Ewijk and Arnold, 2014). As such, we repeat our main analysis using an annualized US bank-level dataset. To do this, we calculate the annual mean of variables used in the regression by averaging each bank's quarterly values for each year under study. The total number of bank-year observations decreases to 96,622. Furthermore, we account for

duplicates by counting all banks' FinTech acquisitions that take place in any calendar year as one for the purpose of creating the annual dataset. This results in reducing the total number of FinTech acquisitions to 69. The empirical results are reported in Table OA.2, and they appear to be similar to the main results.

Table OA. 2 Impact of bank business model on FinTech acquisitions using annual sample. This table shows the results of repeating the main analysis based on the annualized sample. It shows the logistic regression results for the dependent variable *FinTechAcquisition*, which is a binary variable that equals 1 if a bank participated in an acquisition deal with a FinTech company in a given quarter, and equals 0 otherwise. The results are presented in four models, each of which relates to one of the four banking business models identified: diversified banking (BM1); wholesale banking (BM2); traditional banking (BM3); and investment banking (BM4) in the period under study (2005Q1-2021Q4). Time fixed effects were included to account for unobserved time-varying factors. All variables have been winsorized at the 1% and 99% levels to avoid outliers from skewing the study's findings. All variables are lagged by one period to mitigate potential concerns about endogeneity and reverse causality

	(1)	(2)	(3)	(4)
Diversified Banking	0.971*** (0.330)			
Wholesale Banking		-1.230*** (0.443)		
Traditional Banking			-1.022* (0.536)	
Investment Banking				1.219** (0.515)
Size (ln)	1.764*** (0.157)	1.721*** (0.151)	1.675*** (0.152)	1.630*** (0.151)
ROE (%)	0.022 (0.032)	0.021 (0.033)	0.011 (0.030)	0.008 (0.031)
NPL (%)	-0.183 (0.164)	-0.120 (0.146)	-0.161 (0.152)	-0.111 (0.139)
Efficiency (%)	0.046 (0.108)	0.047 (0.108)	0.052 (0.104)	0.026 (0.111)
Liquidity (%)	0.050*** (0.011)	0.033*** (0.010)	0.035*** (0.010)	0.013 (0.014)
Intangible (%)	0.116 (0.079)	0.120 (0.075)	0.137* (0.076)	0.128* (0.075)
Capitalization (%)	-0.119** (0.053)	-0.095* (0.050)	-0.134*** (0.051)	-0.111** (0.048)
IT_Expenditure (%)	-0.009 (0.042)	0.005 (0.041)	-0.007 (0.041)	0.008 (0.040)
GDP_Growth (%)	-5.833 (16.01)	-4.684 (15.48)	-5.040 (15.89)	-3.642 (14.88)
Interest_Rate (ln)	-24.30 (84.28)	-22.22 (95.89)	-24.07 (86.84)	-21.38 (105.8)
Bank-year Observations	96,622	96,622	96,622	96,622
Number of Banks	9,047	9,047	9,047	9,047
Wald Chi2	193.4	202.5	199.6	212.8

* p<0.1, ** p<0.05, *** p<0.01

References

van Ewijk S, Arnold I (2014) How bank business models drive interest margins: evidence from US bank-level data. *Europ J Financ* 20(10):850–873