1993

Management Reorganizations in the THB Global Banks - A Case Study

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WALDEN UNIVERSITY

DISSERTATION APPROVAL

ANAGEMENT REORGANIZATIONS IN THE GLOBAL BANKS - A CASE STUDY

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McCready, Douglas J.	6/11/93	Maloney, Joseph F.	5/20/93
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ABSTRACT

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By

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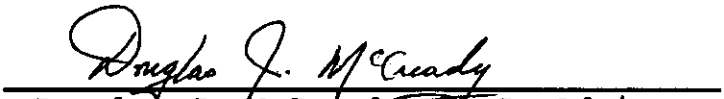

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Dissertation submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy

Walden University
Institute for Advanced Studies
May, 1993

ABSTRACT

The dissertation focuses on the multiple reorganizations of Manufacturers Hanover between March 1985 and June 1991. The research sought to find a relationship with the reorganizations and the stock price and performance measures of the Bank. The purpose was to determine if the reorganizations provided a measurable impact on the performance of the Bank. The conclusions of this research established that the reorganizations, if intended to improve the performance of the Bank, were not effective.

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MANAGEMENT REORGANIZATIONS IN THE GLOBAL BANKS

- A CASE STUDY

CHAPTER 1 - INTRODUCTION

INTRODUCTION

Many of the world's major banks have engaged in numerous organizational restructurings over the last five years. These restructurings have fallen into three primary categories:

i. Re-design: restructuring of the organizational structure of the institution by combining business units, splitting business units, eliminating business units, etc.

ii. Vertical: redesignating the lines of authority, either passing greater responsibility down further in the organization, or moving it up further in the organization.

iii. Lateral: reorganization of the management team, shifting responsibility from one senior manager to another, changing who is in charge of a given area.

For the purposes of this paper the terms restructure

and reorganization refer to any one of these three events. Additionally; this research confines these events to publicly announced reorganizations that are significant in nature. Significance is determined by major reorganizations of the bank which is studied. The information, and choice of, these reorganizations were provided directly by the bank.

Anecdotal evidence suggests that major reorganizations have increased in frequency fairly steadily throughout the 1980's. This constant shifting of an organization, and the power structures within it, leaves the purpose of that shifting elusive. It begs the question of whether or not management is clear on what direction they wish to take the organization. However, the purpose and effectiveness of the restructuring is of major concern to many different parties. These include the public at large, the shareholders, the stakeholders, the users of banks, etc. They should be concerned with the reason an organization has so many internal changes, and whether or not these changes are diverting the organization's focus from its true mission.

Some possible reasons for restructuring activity may be:

- The financial world, and the outside influences upon it, have become so volatile that a financial institution must update its structure frequently in order to maintain pace with the environment.

- Management must tailor the organization in order to provide superior service to its client base.

- Management has not tuned in to the current structures dictated by the market. They are predominantly not equipped to deal with the changes in today's financial environment, and so continually re-define their business.

- Management is inwardly focused and restructures in order to deliver the short-term results which shareholders, stakeholders, and the bankers want.

The reason for any organizational restructuring must be to increase the effectiveness of the organization, and ultimately the value of that corporation. The difficulty is how effectiveness may be accurately measured. It is important to measure the effectiveness in order to equip the organization with the ability to continue to deal with future change. This dissertation explores restructuring in terms of the Banking Industry, and seeks to explain whether

the multiple reorganizations of one bank were effective.

PROBLEM STATEMENT

Commercial banks have experienced turbulent times. This turbulence has had a major impact on the stock price, earnings and credit ratings of these banks (read their ability to cheaply fund their assets). One of management's responses has been to restructure the firm. Restructuring has taken various forms, breaking into three primary types of restructuring; organizational, authority and operational. The restructuring at most banks has not been a one-time event, but has developed into a series of restructurings, which appear to attempt to counter the increasing volatility of the financial markets. However, does this restructuring create value?

PURPOSE OF THE RESEARCH

To gain an understanding of the value of the organizational restructuring of global banks, and to explore its suitability as a response to market changes. The research question being posed in this study specifically concerns the management restructuring of the global banks. The question is: Are management restructurings of global

banks effective? Posing this question implies that we can test the impact of the restructuring. What impact should be looked at? The view of the study is to explore the impact to the shareholders of the banks as well as the stakeholders of the organization. The act of restructuring itself poses many questions. Why does a bank restructure its management? What does the bank use as criteria for understanding the effectiveness of its current organizational structure? What is the vision when a bank chooses a new organizational structure? The research undertaken explores relationships between announced reorganizations, and financial trends in the industry by analyzing data from one bank on its reorganizations and its performance. The data is compared to control groups. In general, management focuses on improving stock price as a measure of success. As banks have been hammered by problem after problem (bad loans, misplaced research and development), management's focus has been on the organization's structure as the way to fix these problems.

ASSUMPTIONS

It is the contention of the author that the rationale for the organizational restructuring of any institution should have as its premise increasing the shareholder value of the organization, as well as increasing

the benefits to the institution's stakeholders. The stakeholders include the employees of the organization, as well as the direct clients of the institution and the indirect beneficiaries such as shareholders in client institutions and suppliers - third party contractors. It is assumed that multiple reorganizations over a very short period of time are also directed at increasing the value of the firm. If the reorganizations are effective, the results should be visible and comparable to industry peers. The reorganizations should either slow down a negative trend, reverse a negative trend, or speed a positive trend, in terms of an institution's performance.

RELATIONSHIP OF THE PROBLEM TO SOCIAL CHANGE

Restructuring as a response to changing financial markets has thrown a degree of uncertainty into the financial industry which has not been experienced since the regulation of the industry in the thirties. In order to survive the banking industry must learn new ways to work, to educate its people, and to embrace the discontinuity of the times.

The restructurings which are occurring within the industry are creating new attitudes toward work at these financial institutions. The study which was conducted

explored whether the reorganizations at the Manufacturers Hanover Corporation (the Bank) provided any impact on the performance of the bank. To the extent that reorganizations improve a the performance of an organization they should decrease the uncertainty surrounding the institution. This should have the result of increasing the effectiveness and efficiency of the institution and, as a result, make it a more secure place to work.

The reorganization of the major banks around the world has a direct impact on the employment levels at those institutions. While it is not covered in this study, the relationship of constant reorganization to employee morale is an area that demands attention. The question that will need to be addressed is: What is the impact on society of massive layoffs, and job insecurity resulting from the announced reorganization of the world's major banking institutions? A study to research these questions would be conducted by interviewing employees of the banks undergoing the restructurings,as well as some of the employees who have lost their jobs as a result of the restructure.

CHAPTER 2

LITERATURE REVIEW

INTRODUCTION

This section explores the current issues in banking industry, and provides topical background for the dissertation. The problem which is explored relates to the value of the restructuring of the global banks. This problem is described in introduction of this paper. However; in order to gain an appreciation for the problem, it is important to become familiar with the issues which have surrounded the banking industry over the last decade, and which continue to affect the industry today. The dissertation measures, or gives value to, the organizational restructurings which have become a frequent occurrence within the global banks. This section provides background on the financial environment which has been in existence during these times of change, and presents an understanding of what the restructuring activity may be attempting to accomplish.

The chapter is divided into four sections.

A. The current financial environment and the financial conditions of the banking industry at large are presented. While this section does not attempt to prove

any relationship between the increased volatility in the financial environment, decreased regulations of banks, and the decline in the financial health of the banking industry, it does suggest an understanding of the historical happenings and discusses events which have fundamentally changed the financial environment.

B. The trends in the banking industry as well as the compatibility of banks, as we traditionally think of them, are discussed within the context of the current environment. The changing world has brought forth continued and rapid disintermediation within the industry, and a need, due to changing regulations, for banks to focus on turning the downward trend around.

C. Management issues in turbulent times explores the issue of the necessity of banks. In today's world do banks provide any "value", do they add value, or are they simply anachronistic leftovers of the past financial world? While there are no clear cut answers to these large issues, it is clear that they are issues which need to be constantly focused on by the managements of today's financial institutions.

D. Reorganization influences and issues are highlighted in a discussion of the factors that may affect

decisions on how to reorganize an institution. Banks not only have to deal with the changing environment, and turning around an industry-wide downtrend in the industry, they also have to deal with the regulators in the various countries. Governments, and the approaches to save the world financial system, have to be accounted for in determining the business of the bank.

A. THE FINANCIAL ENVIRONMENT

The financial environment has become at the same time more volatile, deregulated, and disintermediated. One problem that banks have had to face is the constraints of regulations while at the same time trying to carve out a defined business and maintain their earnings levels. All this while the markets have expanded in terms of financial market participants. Meanwhile, markets continue to become more conscious of the increasing credit risk embodied in the banking system, exacerbating the bank's efforts to increase,or even maintain, traditional core business.

Financial volatility has increased worldwide. This fact may be seen simply by observing the movement of the stock market in any developed country, or the price movement of government obligations on futures exchanges, or the cost

of corporate debt over the past decade. In Chapter 1 of Managing Financial Risk, Clifford W. Smith, Jr., Charles W. Smithson and D. Sykes Wilford[1] demonstrate the increased volatility of financial price risk, defined as changes in interest rates, foreign exchange rates, or commodity prices. They relate this increased volatility back to changes in regulations such as; the demise of the Bretton Woods system which sent foreign exchange rates floating. To the extent that a business cannot be assured of the price of imports or exports, and to the extent that a business cannot estimate the degree to which changes in foreign exchange rates will make their product more or less competitive in their home market due to cheaper imports, this volatility has caused increased uncertainty. The banks have been caught in this event by virtue of the fact that banks have historically been the clearing house for foreign exchange transactions. This also means that corporations are forced to deal with the banks. As the market became increasingly volatile, through the seventies and eighties, banks wanting to preserve their corporate business, by necessity were forced to become more innovative, creating new products and competing with each other for the business.

Now, in order to maintain their position in the foreign exchange business, banks could no longer remain complacent. Banks could no longer only accept the

intermediary function in the clearing of foreign exchange, but were beginning the move towards becoming providers of current information, which drives the price of currency transactions. Bankers would need to develop a sense of the economic interrelationships of the various developed nations around the world. There are now a vast variety of products available from banks to deal with the issues of foreign exchange rate volatility. These products range from the mundane foreign exchange forward contract to the exotic long-term option variations. The offering of these products has considerably complicated the issues of marketing and defining business objectives for banks.

Similar situations have arisen in areas of interest rate volatility. This volatility may be traced in the United States to October, 1979 when Paul Volker, then the Chairman of The Federal Reserve Bank, allowed interest rates to move freely. Banks then had to cope with drastic changes to their most fundamental business. Interest rates for both funding and lending of money were affected. Banks began competing not only for the intermediation of funds but also for advisory roles dealing with the prediction and management of interest rate movements. Banks were in hot competition for the creation of innovative products which corporations were demanding of their bankers in order to cope with the new financial environment.

Certain other occurrences in the markets, at this time, cannot be ignored. For example, the continued entrance of other players. This change in the environment may be seen on many levels. One is in the competition for funds. No longer are banks the only repositories. Insurance companies, the trend to one-name paper, expanding bonds markets, etc. all placed pressure on the banks, and served to increase the volatility and competitiveness of the financial industry.

ONE NAME PAPER MARKETS AND NEW PROVIDERS OF CAPITAL

As an example, look at the largest of the short-term capital markets, the US commercial paper market. It has grown from approximately $300 billion to approximately $650 billion over a period of eight years.[2] This is significant when one considers that the participants are some of the highest rated companies in the world. Ten years ago these companies borrowed from the banking industry. Five years ago the same companies worked with the investment banks to place their paper with investors, thus by-passing the commercial banks. Now those same companies issue their commercial paper directly to investors, cutting out all forms of intermediation in the process of raising capital.[3]

The market for capital has grown at a tremendous pace over the past few years. Corporations can readily access capital from the commercial paper market, the

eurocommercial paper market, the private placement market, the bond market[a], as well as various capital markets in foreign countries. Corporations have also found innovative ways to encourage investors to place capital with them. Innovation in these markets is demonstrated by the current trend towards asset securitization. While banks participate in these markets, it is not only the province of banks. Insurance companies, finance companies, owned by some of the world's largest corporations such as, General Motors Acceptance Corporation, and General Electric Capital Corporation[4], also participate. This places increased pressures on the banks as they expand their lines of business while contending with increased competition from outside of their industry.[5]

Additionally, it should be remembered that Federal regulations in the United States, and regulations in some other countries, prohibit banks from participating in many

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[a]These capital markets access capital from differing investor bases with different requirements. The commercial paper market is a US based market for short-term unsecured borrowings. The euro-commercial paper market is similar to the US but represents offshore funds, it is centered in London. The private placement market is typically used for long-term borrowings by companies not wanting to provide full disclosure of their financials on a wide spread basis. The bond market provides long-term funding for companies, but requires public disclosure of financials.

of these markets.[b] The higher quality credits were naturally drawn to emerging innovative markets, where there was cheaper pricing because of strong competition, and the lesser quality credits remained the province of the commercial banks. Thus, the banks lost many of their borrowers to the innovative and growing markets at the same time that new entrants were coming into the financial services arena. This left more competitors, and fewer corporations desiring capital but the corporations are lower quality.

As the good borrowers move into emerging markets, seeking funds cheaply in these highly competitive markets, the banks are at a loss to compete profitably. Because of the declining credit ratings of the banking industry, many banks find it difficult to raise funds cheaper than the cost of the very corporations with which they are seeking to do business. Additionally, the regulatory powers of the major countries have banded together to attempt to control a potential world financial crisis, by shoring-up the banking industry, and have introduced certain capital requirements.[6] These capitalization requirements will make the cost of funds for banks generally more expensive. Again,

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[b] In the US, banks with commercial banking licenses are not permitted to provide funds for their clients by assisting them in the issuance of bonds, although on a case by case basis this is beginning to change.

this removes some of the competitiveness from the banking industry making it more difficult to lend money, and forcing banks to find other lines of business. Restructurings in the banking industry surely must be occurring to address many of these issues, forcing the banks to attempt to be more competitive, and therefore more profitable.

LBO BOOM AND BUST

The Leveraged Buy-Out (LBO's) era of the 1980's is significant when attempting to understand the financial environment which is at least in part, behind the announced reorganizations. While the idea of the leveraged buyout is not new, the amount of the activity and the contribution of this technique to the volume of merger related activity that occurred in the 1980s was significant. Gibson Greeting Cards is considered to mark the beginning of the era. A group of investors bought Gibson from RCA Corporation in 1981 and within 18 months sold Gibson to the public. In this 18 month span the investor group netted a profit of $250 million. LBOs became very advantageous to the investors involved in initiating them.

The important thing, for our purposes, is to understand the underlying concept of the LBO. That is; an undervalued company is taken private, or bought by a group of investors, rejuvenated and then sold. The financing is

done by borrowing. The amount of LBO activity significantly increased bank lending in this period.

LBO volume increased the volume of the merger activity by a third in the 1980's.

Chart 1, LBO Activity

Year	Volume by Dollars	Number of LBOs
1980	$2.0 billion	Not available
1984	$11.8 billion	76 LBOs
1986	$37.6 billion	212 LBOs
1988	$81.2 billion	239 LBOs (40% of merger activity)

(source: Smith, R.C., 1990, chapter 6.)

The one important feature from the point of view of the banks that were providing the financing is that the debt was not guaranteed. Although security in the assets was provided, the value of that security was not assured.

After 1986 the transaction size increased, more players entered the market, banks increased staff to handle the deal flow, and the market became fully priced. There was seemingly unlimited amounts of funds available from the banks and the junk bond market[c]. Even, the stock market

[c] The junk bond market provided funds to borrowers who typically, because of credit quality, could not access the public bond market. This market provided these funds but at a very high cost.

crash of 1987 appeared to have no effect on the volume of transactions which were pushed through the market.

However; in 1988, marked by Revco[d], the first collapse of an LBO, the market began to change. By 1989 banks were concerned with the increasing defaults in this sector and with the collapse of the junk bond market and began to pull back.[7]

Consequently, we can see the growth and decline of a market in less than a decade. This is only one of the events in the financial environment that has been an influence on the reorganizations of banks. The first major event was to cope with the expanding market; the second was to cope with the declining and deteriorating (from a credit standpoint) market. It also is worth noting that the lending opportunities which the LBO phenomena presented came at the time when the third world debt crisis was beginning to slow down the international lending activities of the international banks. Also, in this vein, the activity in the real estate financing sector should not be ignored. The ramifications of this activity, following, and overlapping, the LBO activity are just beginning to be understood.

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[d] Prior to the bankruptcy filing of Revco (a drug store chain based in Ohio), an LBO, the market for LBO's had not experienced any failings. After this filing the market became more cautious in terms of the types of LBOs it would accept.

The final factor, which needs to be mentioned, in terms of the financial environment in the 1980s, is the increasing presence of technology in banking. The very nature of finance was changed by the computer in the 1980s.[8] This may be seen both in the speed with which prices of capital move around the world, as well as in the product offering themselves. Prior to the incorporation of the computer into the world of banking it would have been impossible to attempt the construction of sophisticated products such as asset securitization and cross-currency swaps which are today constructed and sold as a mundane matter of course. This technology opened the door to once more expand the banks' business line.

Chart 2, A general overview of change in the financial environment

Circa	Events	Events	Events
1971	Foreign exchange rates set floating		
1974	REIT Bankruptcies		
1979	U.S. interest rates freed	Walter Wriston states that governments never go bankrupt.	
1981	Interest rate swaps, eurodollar futures market, IBM pc		Gibson Greeting Card, successful LBO, marked the beginning of the era
1982	Information era intensifies, ECP market emerges, eurobond market takes off	Third world debt crisis	
1985	FRNs, option products, money center banks begin to lose their high credit ratings		
1987	Stock Market Crash, capital adequacy requirements	Trading of third world debt, debt equity swaps.	
1988			RJR $25billion buyout, the biggest.
1989	Mini-crash of the stock market		UAL buyout fails, junk market collapse, the end of the boom
1990	Eastern europe opens for business, rule 144a threatens to revolutionize the capital markets, Iraq throws the markets into turmoil		

This chart highlights only some of the events in the financial environment which have had a fundamental impact on the nature of the banking industry. The curve of financial innovation took a decidedly upward turn in the 1980s, after centuries of relative passivity (see APPENDIX I). Bankers and bank management have had to learn to deal with an increasingly volatile and changing world, and have been

challenged to adapt their profession and institutions to deal with this new world.

B. TRENDS IN THE BANKING INDUSTRY

A bank is defined in the Webster Dictionary as "an establishment for the custody of money received from, or on behalf of, its customers. Its essential duty is to pay their drafts on it; its profits arise from the use of money left unemployed by them". Were the world a stable place, and had the financial environment not changed dramatically, this definition would suffice just fine. Banks, in their traditional role did, just that. They would take in money and seek to lend it out. Because of regulation governing the maximum rates on the deposit side, profit was built-in. This is easily demonstrated by looking at the U.S. Savings and Loan (S&L) crisis.[9] Also, because of a lack of developed financial markets and the existence of protecting regulations, banks were almost assured of demand for their products. These two reasons provided banks a place in the financial industry, as financial intermediary, that was profitable and geared towards unlimited growth. This led to bank industry, and bank management complacency.

There have been several negative trends in banking over the last decade or so. These trends include the

downgrading of banks by the rating agencies, the increase in bad debts, notably the Third World Debt crisis, and recent defaults of some of the major leveraged buyouts of the late 1980s. This has caused a decrease in profitability of the banking industry worldwide.[10] Anecdotal evidence from the financial press also indicates a continuing trend of banks to act as a herd or group. This appears both in the type of transactions which banks are entering into, as well as the management reshuffling, restructuring, firing employees, layoffs, etc. It is interesting to note the herd trend in banking. It seems to be traceable from one incident to the next. Back in the 1970's in the United States, banks were most anxious to lend to the Real Estate Investment Trusts. Most major banks were involved in this action. The lending continued until there was a rash of defaults. Next, banks lent heavily to the Third World countries. Banks then lent heavily into the leveraging phenomena of the 1980's. In all these cases the incentive to do the transaction was the desire to earn large fees for putting the transaction together. The results in all cases were over-lending, and then many defaults. This was followed by a reluctance of the banking industry to continue to lend in this venue, and on to the next trend.

The damage which these trends have caused in the banking industry is reflected in the trends of the banks'

credit standings, and in the very continued existence of the banks themselves.

A full 25 percent of the largest U.S. banking companies in existence in 1980 are gone today.[11] In 1980 most of the major U.S. money center banks had the highest ratings achievable in the credit markets for both long-term and short-term debt. Most of the major international banks also had extremely high credit ratings. Today in the world, there are only five global banks which have been able to maintain the highest, AAA/aaa[e], ratings. The coincidence of the herd trend, and the downgrading, and loss of credit status is remarkable. The impact will be felt for years, although we can see the results of the debt write-offs, resulting downsizing, and overall decline of market value now.

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[e] These are Morgan Guaranty Trust Company, Deutsche Bank AG, The Royal Bank of Canada, Rabobank Nederland, and Society General Bank (France).

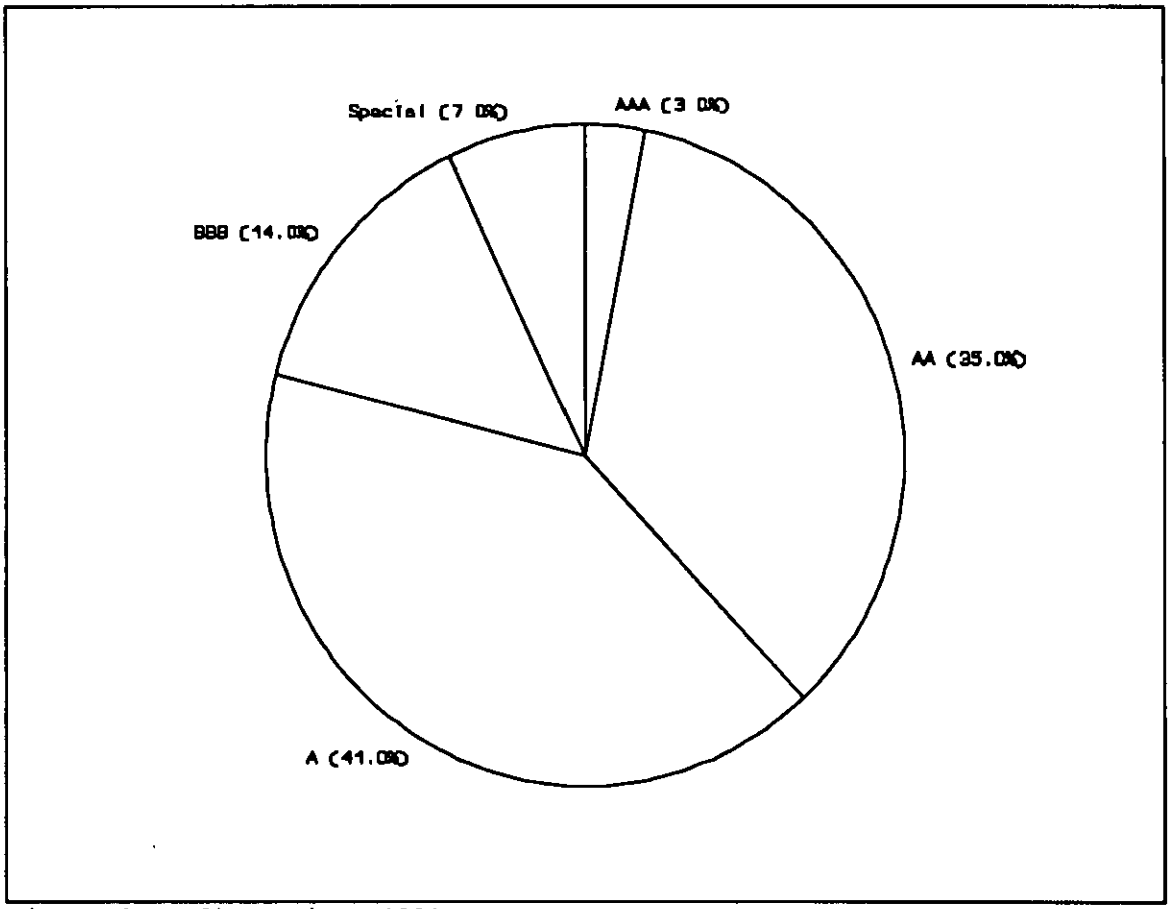

Figure 1 *Credit Ratings 1991*

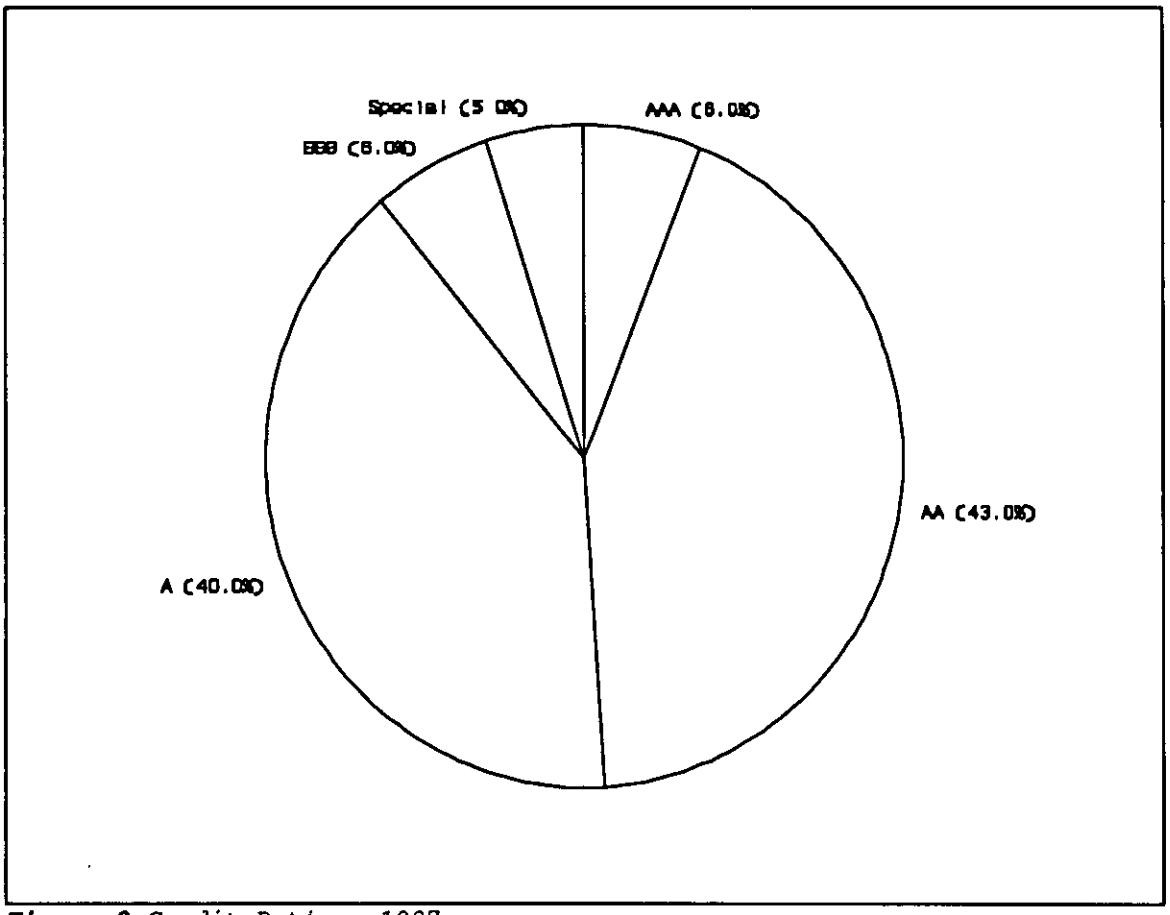

Figure 2 *Credit Ratings 1987*

Twenty five percent of the banking system in the U.S.,representing assets of more than $750 billion, has begun to post such huge losses that the focus of the banks has gone towards collecting these loans as opposed to concentrating on the opportunities which will bring back profitability to the system.[12] If management is concentrating on fixing the problems, then the attention is not on how to deal with this changing environment, or on

reversing the change in profitability.

The average return on equity of American banks is said to be less than 7%.[13] Based on a 1989 survey by banking consultant David C. Cates, the ten largest finance companies earned shareholders a 12.7% return on equity. The big U.S. commercial banks meanwhile earned only 0.4% return on equity. Clearly, the return achieved by the big banks is not in line with the competitors which are creeping into the market. Also, clearly the big banks appear to weight the average return of the industry down. This lack of profitability and loss of credit rating is also a motivation for reorganizing an institution. The rationale is that management is seeking some way to show improvement, and to turn around a trend.

C. MANAGEMENT ISSUES IN TURBULENT TIMES

The banking industry is in the midst of unparalleled change, both in terms of direction and pace. Bank management has thus far dealt with this new, and evolving environment by realigning, reshuffling, and redefining business units. This action has failed to address or alter the industry's inability to deal with change. According to some, the industry is only beginning to restructure based on balancing supply and demand.[14] Whether banks should or should not

reorganize, and specifically which banks should, is not an issue which can be currently answered. However; one of the factors facing bank management today is: What should the bank do in relation to its competitors?[15] What is clear is, that regardless of the direction chosen, management must determine a strategy, and then test the proposed strategic goals and internal policy for consistency with that strategy.[16]

As Porter[17] suggests, a firm may chose any one of three generic strategies with which to compete. They include, cost, leadership, differentiation, and focus. "Any firm failing to develop its strategy in at least one of these directions is in an extremely poor strategic position", (Porter, 1980, p. 41). That banks in general have apparently failed this basic tenet of a consistent strategic plan is marked by the poor profits in the industry, as well as the many reorganizations that have become a part of the industry. Bank management will need to grasp the issues of the future and reconcile the strategic direction of the bank with the move toward a global economy and increased internationalization of banking and finance.[18] There is a move towards the universal bank, and management must create a structure that will deal effectively with a rapidly changing environment, without the need to constantly change the structure. There is also the issue of regulatory

pressures, these have been mentioned in section B., and are further explored in section D.

The inability of the major banks to pick a consistent strategic plan is marked by observation of the declining industry profitability,[19] the declining industry credit ratings,[20] and the incessant announcements of further downsizing. In order to survive, banks will need to develop the ability to effectively cope with change. They must develop futuristic vision, and a formula for survival with return to profitability.[21] To do this, management must focus on several key questions.

The first question which must be answered by bank management is; on the macro level - why are banks necessary? on the micro level - why is my bank necessary?[22] What can my institution provide that isn't well provided for by some other institution?

On the next level the questions are; what is the financial environment dictating about the need for banks in the future? Can we read the environment we live in, read the trend in the markets and be better able to determine the fate of banking, breaking the herd mentality?

Also, management will need to consider; what must

the banker be able to do in order to be successful? This helps define the characteristics of who should be a banker, and the amount of responsibility which will have to be downstreamed in order for the banker to be successful.

Once these fundamental questions are addressed then management can begin to define its business unit structure and then the management structure that is dictated to support and manage that structure. And, then restructure the institution so that it supports what its function is defined as. It is clear though that these issues must be addressed and that focus must be determined.[23]

Why are banks necessary? Some of the answers most commonly given by bankers themselves really address the need for banks from an historical perspective.[24] The answers also seem to demonstrate the lack of focus given by bank management today to their bankers, and therefore perhaps the lack of focus that bank management has been able to develop itself. All seem to agree on the fundamental need of a banking system to provide retail financial services for individuals. However, on the commercial or business services sector there is not much consistency or faith in its existence.

Banks are necessary to:

- provide an intermediary function in moving funds

- clear funds and foreign exchange transactions

- lend money, etc.

- provide advice and information.

This is an ideal question for every industry, and particularly those in management to ask themselves frequently. Given the changes in the financial world over the last decade, not one of the reasons provided above appear to justify the necessity of a bank's existence. Furthermore; given the general deterioration of the credit rating of banks[25], banks may no longer be a safe place to deposit money. In order to prepare for the future, bank management, and bankers, need to be able to understand why their business is needed, what that business is, and how to develop and maintain the skills which will be necessary to compete.

Bank management needs to be able to answer this question before doing any more management restructuring, before they continue to hire and fire at rapid pace as they shift from one strategic direction to the next, and before they reshuffle and further demoralize the bankers

themselves.[26]

One of the fundamental, frequently mentioned problems is overcapacity in the industry.[27] Before exploring whether or not there are too many banks, the first issue that should be explored is not the number of banks, but the fact that the banks fundamentally all offer the same products to the same customer base.

The traditional role of banks has been that of intermediaries in the financial markets; taking in money in the form of deposits, whether on the retail level or from a corporate or funded base, and lending out these funds in order to finance the growth, hopes, and dreams of the world. For years, as previously discussed, banks were the primary source of funding for projects. The past few decades, and in particular over the course of the 1980's, at an accelerated pace, the capital markets throughout the world have been growing up and to a large extent replacing banks as a source of funds. The banks have also been frustrated by, in many countries, prohibition on entering into these capital markets by government regulations. Management must determine the new role of the bank in the existing financial environment.

Management must then find a formula for change,

which should start with an understanding of the changes in existence within the financial environment.[28] The issues surrounding a banking reorganization are formidable, and therefore demand to be addressed.

D. REORGANIZATION INFLUENCES AND ISSUES

As the financial markets get more competitive and volatile, and the trend in the banking industry continues to decline, we see that management needs to take charge of the strategic focus of the institution, and decide what the appropriate direction will be for their institution. There have been numerous reorganizations that are directed to coping with change in this increasingly complex world. All banks are attempting to cut costs while at the same time they are seeking to find income from new areas. Most banks are putting their operations under a microscope to attempt to determine what line of business(es) they should be in, and where they may have a competitive advantage.[29] Other issues in the reorganization of a banking institution will need to deal with the globalization of the world, including specifically the changing financial industry, the creation of the European market in 1992, and the progress of technology.

Additionally, there are movements within the

industry to change the regulations that govern the banks' activities. These movements are driven by both the banks and by governments, and are occurring in many countries. One such event is the capital adequacy requirements which were decided on in the late 1980's, and are being phased in by 1992. These regulations require a bank to maintain a certain amount of capital against on-balance sheet and off-balance sheet activities. The requirements attempt to address the risk of the bank's business. There have been calls for major financial restructuring of the system in the U.S. banking sector. These vary from a total revamping of the insurance of bank deposits to a major restructuring of the money center banks' business[f].[30]

So banks, when dealing with the issues of change and volatility in the financial market must also be cognizant of the governmental influences on their business. Reorganization, or restructuring, must take all of these factors into account. Recognizing these factors has been the reason why some institutions have decided to concentrate on selected market niches, no longer being all things to all clients. This concentration is the banks attempt to carve out a profitable piece of business. Perhaps, this is how

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[f] Money center banks are defined by the Federal Reserve bank as the largest banks in certain key cities. See APPENDIX II for a listing of the money center banks analyzed for this paper.

banks will have to be organized in the future. However, it is clear that there are many factors which are affecting bank management's decisions on reorganizations. While reorganization may be viewed as a way to survive as an on-going concern,[31] reorganizations are also considered by many in the industry to be a contributing factor to the increasing turbulence within the banking industry. It may be worthwhile to take the theories of Porter, Bettinger, Peters,[32] and others to heart and focus on a clear consistent strategy that, while flexible, is well communicated and visibly supported by management.

There is a group of excellent banks[g], defined by Stephen Davis[33]in his work. While the structures and strategies of this group of banks appears to vary greatly, each bank has in common, a clear, consistent strategy that is well communicated both internally, and externally[h]. The reorganizations of the international banks may be attempts to duplicate these models of excellency.

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[g] The excellent banks have been those with above average financial performance as well as those judged by a panel of "bank watchers" made up of banking professionals. Consistently on this list are J.P. Morgan & Co.. and The Banker Trust Company, among others from around the world.

[h] Davis has found that the common thread of the excellent banks is that everyone knows what the business strategy of the institution is. This includes the workers of the institution as well as the clients.

CONCLUSION

The financial world has changed more, and faster, in the last ten years than at any other time in history. Bank management needs to be well focused on the change in this environment and be able to provide the vision and leadership that will be necessary to be a bank of the future. To the extent that a bank does not have a clearly defined focus and strategy, and this focus and strategy is not clearly communicated to its people, the bank will fail. That is, the bank will not provide adequate returns to investors and stakeholders, and will eventually cease to exist. Additionally, bank management must be well focused on the continuous development of its people, providing them with the support and knowledge to change and succeed in their environment.

CHAPTER 3

RESEARCH METHODOLOGY

INQUIRY STRATEGIES

The inquiry strategy was based on the case study method. It entailed a multi-factor approach. In order to gain a clear picture of the effect of the actions, the basic research question was examined from several angles. We must be able to view the impact of reorganizations from the stand point of the shareholders, and from the point of view of the stakeholders. A variety of objective data was examined. The data consisted of: stock price, credit ratings, employee levels, and performance indicators. The data was analyzed to see if a correspondence existed between an announced reorganization and changes in the share price or performance of the organization. This data is historical in nature and was compared to an industry average. Within the industry, control was established by using institutions from similar markets, e.g., only international banks of a certain size (see APPENDIX II).

The research methodology utilized in the study was a combination of; historical, correlation, and regression analysis. The question posed is specific, and has practical and sociological implications. Therefore, it would be an error to assume that one method of measure of this complex

question would give a clear picture of the measure of success. It was the intention of the study to bring several diverse measures together drawing conclusions separately from each, but then interpreting an overall conclusion from the diverse parts. This was necessary because of the many internal and external factors which must be considered in unison. Within a volatile environment is the short-term stock price an appropriate measure? cost of debt? credit ratings? shareholder opinions? employee attitudes? A long-term trend? What is an appropriate control group? Has the organizational restructuring been successful if the organization survives, but does not appear to currently prosper? The author intended to take a broad view of these questions, but concentrated on beginning the process of data collection and measurement, in order to some day answer the above questions. The first step in understanding this process was to establish whether or not the announced reorganizations have any relationship to the performance of the organization. It is this first step with which the research methodology concerned itself.

There are many factors which impact the measure of effectiveness, particularly in the case of the world's major banking institutions. The financial environment has changed in the past decade perhaps faster and more dramatically than ever before. Some of the events changing the environment

include: the LDC loan defaults, the phenomena of the highly leveraged transactions, increased interest rate volatility, increased foreign exchange volatility, the new derivative products, and the age of the banker product specialist. All of these factors need to be considered when analyzing a bank's motive for restructuring, and to be remembered when attempting to ascertain the effectiveness of that restructuring. All of those factors, and more, have led to radical changes within the financial industry, including that of job instability. All of those factors make the measurement of the impact of an organizational restructure that much more difficult.

THE PROCEDURE

a. INFORMATION STUDIED

The data used in the study included, annual reports, industry analyst reports, news media, stock prices, and news releases. This includes the stock market information of several reputable firms such as Shearson Lehman Brothers.

Step 1. Collection of the data on the reorganization activities of the bank.

The first step centered on the gathering of data relating to the bank's reorganizations. The case study

focuses on one international bank, Manufacturers Hanover Corporation, and therefore the data was collected on the reorganizations of just this bank. The study explored data over a five year period. These dates encompassed 1985 through June 1991. The sources for this data included professional journals, professional bank analyst firms, and bank annual reports and press releases. This step involved the codifying of the reorganizations. While there have been many reorganizations that have occurred in the bank over the past five years, it was the intention of the author to focus on the major reorganizations. This has been determined by the bank which was studied, and which supplied the information on the major reorganizations.

Step 2. Stock price over the period of the study.

From data resource retrieval the author obtained the stock price of the bank which is being studied. This price was obtained for the same period of time as the study. The stock price is an important component of the study. It is the return on the stock that has been a prime focus of the market. One of the value judgements that is placed on companies is whether their stock price goes up or down. As investors in an institution, we would clearly prefer for the stock price to appreciate. If the institution which we are investing in reorganizes, not once but a multiplicity of

times, we would clearly prefer that the stock price responded to the reorganization by increasing. This may be looked at in absolute terms of just the individual stock, or it may be looked at as an increase relative to the industry overall.

Step 3. Other performance measures of the bank over the period of the study.

Key performance measures dealing with how the bank has done over the period of the study were obtained primarily from annual audited reports of the company. The key measures looked at are: earnings per share (earnings divided by common shares outstanding), return on assets (earnings divided by total assets), and information on non-performing debt (APPENDIX VI contains definitions of terms). Credit ratings were obtained on the bank, tracking the period of the study. These performance measures are interrelated to some degree, and provide some balancing factors in the analysis of the bank which is being studied. While the stock price may go down, this may be because the entire stock market declined. We need to understand how financially strong the subject bank is and if the announced reorganizations have had an effect on its financial strength. These indicators allow for a comparison within the industry, as another means of tracking the trend of the

subject bank.

Step 4. Information on number of employees, year on year of the bank.

From public information, the staffing of the organization was obtained. It is clear from observation of the industry that cost cutting has been a prime focus of many of the banking organizations. Part and parcel of the announcement of many reorganizations is an adjustment of the staffing of the institution. This varies from mergers and acquisitions which are aimed at diversity, and will effectively increase the staffing of the institution; to massive layoffs aimed at creating a leaner more profitable institution. The information on the staffing of the bank is used to understand whether reorganizations that affect staff size have an affect on the institution's profitability.

b. ESTABLISHING CONTROL GROUPS

Two control groups were established. The purpose was to provide a guide to how the subject bank performed relative to other, similar banks. Control Group A is comprised of industry peers (see APPENDIX II). The purpose was to establish an industry average, and to see how the subject bank compared to the average. Control Group B is comprised of the U.S. Excellent Banks (also see APPENDIX

II). These are banks which have been distinguished as outstanding performers, banks that truly provide value within their industry. These banks are studied in the work of Stephen Davis in his books on excellent banks. Key variables are provided in Davis' work that will allow for a means of comparison. The purpose here is to provide a standard of excellence with which to compare the subject bank. In this comparison we looked to see if the bank's reorganization activity, over the period of the study, created a trend moving toward or away from this group of superior institutions.

The difficulty perceived with Control Group A is that most of the world's major banks have undergone many reorganizations over the past five years. Therefore, when comparing our bank to this control group we lacked the ability to compare institutions which have not reorganized with ones which have. So the comparison with Control Group A is on the level of pure industry comparison. That is: How well did the subject bank do in comparison with the industry? Were the reorganizations of the subject bank more or less effective, did they create more or less value, for the bank when compared to the industry as a whole (defined as U.S. based international banks). The information achieved from this comparison is meaningful in terms of the subject bank's activity because the reorganization activity should

have been aimed at maintaining the value of the subject bank within the industry mean, and supposedly bettering that mean.

The same information was gathered on the control groups as on the bank we are studying. However; certain performance indicator data was only be available on an annual basis, this made interim comparisons less powerful.

c. CREATING COMPARISON INDEXES.

In order to make the collected data manageable, indices were created for each category.

Stock Price Index: The price of the common stock on the date which the study begins represents a value of 1. Increases in the stock price increase the index by the same percentage as the percentage increase in the starting stock price. As an example; if the beginning stock price equals $20, and the stock increases the next day to $22; then the stock price index will begin at 1 and the next day will rise to 1.10.

Performance index: For the purposes of this index both the earnings per share, and the return on assets were used. These rates of return are established at the

beginning of the study. Quarterly information was used to demonstrate the rate of increase or decrease in these indices.

The credit ratings index: Credit ratings established a scale of 0-10 with 10 being the highest rating achievable. Therefore; a 10 rating is the equivalent of AAA+ rating from the Standard & Poor's (S&P) rating agency. The scale declines in synchronization with that of S&P so that a rating of 2 on our credit rating index equates to a rating of A- from S&P. A rating of 0 is used to indicate any rating of less than BBB, the lowest investment grade issue. Only one of the banks in the study was rated less than BBB, by S&P during the period in question. During the time of the BBB- rating an index number of -1 was used.

AAA+	10
AAA	9
AAA-	8
AA+	7
AA	6
AA-	5
A+	4
A	3
A-	2
BBB+	1
BBB	0

Employee index: An employee index was established using a basis of 1. 1 represented the number of total reported full time employees at the bank at the beginning of this study period. The scale changes on a percentage change basis. As an example if the institution had 23,000 employees at year end 1985, and announced the laying off of 2,000 employees at the end of 1986, 1 would represent 23,000 employees. The decrease in this case represents a change of 8.6957%. Therefore the scale would now indicate .913043.

USING THE INFORMATION - MEASURING

STUDY 1. LOOKING AT THE SUBJECT BANK.

The information gathered on the subject bank sought to establish if there were any relationships in this information which would be useful for further analysis. The question asked is: Is there a relationship between the percentage change in employees, the price of the stock, the number of announced major reorganizations and the key performance measures of the bank? The analysis consisted of three steps.

1 - establishment of the relationships, through graphs, tables, correlation and variance analysis.

2 - establishment of the relationship between performance measures and the stock price, through use of a regression model.

3 - conclusions drawn from the information gained in steps 1 and 2.

Step 1 - A table was created that demonstrated whether or not there existed a relationship between a reorganization announcement and the change in stock price. The price of stock was analyzed in conjunction with the announcement of a reorganization. The purpose of this comparison was to see the

immediate short-term effects of a reorganization, if any, on the price of stock. It provided some view as to what the investors think of the announcement. The reason for tracking the stock return before and after was to gain a sense of the performance leading up to and the after effects of the announcement.

Included in the table are the performance measures of the bank from the nearest quarter before the announced reorganization and, for the nearest quarter after the announced reorganization. The purpose of this was to gain a sense of the short-term influences, both immediately before and after, the announced reorganization. The table also includes the same information for the credit ratings of the bank in order to establish if a relationship existed.

The final part of the table includes the employees of the institution and tracks the increase or decrease as related to the announced restructuring.

The results of the table are graphed to display visually any relationship among the data being compared. There was the expectation of a positive correlation among the stock return, credit rating and performance index. The reason for this expectation is the intertwined existence of these factors. Emanating out from the performance of any business

will be its stock performance. As a simplified example, one would expect the stock return to rise as a company makes profits. Also, the credit ratings are determined by the performance measures of the bank by the rating agencies, such as Standard and Poor's. S&P have set performance criteria which will lead to the choice of one credit rating or another, although there are some other factors which the agencies use in their analysis.

The graph allowed observation, over the five year period of the study, to see any cumulative results of announced reorganizations. We were seeking to see if a trend emerges.

Sample Table

Date of Announced Reorganization		
Return on Stock Index		
Performance Index		
Credit Rating		
Employees Index		

The graph graphs the trend in the stock price over the five year period of the study. Inserted on the graph are the dates of the announced reorganizations. The credit ratings trend appears as well as the performance index and employees index.

The next step determined any correlation among the

announced reorganizations and the performance measures. As it was established that there was no correlation an analysis of variance was not performed.

Step 2 - The analysis explored the theme that reorganizations affect performance measures which affect the stock price of an institution. In order to establish a relationship between the performance measures and the stock price regression analysis was performed using the multiple regression program on Microsoft Excell 3.0 for Windows. This regression allowed an understanding of nature of the relationship.

The regression model

$SP = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$

SP = Stock Price

α = unexplained or residual

$\beta_1 X_1$ = return on assets

$\beta_2 X_2$ = return on equity

$\beta_3 X_3$ = credit rating

$\beta_4 X_4$ = employee index

where β represents the significance of that variable.

Step 3 - The final step explored the information obtained in 1 and 2 above and determined that reorganizations

did not affect the stock price of the institution.

SUMMARY OF THE ANALYSIS

1 - Chart and graph for analysis of observation of interrelationship of announced reorganizations, stock price and performance measures. This is followed by a correlation analysis.

2 - Regression to find relationship of stock price and performance measures.

3 - Association of reorganization and change in stock price.

Studies 2 and 3, consisted of a detailed comparison analysis looking at the subject bank as it measures up to both the industry peers and the excellent institutions.

The final step compared the data from the subject bank, Control Group A and Control Group B to determine if a trend emerged from this comparison. The questions explored were:

1 - Did the announced reorganizations appear to have any connection with the stock price, performance index, credit rating index, employee index?

2 - What, if any were the timing implications of the announcement and the reaction of the stock price, performance index, credit rating index, employee index?

3 - Were there any trends in the performance of the subject bank and the reorganizations that were observable and measurable?

4 - Did the number of announced reorganizations appear to be influenced by any of the trends of the performance factors?

5 - Did the announced reorganizations have a measurable impact on the subject bank?

6 - Did the trend of the subject bank appear to be consistent with Control Group A? With Control Group B?

A conclusion about the data was drawn, together with recommendations about where future research on this subject should go in order to gain a better understanding of the social impacts of the reorganizations of the global banking industry.

CHAPTER 4

THE RESULTS

A. DATA ON MAJOR REORGANIZATIONS

Manufacturers Hanover Corporations (the Bank, or the Company) provided information indicating ten major shifts in the organization of the bank during the period studied, March 1985 through June 1991. The bank supplied background information on these reorganizations in the form of public news releases and internal publications which had been distributed to staff. While the purpose of the study was not to explore the nature of the various reorganizations, a brief summary of each is provided here as background.

April 19, 1985 - Major new structure was announced. This announcement heralded the most sweeping change to date in the history of the bank. The bank created five business sectors, and all units of the bank together with non-bank subsidiaries were realigned within these sectors. The sectors were created based on the Corporation's five major customer groups. The Sectors created were: Investment Banking Sector; Asset-Based Financing Sector; Banking and International Sector; Corporate Banking Sector; and the Retail Banking Sector.

June 17, 1986 - The Investment Banking Sector was

realigned. Seven major business functions were established within the sector. The business functions were worldwide in terms of scope and responsibility. The functions included: Asset/Liability Management; Investment Management; Securities Sales and Trading/Treasury Management; International Capital Markets; Foreign Exchange; Venture Capital; and Leveraged Financing.

October 15, 1987 - The bank established a Western Regional Headquarters. This action consolidated the bank's activities on the West Coast focusing on commercial banking, investment banking, acquisition finance, factoring, trade finance and equipment finance.

May 1, 1989 - The bank consolidates the CIT Group's[a] factoring unit. Two existing factoring units were combined into a single entity for the purpose of becoming more efficient and cost effective both in terms of servicing and credit controls.

July 19, 1989 - GEOSERVE was created for all cash management services. The purpose was to create a group to deliver information and transaction services to customers worldwide. This combined five existing businesses: cash

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[a] The CIT Group was the Bank's nationwide finance company.

management, corporate and institutional trust, global custody and safekeeping, funds transfer and trade services. This unit was made a stand alone profit center.

September 18, 1989 - The bank restructured its capital base. In order to strengthen the institution for the future the bank announced four financial steps geared toward reducing the financial issues which were plaguing the bank. These included: an increase in the third world debt reserve by an additional $950 million to $2.4 billion; the sale of a 60 percent interest in The CIT Group to the Dia-Ichi Kangyo Bank, Limited; a private placement of 2.7 million common shares; and an announced public offering of $500 million in new common shares.

May 15, 1990 - A major new structure was announced. This announcement came as a response to changing markets, and for the purpose of increasing flexibility and responsiveness to customers. The reorganization was focused to redeploy the bank's executives closer to customers. The reorganization structured the bank into four groups: Global Banking; Regional Banking; Operating Services and Developing Markets.

January 23, 1991 - A new structure was created for the Global Banking Group. As a further implementation of the

May reorganization, the bank restructured the management responsibilities of this major group. This included giving joint responsibility to some of the executives for the operational management of the group.

March 20, 1991 - The bank formed a Residential Mortgage Corporation. As part of the Regional Banking Group, a vertically integrated, full service mortgage banking operation which focused on origination, secondary marketing and servicing functions was created. This was accomplished by the combination of three existing mortgage businesses.

June 25, 1991 - The bank announced a reorganization of the European operations. This included: the formation of a European regional headquarters in London; a new structure for the bank's London based operations to more closely align resources with key market segments; and new management appointments to enhance the effectiveness of the new structure.

Another reorganization occurred right after the period of the study, when on July 15, 1991 Manufacturers Hanover Corporation announced a merger with the Chemical Bank, another major international bank.

B. Performance Data on Manufacturers Hanover Corporation

The data was gathered from annual reports for the years analyzed, and from financial information sources (APPENDIX V). APPENDIX IV summarizes the data of the bank. The study was primarily concerned with how the various reorganizations impacted the performance of the bank, and indices were made in order to easily track changes. The purpose of the study was to determine if the restructuring activity produced any noticeable impact on the bank's performance. Table 4.1 presents the performance data in index form. The following pages present a graph of each individual performance measure, providing the reader with a feel for the range of change over the study period.

Table 4.1

MHC's Stock Price and Performance Measures (Indexed)

Date	Stock Price	ROA	EPS	Emp.	Credit
MAR 31, 1985	1.00	1.00	1.00		5
JUN 30, 1985	1.10	1.03	1.02		5
SEP 30, 1985	0.95	1.11	1.10		5
DEC 31, 1985	1.31	1.42	1.16	1.00	5
MAR 31, 1986	1.56	1.18	1.18		5
JUN 30, 1986	1.44	1.21	1.20		5
SEP 30, 1986	1.24	1.24	1.20		5
DEC 31, 1986	1.26	1.29	1.22	0.94	5
MAR 31, 1987	1.18	1.16	1.10		4
JUN 30, 1987	1.24	0.00	0.00		4
SEP 30, 1987	1.00	1.84	1.75		4
DEC 31, 1987	0.60	0.34	0.31	0.91	4
MAR 31, 1988	0.69	2.03	1.58		2
JUN 30, 1988	0.84	5.79	4.53		2
SEP 30, 1988	0.79	2.84	2.22		2
DEC 31, 1988	0.79	3.32	2.36	0.73	2
MAR 31, 1989	1.00	1.63	1.16		2
JUN 30, 1989	1.02	1.68	1.20		2
SEP 30, 1989	1.21	0.00	0.00		2
DEC 31, 1989	0.92	1.08	0.70	0.62	2
MAR 31, 1990	0.90	1.66	0.99		2
JUN 30, 1990	0.96	0.58	0.34		2
SEP 30, 1990	0.61	1.34	0.79		1
DEC 31, 1990	0.59	0.00	0.00	0.60	1
MAR 31, 1991	0.71	1.34	0.61		1
JUN 30, 1991	0.60	1.29	0.59	0.61	1

The general trend suggested by the analysis of the bank's stock price and performance measures revealed an overall decline in the bank's performance from both a value (as measured by stock price and EPS) and credit perspective. The bank did show a significant decline in the employee index and, although quite volatile, the ROA revealed an overall increase over the period of the study.

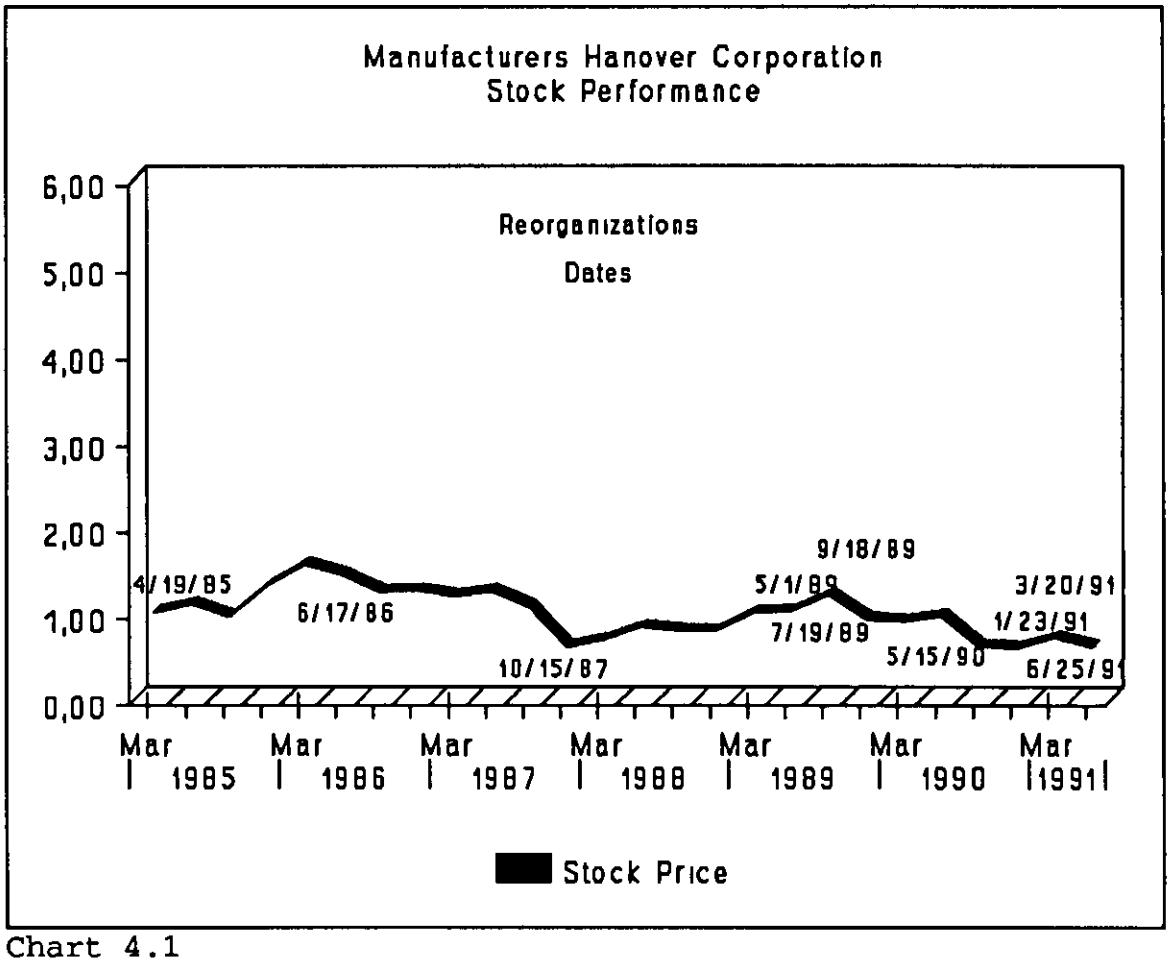

Chart 4.1

The objective of the analysis was to explore the relationship of changes in the stock price with a reorganization announcement. Chart 4.1 above plots the movement of the stock price over the period of the study and the dates of the ten announced reorganizations. Analysis of this chart does not demonstrate any clear association between the reorganizations and the movements in the stock price. The stock price analysis showed a decline in value over the period from 1 to .60. This is a significant fall in value.

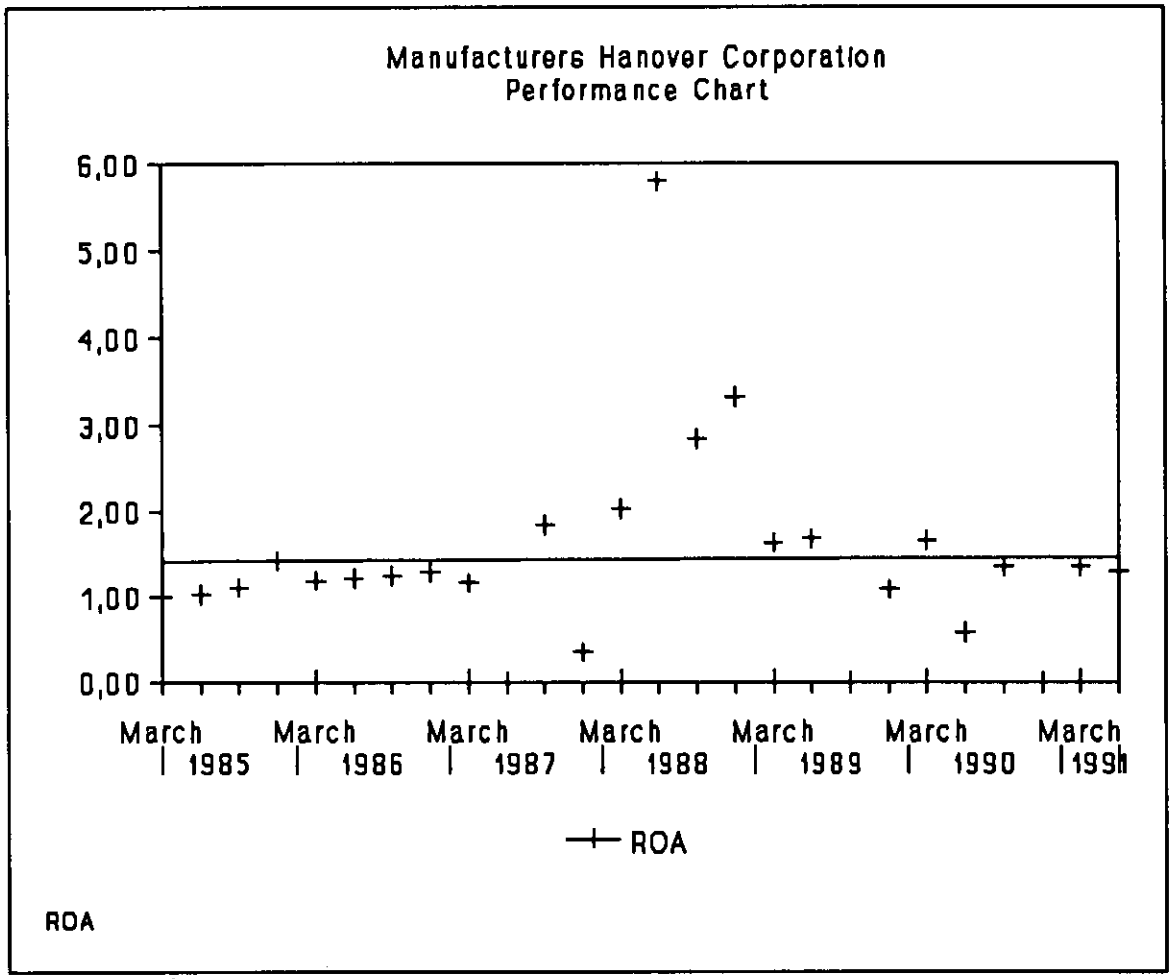

Chart 4.2

An analysis of the trend in the bank's ROA revealed a positive trend over the period of the study, moving from 1 to 1.29. This positive trend resulted from better efficiency attributed to a focus by the bank on an overall reduction of assets and cost control. Examination of this measure indicates that it was quite volatile. The period between June 1987 and March 1989 was a period when the bank suffered huge write-offs, primarily related to the third world debt crisis. It was also a period when the bank recognized increased income from leveraged buyout lending.

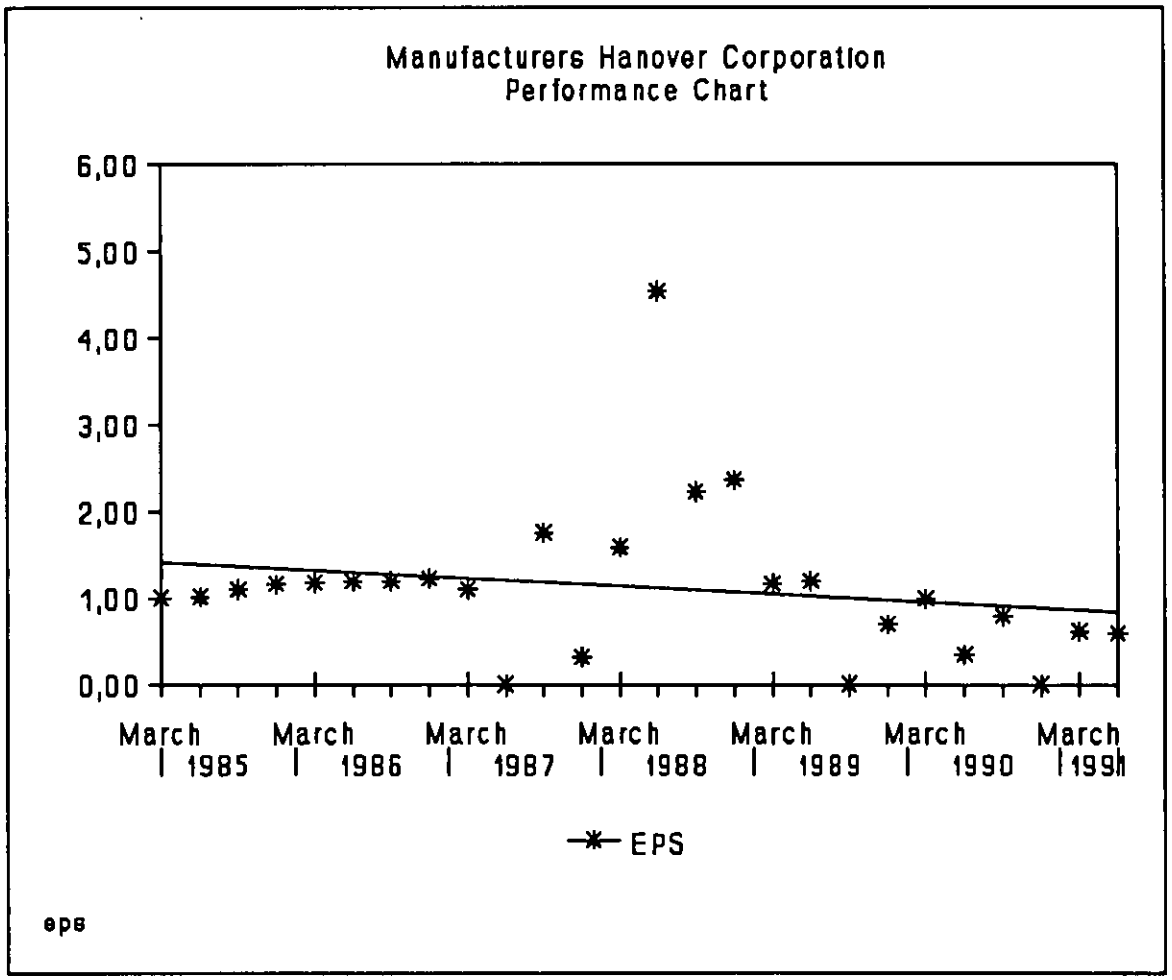

Chart 4.3

This chart provides a summary of the analysis which was conducted on the trend of the bank's reported EPS. The trend shows an overall loss in the earnings power per share of the bank. When compared to the ROA it was determined that while both are influenced by the net income of the Company, the overall profitability declined despite the improvement in the efficiency of the bank. This indicates that the bank was successful in reducing assets, but not in increasing net income.

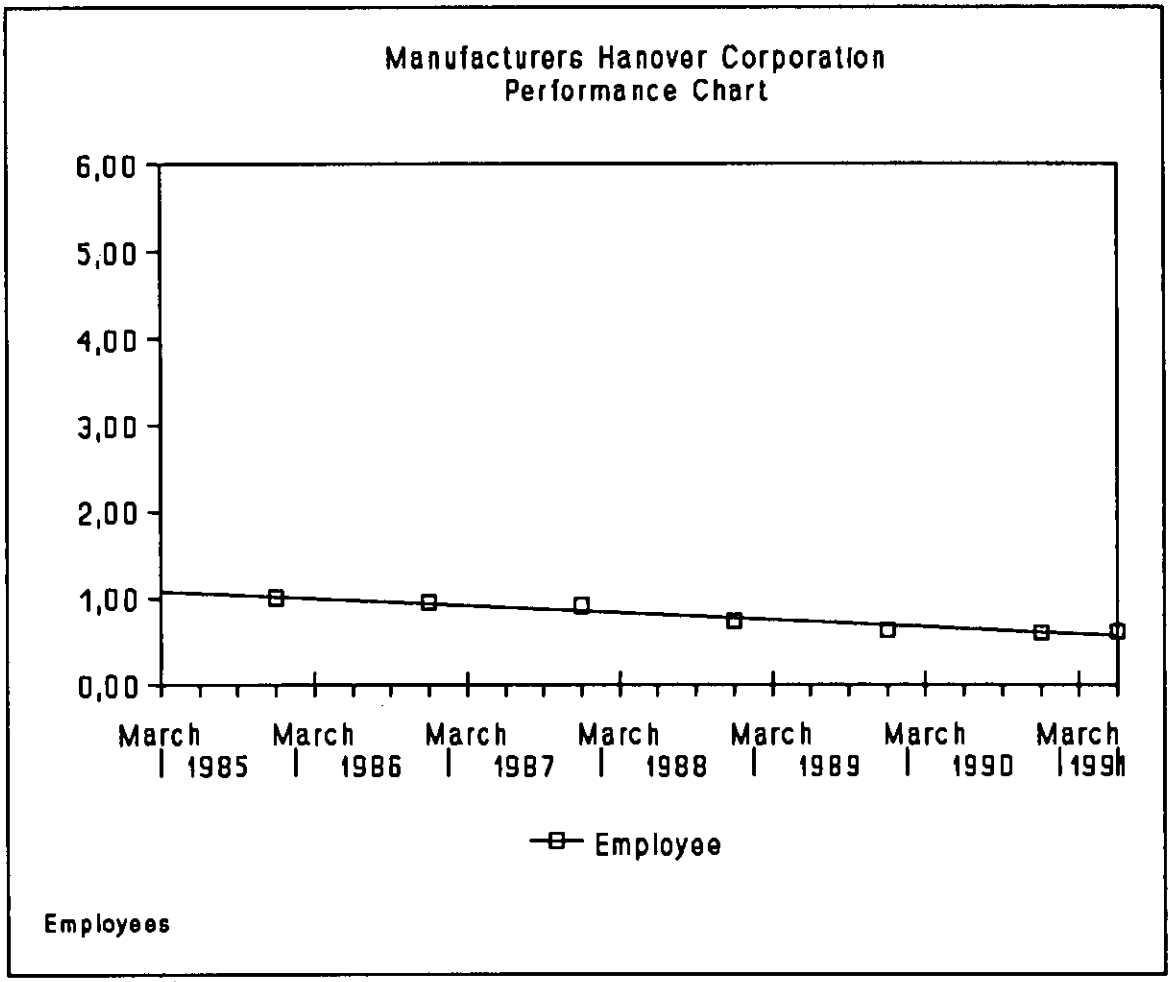

Chart 4.4

As part of the cost cutting measures which were undertaken by the institution during the period of the study, the number of employees was significantly reduced. This measure declined steadily from 1 to .59. This created the positive influence of reducing costs, but does not appear to have added to the profitability of the bank. While the study did not seek to determine the impact the reduction in employees had on profitability, it would be reasonable to assume that the reduction in employee cost did support the profitability from further decline than that experienced.

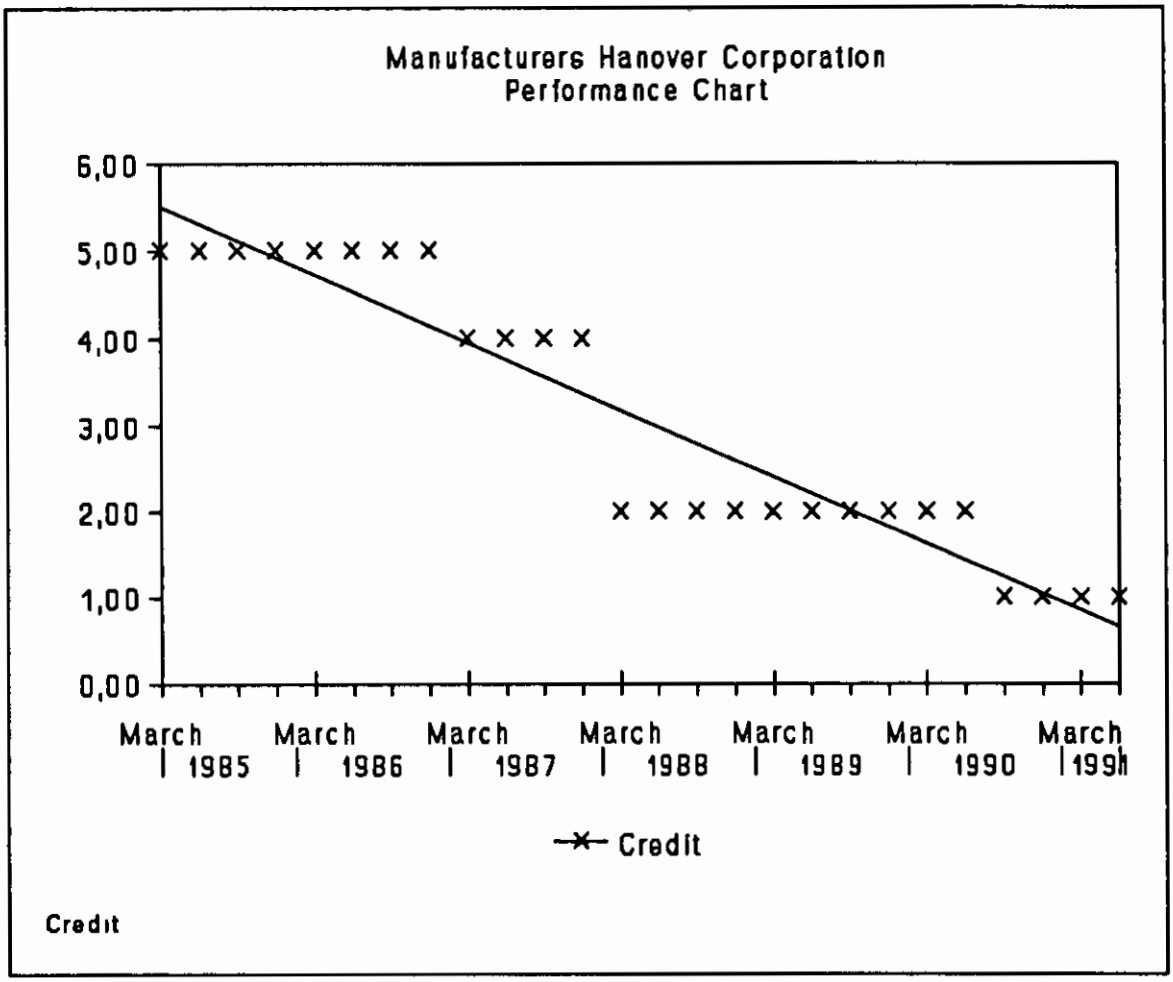

Chart 4.5

The credit rating of the bank, as measured by the general debt rating of the bank by S&P, showed a continual decline in quality over the period. The decline was attributed to several factors including: the exposure of the institution to third world debt; the exposure of the bank to the Leveraged Buyout activity; and the lack of confidence in the future earning power of the institution.

C. RELATIONSHIPS OF REORGANIZATION EVENTS AND CHANGES IN STOCK PRICE.

Table 4.2

MHC's Stock Price and Performance Measures (Indexed)

Date	Stock Price	ROA	EPS	Emp.	Credit
MAR 31, 1985	1.00	1.00	1.00		5
REORGANIZATION - APRIL 19, 1985					
JUN 30, 1985	1.10	1.03	1.02		5
SEP 30, 1985	0.95	1.11	1.10		5
DEC 31, 1985	1.31	1.42	1.16	1.00	5
MAR 31, 1986	1.56	1.18	1.18		5
REORGANIZATION - JUNE 17, 1986					
JUN 30, 1986	1.44	1.21	1.20		5
SEP 30, 1986	1.24	1.24	1.20		5
DEC 31, 1986	1.26	1.29	1.22	0.94	5
MAR 31, 1987	1.18	1.16	1.10		4
JUN 30, 1987	1.24	0.00	0.00		4
SEP 30, 1987	1.00	1.84	1.75		4
REORGANIZATION - OCTOBER 15, 1987					
DEC 31, 1987	0.60	0.34	0.31	0.91	4
MAR 31, 1988	0.69	2.03	1.58		2
JUN 30, 1988	0.84	5.79	4.53		2
SEP 30, 1988	0.79	2.84	2.22		2
DEC 31, 1988	0.79	3.32	2.36	0.73	2
MAR 31, 1989	1.00	1.63	1.16		2
REORGANIZATION - MAY 1, 1989					
JUN 30, 1989	1.02	1.68	1.20		2
REORGANIZATION - JULY 19, 1989					
REORGANIZATION - SEPTEMBER 18, 1989					
SEP 30, 1989	1.21	0.00	0.00		2
DEC 31, 1989	0.92	1.08	0.70	0.62	2
MAR 31, 1990	0.90	1.66	0.99		2
REORGANIZATION - MAY 15, 1990					
JUN 30, 1990	0.96	0.58	0.34		2
SEP 30, 1990	0.61	1.34	0.79		1
DEC 31, 1990	0.59	0.00	0.00	0.60	1
REORGANIZATION - JANUARY 23, 1991					
REORGANIZATION - MARCH 20, 1991					
MAR 31, 1991	0.71	1.34	0.61		1
REORGANIZATION - JUNE 25, 1991					
JUN 30, 1991	0.60	1.29	0.59	0.61	1

Step 1 of the analysis searched for a relationship between the changes in the stock price of the bank and the events of announced reorganizations. Table 4.2 provides the summary of the activity. The results of this analysis revealed mixed results.

Stock Price: Of the 10 reorganizations which occurred over the period of the study, the stock price at the end of the quarter was up on seven occasions and down on the remaining three. The stock increased an average of $11.558, but decreased an average of $24.34.

ROA: This indicator increased on five occasions after an announced reorganization when compared to the quarter ending before the reorganization. It decreased on the other five occasions.

EPS: As expected, the EPS results were similar to the ROA. This is based on the commonality of the net income result in their calculation.

The Employee Index: This index revealed a decline through the entire period. However, it is not possible from the data to directly connect the reorganization event with a reduction in this indicator. It should be noted that over the period of the study the bank was implementing a severe

cost reduction program which was partially targeted to a reduction in staff, primarily through attrition.

The Credit Index: This index also revealed a declining trend throughout the period. However, no downgradings occurred during a quarter in which there was an announced reorganization.

The analysis of the stock price and performance measures in conjunction with the announced reorganizations did not suggest any influence by the reorganizations on the performance of the bank. Both from a short term perspective and a long term trend, the performance of the bank appeared indifferent to announced reorganizations.

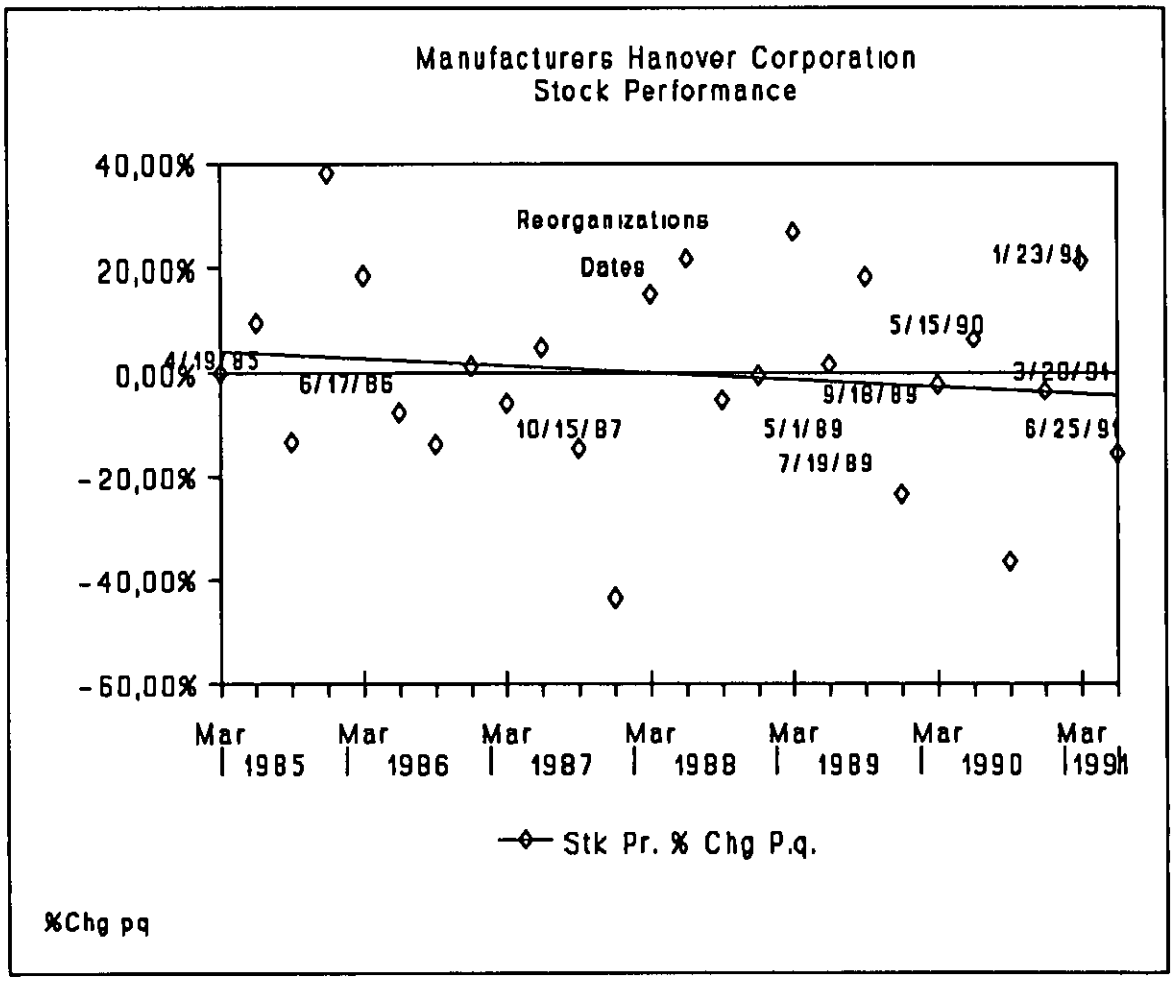

Chart 4.6

In order to determine if a relationship existed between the changes in stock price of the bank and the announced reorganizations, a correlation analysis was performed. This analysis sought a relationship between the percentage change in stock price, on a quarter to quarter basis, and whether or not a reorganization was announced in the quarter. Table 4.3 provides the data which was utilized in the correlation analysis.

Table 4.3

Qtr.	% chg Stock Price	Reorg.	Qtr.	% chg Stock Price	Reorg.
1	0.00	0	14	21.72	0
2	9.76	1	15	-5.39	0
3	-13.33	0	16	-0.44	0
4	38.10	0	17	26.87	0
5	18.57	0	18	1.74	1
6	-7.61	0	19	18.43	2
7	-13.80	1	20	-23.63	0
8	1.4	0	21	-2.26	0
9	-5.82	0	22	6.56	0
10	5.00	0	23	-36.59	0
11	-14.57	0	24	-3.43	0
12	-43.61	1	25	21.30	2
13	15.12	0	26	-15.61	1

The correlation analysis revealed:

Covariance = 0.009650

Correlation coefficient = 0.083272

Coefficient of determination = 0.006934.

(see APPENDIX VII for method of calculation)

This indicated that the announced reorganizations of the bank over the period of the study had no relationship to the changes in the stock price of the bank. If the reorganizations were meant to assist the bank in increasing shareholder value, then they failed to accomplish this task.

This was concluded based on:

a. The value of the bank as measured by changes in stock price declined over the period of the study. The mean change per quarter was -0.06%.

b. There was no determinable relationship between the changes in the stock price and the announced reorganizations. This is based both on the analysis of the correlation between the two variates, and the shorter term analysis of end of quarter increases and decreases on the stock price and performance measures as displayed in Table 4.3.

Chart 4.7 provides the reader with a picture of the trends of all the performance data analyzed and the dates of announced reorganizations. Analysis of this chart supports the conclusion reached above that the reorganizations over the period of the study did not provide a positive impact to the performance of the bank. In fact, the reorganizations did not appear to influence the performance of the bank at all.

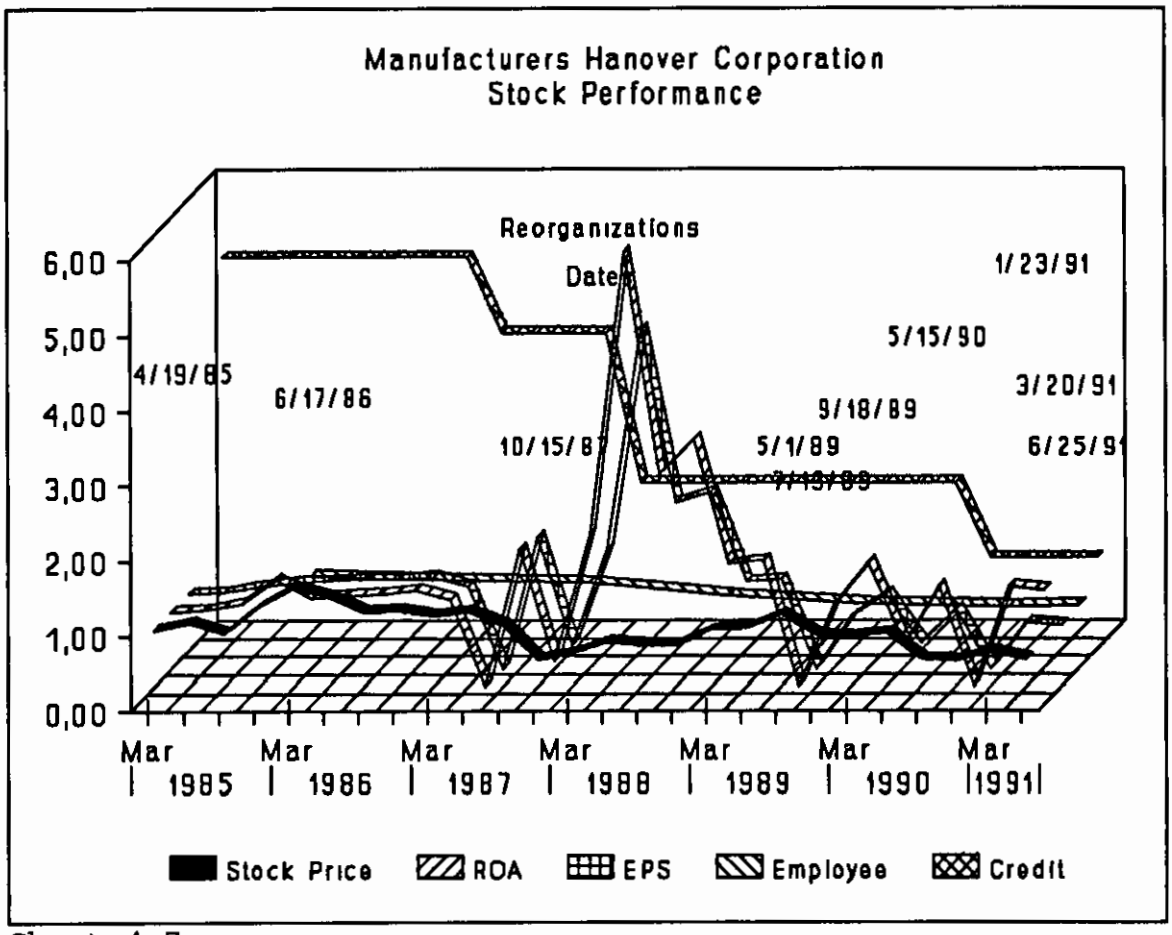
Manufacturers Hanover Corporation
Stock Performance
Reorganizations
Date
4/19/85
6/17/86
10/15/8
5/1/89
9/18/89
5/15/90
1/23/91
3/20/91
6/25/91
6,00
5,00
4,00
3,00
2,00
1,00
0,00
Mar 1985
Mar 1986
Mar 1987
Mar 1988
Mar 1989
Mar 1990
Mar 1991
Stock Price
ROA
EPS
Employee
Credit

Chart 4.7

D. RELATIONSHIPS OF PERFORMANCE MEASURES AND STOCK PRICE.

The relationship between the performance measures of ROA, EPS, Number of Employees, Credit Quality, and the Stock Price of the bank was also explored. The purpose of this analysis was to determine whether or not the performance measures which were analyzed could be associated with changes in the stock price of the bank. It was thought that while reorganizations should have a primary objective of improving the stock performance of an organization, the reorganizations would address the individual performance indicators of the organization. The writer wished to verify that the performance indicators effected the movement in the stock price of the bank.

Since it has already been established that the reorganization events did not impact the stock price, or the performance measures, this analysis is beneficial to determine how the stock price would have been impacted if a reorganization did affect the performance measures of the bank.

The overall trend in the performance measures has been discussed previously in this section and have indicated a general decline in the performance of the bank. The trend analysis of the stock price indicated a general loss in

value over the same period. Chart 4.7 provided a picture of the trend of all the measures examined.

A multi-variate regression was conducted on the performance measures. This analysis supported the conclusion that the performance measures are good predictors of the end of quarter stock price of the institution.

The regression statistics which resulted were:

Multiple R	0.8453
R Squared	0.7145
Standard Error	5.6528
Observations	26

This indicates that there is a strong relationship between the performance measures and the stock price. 71.4% of the movements of the stock price may be accounted for by the changes in the performance measures.

The analysis explored the theme that; reorganizations affect performance measures which affect the stock price of an institution. Based on the strong positive correlation indicated above, a regression analysis was performed in order to better understand the interaction of the independent variables upon the dependent variable -

stock price. This regression allowed for an understanding of the nature of the relationship.

The regression model employed, and indicated in chapter 3 was:

$SP = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4$

SP = Stock Price

α = unexplained or residual

$\beta_1 X_1$ = return on assets

$\beta_2 X_2$ = return on equity

$\beta_3 X_3$ = credit rating

$\beta_4 X_4$ = employee index

An analysis of the variance provided:

Table 4.4

Analysis of Variance				
	df	Sum of Squares	Mean Square	F
Regression	4	1673.1133	418.278	13.1316
Residual	21	668.6733	31.841	
Total	25	2341.7867		

The hypothesis which this analysis tested was:

Null Hypothesis: The means of the four variates are equal.

Hypothesis A: The means of at least two of the variates are different.

Since the calculated F for this particular problem, according to Table 4.4, the ANOVA Table, is 13.1316 and the region of rejection of the null hypothesis (F.05(4,21)) is 2.84[a], the null hypothesis was rejected. This meant that the regression analysis performed was significant for the study, and it was concluded that the performance measures of the bank did affect the stock price of the bank during the period of the study.

Table 4.5

	Coefs.	Stand. Error	t Stat.	P-value	Lower 95%	Upper 95%
Residual	61.005	12.7544	4.7830	.00008371	34.480	87.529
ROA	-151.5	482.824	-.3137	.7563501	-1155	852.63
EPS	.01464	1.17018	.12515	.9013987	-2.286	2.5798
Credit	12.43	2.75926	4.5053	.0001343	6.6932	18.169
Employ	-.0025	.000821	-3.077	.0050155	-.0042	-.0008

In further testing, using a two tailed t test of the correlation between each variate and the dependent (stock price), it was uncovered that both the ROA and EPS had extremely low correlation. The t statistic for these variates, at an alpha of 5% (.025/.025) dictated the acceptance of the null hypothesis as the critical values of t for $t_{.025,24} = 2.064$. The null hypothesis in each case was that the slope of the line was equal to zero.

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[a] The tables for the F-distribution. and the critical values of t, used were from the tables in Introduction to Statistic, Wagner, S.F. HarperCollins, 1992.

The conclusions drawn from this further testing argued that the variates of employee levels and credit rating had a much greater influence on the stock price of the bank than the ROA or EPS.

A check of the accuracy of the analysis was performed to determine how well the equation worked in predicting the value of the stock price. Chart 4.9 provides the result of this check, and shows that predicted stock price tracked the actual stock price well.

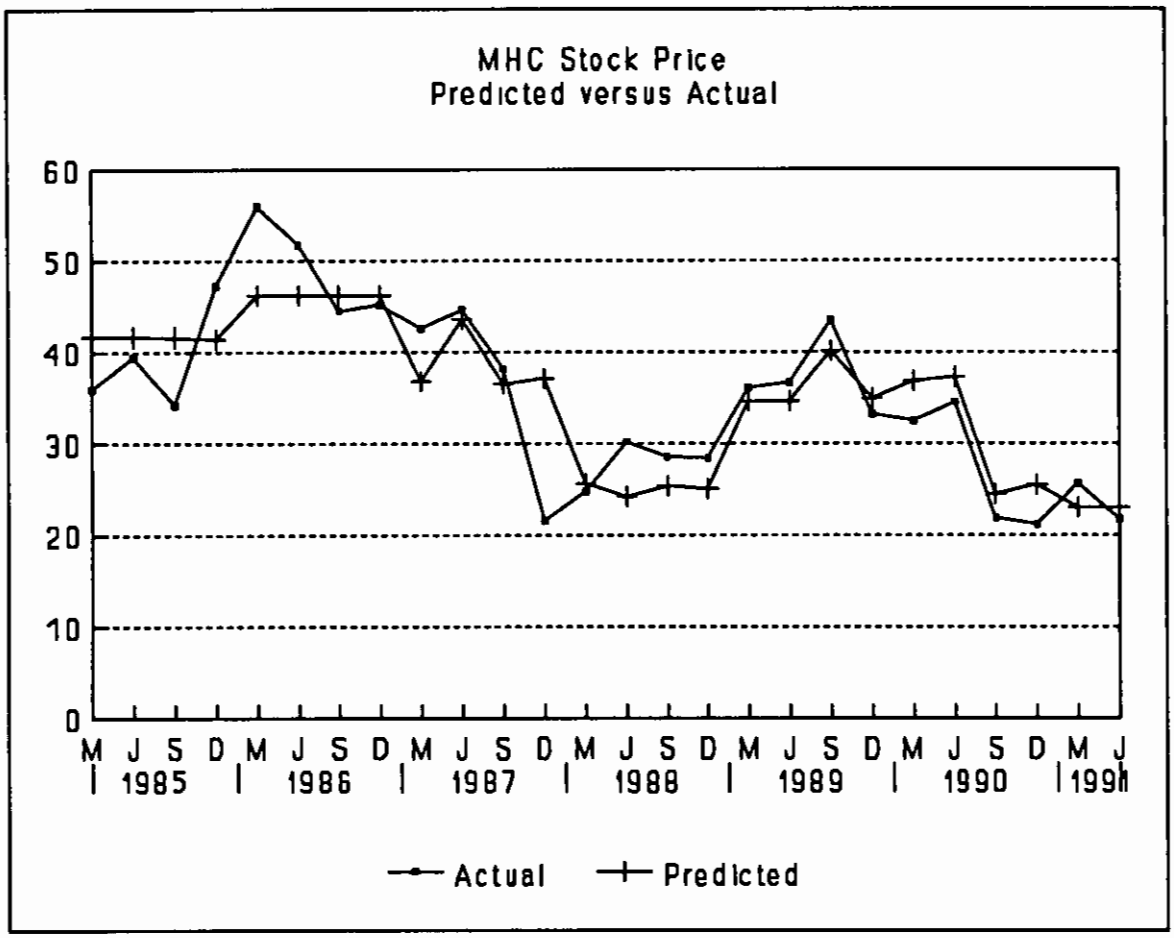

Chart 4.8

Conclusion: A close relationship existed between the movements in the bank's stock price and the movements of the bank's performance measures. A standard deviation was performed on the difference between the actual stock price and that predicted by the regression model and was found to be 5.0713.

E. OBSERVATIONS BASED ON THE ANALYSIS

The analysis of the impact of the bank's reorganizations on the stock price showed that the stock price was not impacted. The analysis also concluded that there was a close relationship between the movement of stock price and the performance measures of the institution. As stated previously, reorganizations of an institution must be targeted to the overall improvement of the organization. One of the key measurements of the health of an organization is its stock price. Stock price is affected by many variables, and a reorganization should be directed at the improvement of the stock price by positively altering some of these variables.

It was not possible from the analysis to determine any overall positive result of the reorganizations, as measured by improvement in stock price. However, the analysis did verify that the stock price was influenced by

the performance measures of the bank. If the reorganizations had positively impacted these performance measures, the bank would have increased its stock price.

F. COMPARISON WITH PEER GROUP AND EXCELLENT BANKS

While no relationship was discernible between the events of reorganization and the bank's performance and value, it was considered that the reorganizations may have enabled the bank to compete effectively with its peer group. This effective competition would have enabled the bank to perform equal to or better than the mean performance of its peers. A trend analysis was conducted comparing the bank to its peer group of U.S. international banks (Control Group A). An analysis was also conducted which compared the bank to selected excellent banks (Control Group B).

The analysis consisted of collecting data on the banks similar to that collected on the subject bank (APPENDIX III). The data was then averaged and indexed to allow for comparisons (APPENDIX IV). The trend analysis revealed that the banks within the group performed in similar fashion. The subject bank's performance revealed similar trends as the control groups. However, the bank's performance was weaker than the peer group results, and

significantly weaker than the average of the excellent banks.

Analysis of the stock demonstrated that the subject bank's stock was more volatile than that of the peer group. The following charts provide the summary of the analysis on each separate performance indicator.

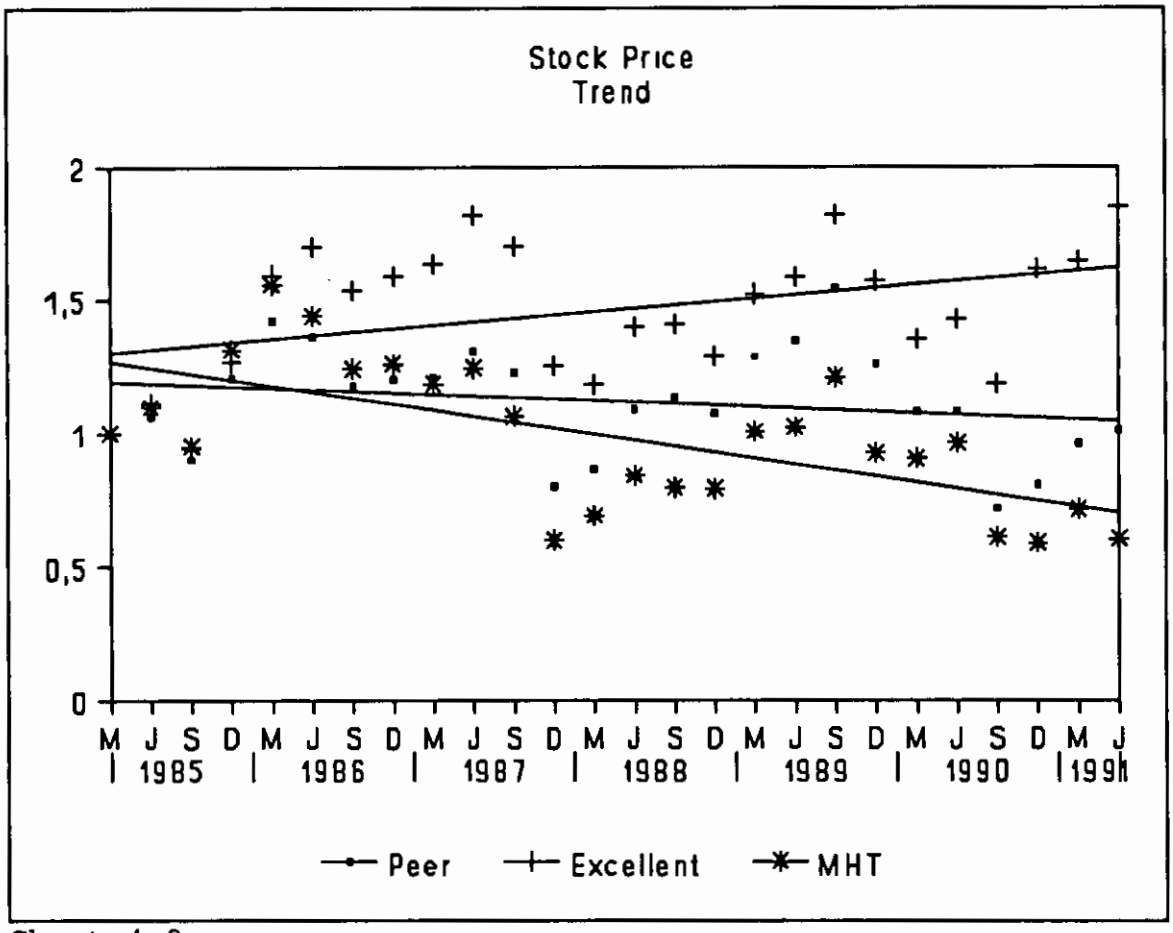

Chart 4.9

Analysis of the stock price trend shows that the subject bank fared worse than its peer group during the period of the study. While the general trend of both was

downward, the stock price of the subject bank was below the average price per share of peer group. A correlation analysis was performed to verify the relationship of the stock movement of the peer group and the bank. A strong relationship was discovered. It was also determined that over the period studied the Beta[b], or measure of volatility of the bank's stock was 1.05 (APPENDIX VII). This indicates that the return of the bank's stock was more volatile than a portfolio of its peers. In comparison with the excellent banks, the trend analysis revealed that the excellent banks turned in a superior performance. The stock price of the excellent banks showed an upward trend, while the peer group declined in value. Correlation analysis was also conducted to establish the relationship of the bank with the excellent banks, and the excellent banks with the peer group.

SUMMARY OF CORRELATION ANALYSIS

Table 4.6

	Observations	Corr. Coef.	R-Squared	Beta
Bank on peers	25	.91906257	.844676	1.04895
Bank on excellent	25	.70020568	.490288	.827745
Excellent on peers	25	.85375465	.728897	.832241

[b] The Beta of a stock is used to describe the volatility of the stock against some portfolio. Beta describes the slope of the regression line of the Bank on the peer group.

A strong correlation existed between the bank and the peer group, and the excellent group and the peer group. However, the relationship between the stock price movements of the bank and the stock price movement of the excellent banks was much weaker. The analysis also revealed that while stock price of the bank was more volatile than the peer group, it was less volatile than the stock price of the excellent group.

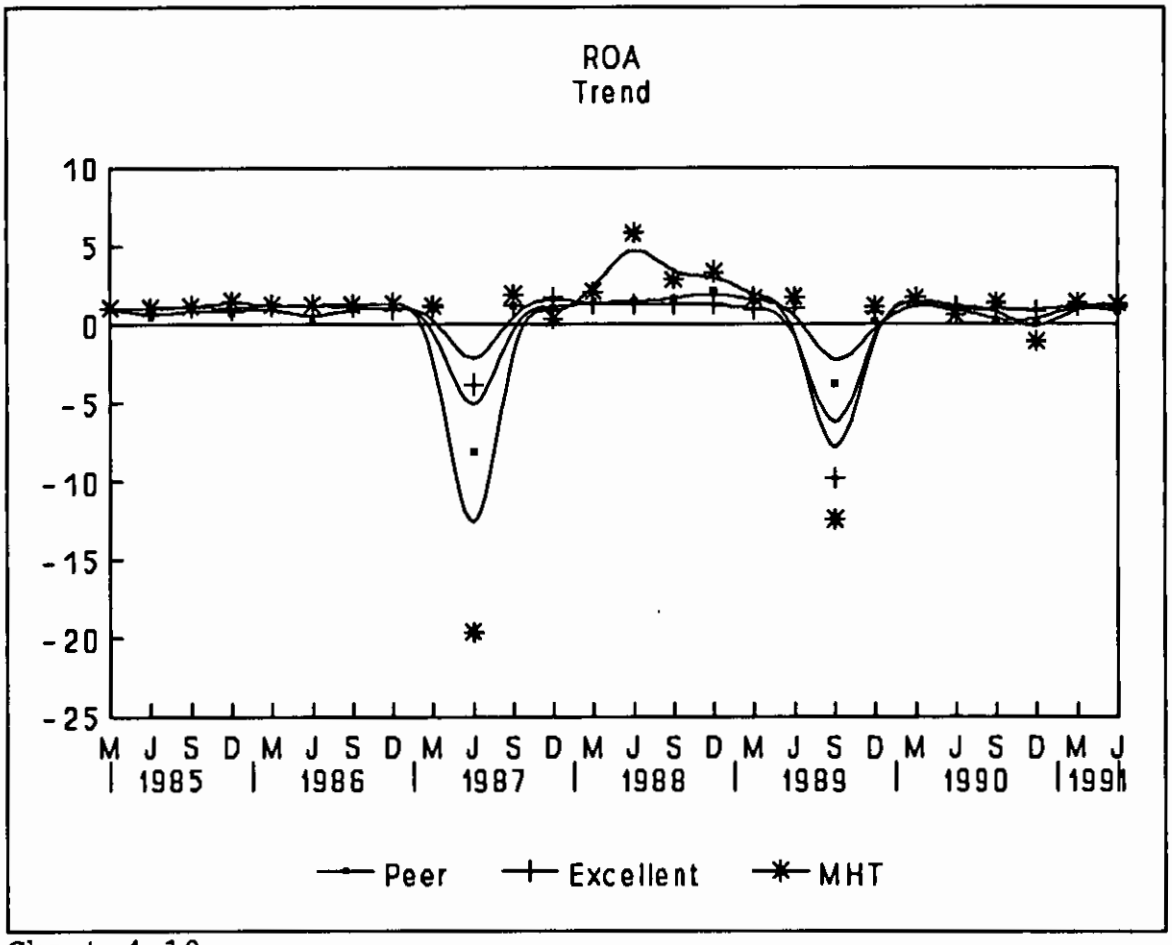

Chart 4.10

Analysis of the ROA trend revealed similar trends for

all of the banks which were analyzed. The EPS indicator demonstrated a like result. The subject bank displayed a stronger overall ROA trend over the period than the trend of either the peer or excellent group. The reason for this was a greater concentration on asset reduction by the subject bank during this period.

The EPS trend comparison exhibited a greater decrease in value on the part of the bank than that of either group. This supported the conclusion that the bank's weaker performance compared to its peers was related to the poor profitability of the bank. The excellent group revealed higher profitability levels, but did not show superior performance in terms of ROA. (See APPENDIX IV for the supporting data.)

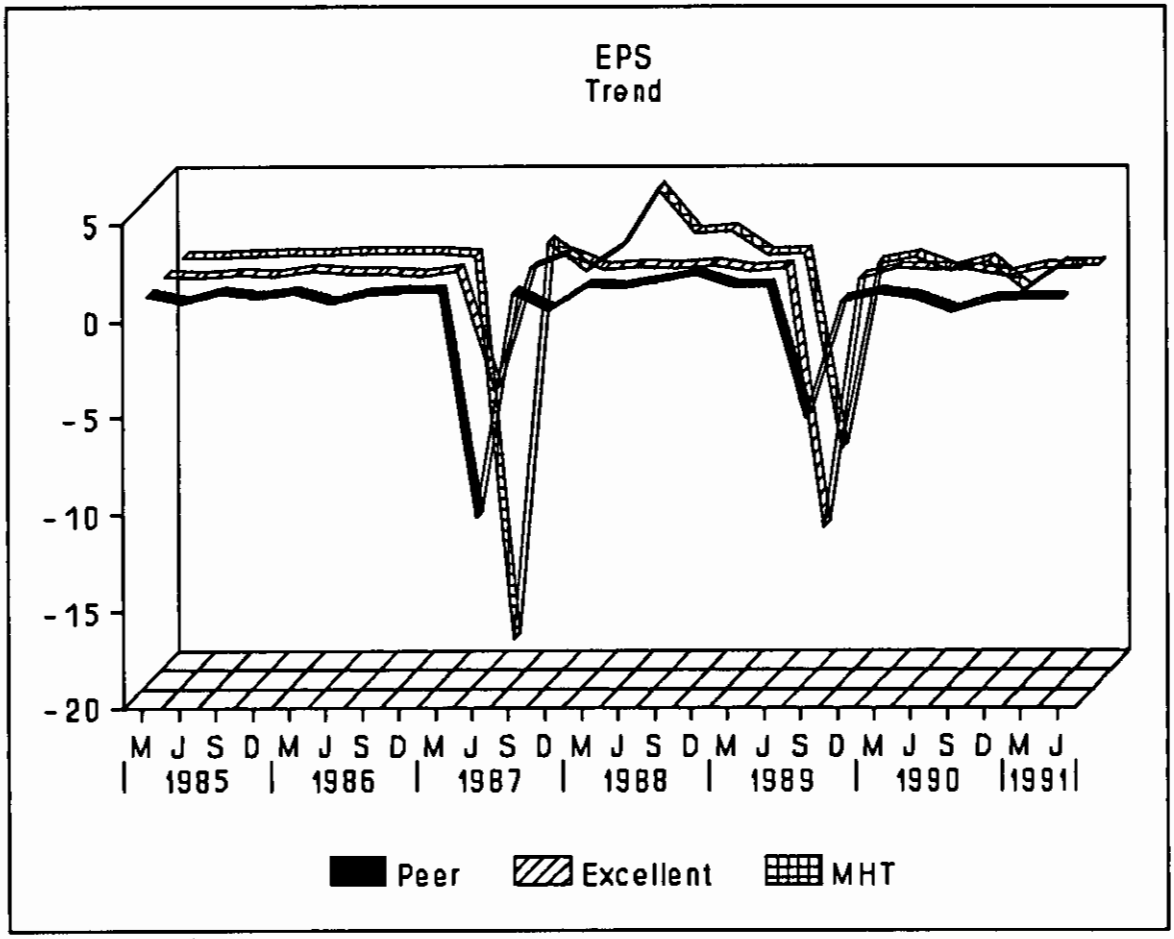
EPS
Trend
5
0
-5
-10
-15
-20
M J S D M J S D M J S D M J S D M J S D M J S D M J
1985
1986
1987
1988
1989
1990
1991
Peer
Excellent
MHT

Chart 4.11

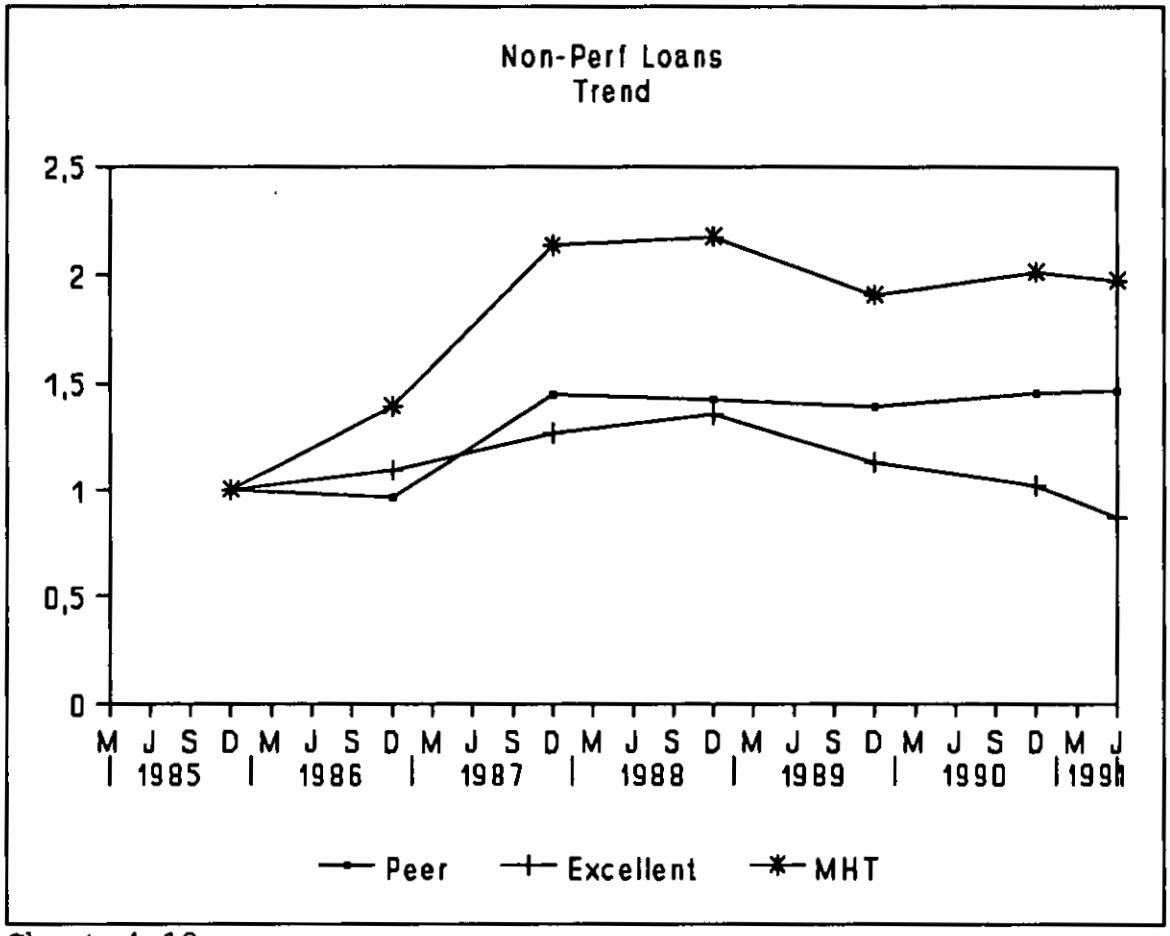

Chart 4.12

An analysis of the non-performing loans revealed that the banks in the excellent group were able to manage their loan portfolio well, effectively decreasing the non-performing loans over the period of the study. The subject bank experienced considerable difficulties with its loan portfolio, showing a significant increase in non-performing loans when compared with its peer group.

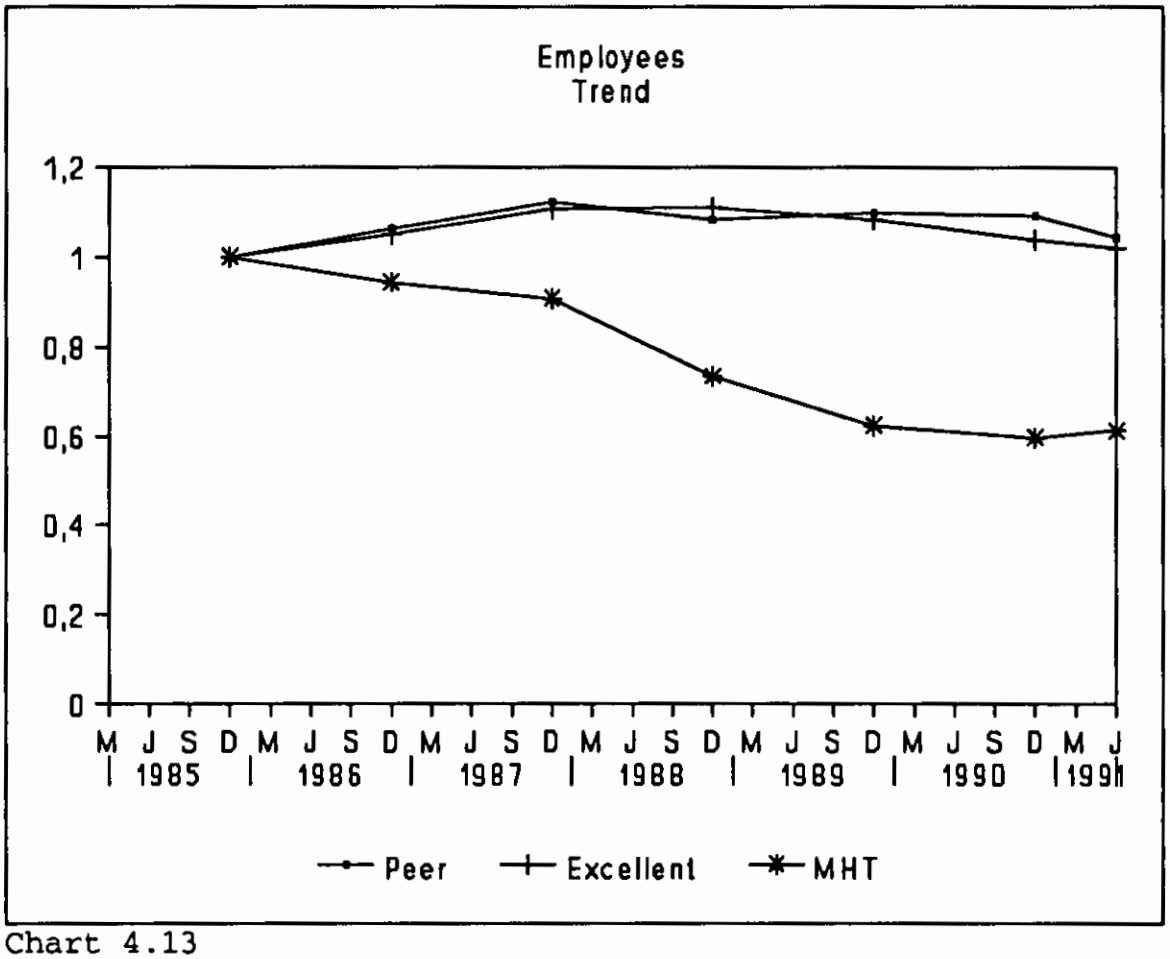

Chart 4.13

While both the peer group and the excellent banks exhibited relatively stable employment levels, there was a significant decline in absolute levels of employment at the bank. As stated previously, the bank's reduction in these levels was a result of cost cutting measures. This cost cutting, through a drop in employment levels, did not appear to be an industry wide event.

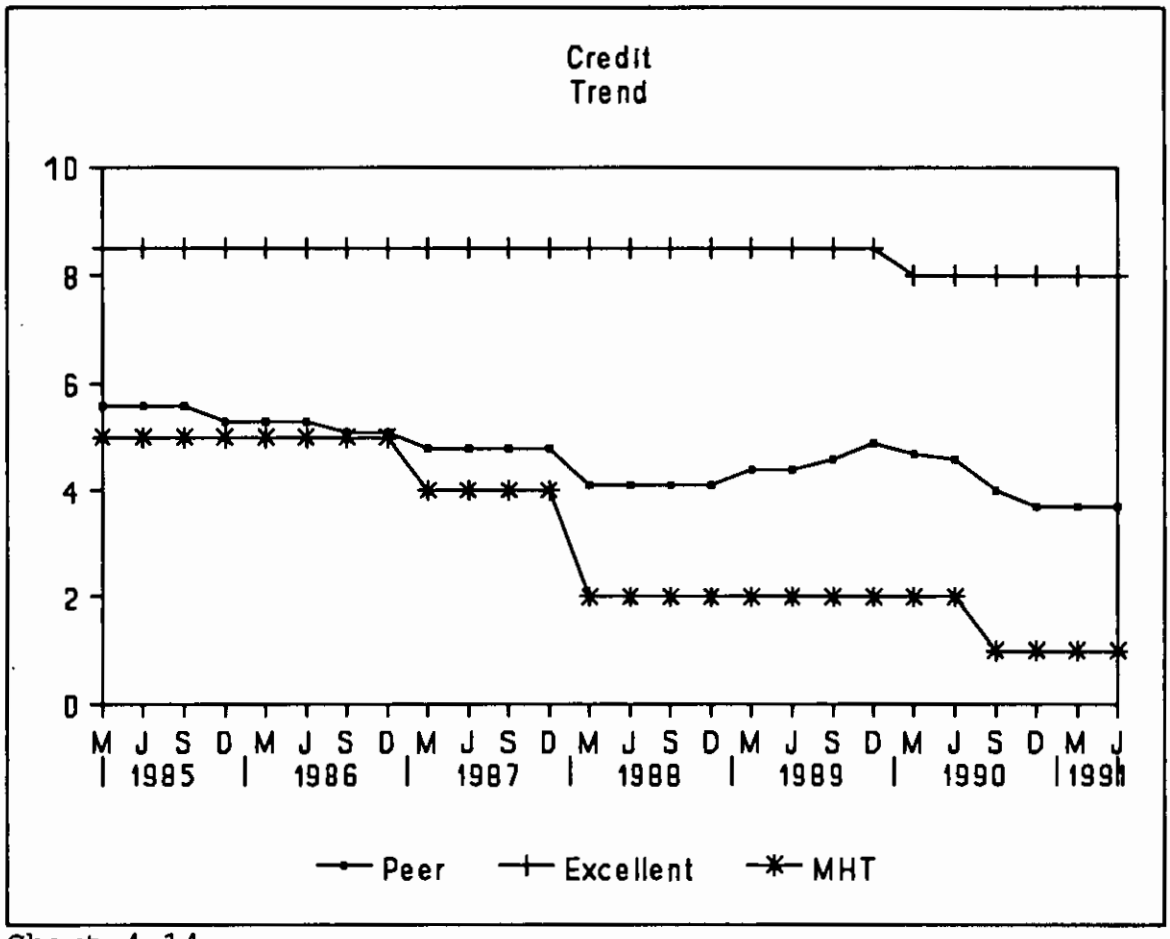

Chart 4.14

Virtually all of the banks analyzed experienced a decline in credit quality during the period. The one exception was Morgan, one of the excellent banks, which maintained the highest credit rating throughout. The subject bank suffered a greater decline in quality than that of its peer group.

SUMMARY OF CHAPTER 4

Chapter 4 has presented the results of the analysis

which was conducted on the bank. It has shown and explained the data which was gathered, and the results of the different comparisons made to gain an understanding of the performance of the bank on a stand alone basis, as well as on a comparison basis. The analysis did not result in establishing an impact on the bank's performance caused by the reorganizations of the bank. Chapter 5 discusses the conclusions from this analysis and makes some recommendations in terms of future research on the subject of bank reorganizations.

Chapter 5

Answers, Conclusions and Recommendations

This final chapter answers the questions which were posed by the research. It also discusses several possible conclusions which may be drawn from the analysis presented in Chapter 4. Finally, some recommendations toward future research and investigation into the subject of bank reorganizations are made.

A. ANSWERING QUESTIONS

The research asked several questions in terms of the bank's reorganizations and its performance. The questions and the answers from the research are summarized below.

1 - Did the announced reorganizations appear to have any connection with the stock price, performance index, credit rating index, and employee index?

The research did not uncover any connection between the announced reorganizations and the movements of the performance measures or the stock price of the bank.

2 - What, if any, were the timing implications of the announcement of a reorganization and the reaction of the

stock price, performance index, credit rating index, employee index?

No timing implications were uncovered. The research had anticipated that the announcement of a reorganization would be reflected in the performance of the bank. On a short-term basis, it was thought that a positive movement would occur consistently in the performance measures at the end of the quarter in which an announcement was made. The reorganizations did not produce changes in the performance of the bank, or changes in trends of the performance measures. From the peer group analysis, it would appear that the performance of the bank was influenced by that of the industry, and not by the reorganizations.

3 - Were there any trends in the performance of the bank and the reorganizations that were observable and measurable?

The research was not able to establish any measurable trends connected to the reorganizations. Over the period of the study the value, performance measures and credit quality of the bank declined steadily. The reorganizations did not appear to have any influence, either positive or negative, on the performance of the bank.

4 - Did the number of announced reorganizations appear to be

influenced by any of the performance factors?

The number of reorganizations became more frequent toward the end of the study period. This appears consistent with the continuing decline of the stock price and the credit quality of the bank. While it can not be objectively established, the reorganizations may have become more frequent in an attempt to address the profitability of the bank, thereby targeted to reverse the trend, and lift the stock price.

5 - Did the announced reorganizations have a measurable impact on the bank?

No impact was discernable from the information studied.

6 - Did the trend of the bank appear to be consistent with Control Group A, the peer group? With Control Group B, the excellent group?

The trend analysis revealed consistent movements for all groups, with the subject bank underperforming the peer group, and the excellent group outperforming both the subject bank and the peer group. It may be concluded that the performance of the bank was heavily influenced by events

which impacted the industry. The industry responded in similar fashion to these events.

B. CONCLUSION OF THE RESEARCH

Three different conclusions may be drawn from the results of the research.

i. The reorganizations were unsuccessful.
ii. The reorganizations prevented the bank from performing worse.
iii. The reorganizations were directed at accomplishing a goal, or set of goals, other than the improvement of the performance of the bank.

The arguments for the different conclusions are:

i. The reorganizations were unsuccessful. The justification of this conclusion is that reorganizations must be focused on the improvement of the efficiency and effectiveness of the business. The bank improved efficiency to a certain degree. However, the cost of the improvement was a significant decline in the employment levels of the bank. No other improvement in the bank's performance could be

discerned. The bank failed to improve overall performance, maintain value, or to maintain a performance level equal to its peer group.

ii. The reorganizations prevented the bank from performing worse. This conclusion argues that if the bank had not affected these reorganizations, the performance of the institution, over the period of the study would have been worse. This would have destroyed shareholder value to a greater extent than that experienced. As no impact was discernible from the analysis performed, this conclusion is not supportable. Additionally, the bank's performance tracked the direction of its peers, albeit underperforming its peers. One would have expected to see a counter trend in terms of the peer group analysis to support this conclusion. In order to establish this conclusion research would need to be conducted which would recreate the bank's performance as if no reorganizations occurred.

iii. The reorganizations were directed at accomplishing a different goal. This conclusion suggests that the reorganizations were undertaken to realign business based on the competence of management, or

to make better use of existing systems technology. This conclusion is also hard to support, as ultimately the reorganizations should lead to an improved performance.

The writer accepts conclusion the first conclusion: the reorganizations were not successful. All reorganizations should lead to an improved performance of the institution, if this is not ultimately the case it is difficult to understand the rationale for reorganizing. The restructuring of management and business units, if successful, should result in either an increase in the effectiveness or in the efficiency of the organization, or both. This increase should be discernible in the earnings power of the institution. This increase in earning power will lead to improvement of the stock price, and therefore an increase in shareholder wealth.

C. RECOMMENDATIONS

The research conducted confined its scope to the reorganizations of one banking institution over a limited period of time. The findings of the research were that the reorganizations of that institution were not successful because they did not improve the measurable performance of

the institution. Future research on this topic is warranted and should be directed at a number of outstanding questions on this topic. These include:

i. Why did the reorganizations at Manufacturers Hanover prove unsuccessful? Research to address this question would involve the study of banks who have successfully reorganized several times, and compare the differences in the implementation of the reorganizations. This would be valuable information to provide to the banking industry, and would allow for a minimum of unsuccessful reorganizations.

ii. What are the impacts on our society of the effects of the reorganizations of the banks? This research may be directed toward gaining a better understanding of the impact on the morale of the employees of the bank, as their number dwindles. The research may also be directed at gaining an understanding of the impact on the bank's clients as it undergoes multiple reorganizations.

Continued research is important in this field because the global banking industry is in the process of undergoing deep and permanent change in the way it does

business. Observation of the industry reveals that banks are constantly reorganizing in an attempt to become flexible and address the changing needs of the client base. In order to move toward the future, reorganizations are necessary. However, prior to reorganizing a positive impact on the performance measures of the bank should be firmly established. This may be accomplished through analysis, such as simulation. This will minimize the occurrence of unsuccessful reorganizations.

APPENDIX I - PROGRESSION OF FINANCIAL INNOVATION

1957 Creation of the European Economic Community (EEC) leads to introduction of the EEC unit of account - first artificial currency unit of modern times
1950's (late) Start of Eurodollar market
1961 Introduction of private European unit of account for bond issue by Portuguese company SACOR - the first Eurobond?
1963 Issue of $15 million Eurobond for Autostrade, generally considered the start of the Eurobond market
Introduction of U.S. Interest Equalization Tax (IET) sparks growth of the Euromarkets
1966 Introduction of certificate of deposit in United States
1968 Creation of U.S. Government National Mortgage Association (Ginnie Mae)
1969 Introduction of GNMA pass-through
1970 First floating-rate note (FRN) in Euromarket
Creation of U.S. Federal Home Loan Mortgage Corporation (Freddie Mac)
Creation of IMF Special Drawing Right (SDR)
Introduction of European Currency Unit (private unit of account for a Eurobond issue)
1971 Creation of National Association of Securities Dealers Automated Quotations in the U.S.
1972 Chicago International Monetary Market (IMM) introduces first financial futures contract (currency future)
NYSE introduces negotiated rates on orders over $500,000
Formation of EEC system of common exchange rates "snake"
1973 Creation of Chicago Board Options Exchange
Introduction of Eurco (European Composite Unit) in Euromarket
1974 First domestic U.S. FRN
IET abolished
U.S. citizens permitted to buy gold
1975 Deregulation of New York Stock exchange commissions - Mayday
Introduction of the first interest rate future (on GNMAs)
1977 Chicago Board of Trade introduces Treasury bond future trading
1978 Creation of U.S. Intermarket Trading system to link stock exchanges
1979 U.S. "New Economic Policy" triggers massive interest-rate instability
Creation of European Monetary System
Introduction of ECU
First revolving underwriting facility in Euromarket

1980 Introduction of seven-day-put U.S. municipal bonds ("lower floaters")
First partly paid Eurobond (Alcoa)
First bond issued with debt warrants (Kingdom of Sweden)

1981 First original issue discount/zero coupon bonds
New, simplified SDR introduced
First dual-currency bond in Euromarkets
IBM/World Bank currency swap
First interest rate swap

1982 Creation of link between NASDAQ and Intermarket Trading System
First CATs, TIGRs (Certificate of Accrual of Treasury Securities, Treasury Investment Growth Receipts)
First options on Treasury bond futures
First stock index futures
First traded currency options
First adjustable-rate preferred stock
Foundation of London International Financial Futures Exchange
Rule 415 brings bought deal to U.S. bond markets

1983 Creation of Collateralized Mortgage Obligations (CMOs)
Introduction of options on Standard & Poor's index

1984 Creation of CARS (Certificates for Automobile Receivables)
Introduction of STRIPS (Separate Trading of Registered Interest and Principal) on Treasury bonds
First money market preferred stock
First options on Eurodollar futures
First Eurobond with credit enhancement from an insurance company (Rockefeller, guaranteed by Aetna)
British Telecom issue: perhaps first global Initial Public Offering (IPO)

1985 Introduction of capped FRN; stripped caps
First mismatch, mini-max and partly paid FRNs in Euromarkets
Introduction of Deutsche mark (DMK) and yen FRNs
Introduction of nondollar zero coupons (in DM, SwFR, and yen)
Creation of Shogun bonds (US$ bonds in Japan)
First Sushi bonds (Japanese Eurobonds for domestic placement)
Creation of Tokyo futures exchange
First variable-duration notes (interest payable in bonds)
First zero-coupon convertible
Creation of STAIRS (Stepped Tax-exempt Appreciation on Income Realization Securities) U.S. zero-coupon tax-exempts which convert to interest bearing later
Heaven and hell bonds
ICONs
ZEBRA (U.K. zero coupon)

US$ harmless warrants ("wedding warrants")
First synthetic fixed-rate bond (BECS, MECS)
1986 Harmless warrants in DM, yen, A$, DFL, ECU
Yen equity warrants
US$ biannual interest payment
Hybrid FRN/Euronote
Capped FRN with income warrants
Participating mortgage bonds
Bull floaters, stepped coupon bonds and FRNs
Step-down floaters
Deferred coupon bonds and FRNs
DM collateralized zeros
Treasury-indexed US$ bonds
Bear/bull bonds on stock indexes, gold
US$ oil-indexed bonds
Reverse floater
FRN with warrants
Foundation of MATIF (French futures exchange: Marche a Terme des Instruments Financiers)
First Stripped U.S. mortgage-backed securities
Creation of REMICs in U.S.
First stripped U.S. municipal bonds

APPENDIX II - CONTROL GROUPS

Control Group A - Peer Group of Banks

This group was used in the study to provide a relative gauge for the performance of the subject bank. The advantages and disadvantages have already been stated in the paper.

BankAmerica Corporation (BoA)
Bankers Trust New York Corporation (BT)
Chase Manhattan Corporation (Chase)
Chemical Banking Corporation (Chemical)
Citicorp (Citi)
Continental Bank Corporation (Cont.)
First Chicago Corporations (Chicago)
J.P. Morgan & Company (Morgan)
Security Pacific Corporation (SecPac)

Control Group B - Excellent Banks

Of this peer group two of the banks are considered "excellent" banks. These are Bankers Trust Company and Morgan Guaranty. These banks were used as a separate control group in order to gain a perspective on the performance of the best of the industry.

APPENDIX III - INFORMATION ON THE BANKS USED IN THE ANALYSIS.

BankAmerica Corporation

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.33%	0.63	18.625		
2	-1.18%	-2.34	19.125		
3	0.16%	0.31	13		
4	-0.66%	-1.27	15.625	6520	51005
5	0.16%	0.31	16.5		
6	-2.23%	-4.25	15.625		
7	0.13%	-0.24	10.875		
8	0.26%	0.44	14.625	5501	53550
9	0.21%	0.34	12		
10	-4.74%	-7.4	11.5		
11	0.16%	0.25	11		
12	0.19%	0.27	6.875	4902	59467
13	0.39%	0.44	10.75		
14	0.62%	0.61	13.5		
15	0.73%	0.72	16.375		
16	1.06%	0.97	17.625	4233	53713
17	1.08%	1.03	24.375		
18	1.18%	1.18	26.5		
19	1.00%	1.02	35.875		
20	1.04%	0.62	26.75	3978	54779
21	1.05%	0.95	28.125		
22	0.98%	0.92	29.625		
23	0.99%	1.04	20.25		
24	1.00%	0.94	26.5	3116	56349
25	0.98%	1.25	36.125		
26	0.90%	1.16	36.25	3100	55359

Banker's Trust New York Corporation

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.77%	1.37	31.813		
2	0.76%	1.27	34.813		
3	0.78%	1.37	29		
4	0.73%	1.37	36.75	802	10543
5	0.88%	1.64	47.375		
6	0.77%	1.45	48.375		
7	0.84%	1.53	42.875		
8	0.69%	1.39	45.25	875	11069
9	0.86%	1.77	45.75		
10	-4.05%	-7.85	51		
11	1.03%	2.03	46.25		
12	2.01%	3.7	31.75	1156	12292
13	0.84%	1.61	31.125		
14	1.25%	2.18	37		
15	1.12%	2.01	38.875		
16	1.28%	2.29	35	1244	12751
17	1.07%	2.02	43		
18	1.12%	2.14	48.125		
19	-9.57%	-17.39	54		
20	0.69%	1.17	41.375	1351	13230
21	1.30%	2.36	37.25		
22	1.17%	2.06	41.875		
23	1.07%	1.98	31.5		
24	0.71%	1.4	43.375	1249	13315
25	1.05%	1.85	42.75		
26	1.20%	2.16	48.375	1123	12701

Chase Manhattan Corporation

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.50%	1.46	25.75		
2	0.50%	1.44	30.188		
3	0.60%	1.74	24.563		
4	0.61%	1.74	36.313	2005	46450
5	0.58%	1.63	46.75		
6	0.58%	1.65	44.375		
7	0.55%	1.55	36.375		
8	0.61%	1.79	35.625	1924	47480
9	0.37%	1.12	38.375		
10	-5.63%	-16.98	41.25		
11	0.84%	2.55	38.625		
12	0.56%	1.66	22.125	4366	42390
13	1.07%	3.09	25.125		
14	0.87%	2.45	29.875		
15	1.10%	3.09	30.125		
16	1.05%	2.93	28.625	4241	41570
17	0.45%	1.27	37.875		
18	0.45%	1.31	36.35		
19	-4.26%	-12.45	42		
20	0.58%	1.47	34.75	3993	40590
21	0.09%	0.2	27.875		
22	0.12%	0.24	23.875		
23	-2.46%	-5.03	11.75		
24	0.70%	1.32	10.5	4589	38470
25	0.39%	0.73	15.5		
26	0.44%	0.8	16.25	4470	37340

Chemical Banking Corporation

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.58%	1.68	37.5		
2	0.68%	2.03	41.25		
3	0.63%	1.8	33.5		
4	0.63%	1.82	45.375	1185	19700
5	0.69%	1.93	54.625		
6	0.65%	1.85	51.25		
7	0.66%	1.87	43.375		
8	0.64%	1.92	42.25	1350	21000
9	0.53%	1.58	43.75		
10	-5.68%	-21.34	42		
11	-0.41%	-1.12	38.125		
12	1.09%	3.83	21.375	2958	28600
13	0.56%	1.95	21.375		
14	0.60%	1.98	30.625		
15	1.13%	3.43	32		
16	1.61%	4.66	31	3421	26762
17	0.53%	1.49	36.125		
18	0.57%	1.65	35.875		
19	-4.45%	-12.89	40.875		
20	0.43%	1.04	29.875	3090	29139
21	0.72%	1.55	23.375		
22	0.50%	1.02	25.5		
23	-0.34%	-0.69	15.5		
24	0.27%	0.55	10.75	2846	26459
25	0.47%	0.84	17.375		
26	0.51%	0.83	21.375	3421	22879

Citicorp

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.68%	1.01	21.625		
2	0.59%	0.9	24.688		
3	0.50%	0.8	20.25		
4	0.52%	0.84	24.688	2248	81300
5	0.55%	0.93	31.188		
6	0.47%	0.8	29.875		
7	0.49%	0.82	25.063		
8	0.59%	1.01	26.5	2554	88500
9	0.50%	0.9	25.25		
10	-5.40%	-9.48	29.5		
11	1.01%	1.79	28.688		
12	1.17%	2.06	18.625	6046	90000
13	0.65%	1.01	19.125		
14	0.65%	1.03	24.875		
15	0.70%	1.13	26.125		
16	1.34%	1.7	25.875	6331	89000
17	0.93%	1.52	29.75		
18	0.66%	1.11	31.125		
19	0.58%	0.99	33.625		
20	-1.42%	-2.52	28.875	7242	92000
21	0.58%	0.6	23		
22	0.38%	0.64	22.625		
23	0.33%	0.56	14.25		
24	-0.77%	-1.26	12.625	8639	95000
25	0.94%	0.17	14.625		
26	-0.08%	-0.12	14.5	8042	90500

Continental Bank Corporation

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.40%	0.28	34		
2	0.36%	0.28	28.5		
3	0.37%	0.88	28.5		
4	0.55%	0.28	39.5	828	8945
5	0.40%	0.2	36		
6	0.44%	0.32	26		
7	0.46%	0.32	24.5		
8	0.44%	0.32	21.5	611	9466
9	0.40%	1.24	20		
10	-5.86%	-18.2	21		
11	0.65%	1.92	21.5		
12	-3.06%	-9.2	12	716	9624
13	0.76%	1.12	14.5		
14	0.63%	0.96	20		
15	0.80%	1.2	20.5		
16	1.36%	1.94	20.75	846	8105
17	0.85%	1.55	21		
18	0.69%	1.27	23.75		
19	0.71%	1.55	25.375		
20	-0.90%	0.27	19.875	430	7560
21	0.65%	0.99	15.375		
22	-0.88%	-1.05	15.25		
23	0.48%	0.58	7.625		
24	0.37%	0.41	8.875	547	6520
25	0.30%	0.41	11.625		
26	0.35%	0.41	11.25	574	5787

First Chicago Corporation

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.32%	0.68	21.25		
2	0.04%	0.08	22.25		
3	0.51%	1.04	21.5		
4	0.54%	1.04	29.5	818	12800
5	0.60%	1.06	32.75		
6	0.59%	1.08	32.5		
7	0.66%	1.24	27		
8	0.73%	1.32	28.625	822	13700
9	0.58%	1.06	28.625		
10	-5.81%	-10.96	29.5		
11	0.51%	1.05	28.625		
12	-0.94%	-1.86	18.875	1054	14489
13	1.21%	2.38	23.75		
14	1.04%	2.02	31.375		
15	0.92%	1.73	33.875		
16	1.17%	2.07	29.625	814	15600
17	1.04%	1.85	38.125		
18	1.05%	1.98	41.125		
19	-0.25%	-0.5	47.375		
20	0.97%	1.77	37.125	953	16608
21	0.49%	0.93	30.375		
22	0.63%	1.22	29.25		
23	0.22%	0.45	17		
24	0.39%	0.75	16.5	854	17441
25	0.34%	0.63	22		
26	0.41%	0.73	20.875	849	17200

Manufacturers Hanover Corporation

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.38%	1.78	35.875		
2	0.39%	1.81	39.375		
3	0.42%	1.96	34.125		
4	0.54%	2.06	47.125	1534	32133
5	0.45%	2.10	55.875		
6	0.46%	2.13	51.625		
7	0.47%	2.13	44.5		
8	0.49%	2.18	45.125	2135	30316
9	0.44%	1.96	42.5		
10	-7.46%	-33.32	44.625		
11	0.70%	3.12	38.125		
12	0.13%	0.56	21.5	3277	29125
13	0.77%	2.82	24.75		
14	2.20%	8.07	30.125		
15	1.08%	3.96	28.5		
16	1.26%	4.20	28.375	3339	23557
17	0.62%	2.07	36		
18	0.64%	2.13	36.625		
19	-4.73%	-15.82	43.375		
20	0.41%	1.24	33.125	2930	20034
21	0.63%	1.76	32.375		
22	0.22%	0.61	34.5		
23	0.51%	1.41	21.875		
24	-0.43%	-1.23	21.125	3092	19177
25	0.51%	1.09	25.625		
26	0.49%	1.05	21.625	3033	19710

J.P.Morgan & Company

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	1.02%	0.92	22.563		
2	0.96%	0.88	25.75		
3	1.20%	1.15	22.25		
4	0.98%	0.95	32.063	1390	14780
5	1.32%	1.28	39.25		
6	1.29%	1.29	43.938		
7	1.12%	1.14	40.563		
8	0.99%	1.02	41.25	1523	15500
9	1.11%	1.22	43.125		
10	-3.16%	-3.29	47.875		
11	1.11%	1.18	46.125		
12	1.17%	1.21	36.25	1620	15731
13	1.36%	1.52	33.25		
14	1.11%	1.23	38.875		
15	1.13%	1.25	37.625		
16	1.10%	1.38	34.875	1723	15363
17	0.71%	0.96	39.75		
18	0.82%	1.12	38.125		
19	-8.54%	-9.95	44.875		
20	0.68%	0.82	44	1125	14207
21	1.73%	0.86	36.375		
22	0.86%	1.06	35.75		
23	0.84%	1.08	32.875		
24	0.79%	0.98	44.375	986	12970
25	1.14%	1.4	46.75		
26	0.93%	1.17	52.125	790	13150

Security Pacific Corporation

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.56%	0.99	28.375		
2	0.60%	1.01	30.500		
3	0.65%	1.05	25.125		
4	0.86%	1.08	31.875	1326	36022
5	0.71%	1.09	38.625		
6	0.76%	1.12	36.500		
7	0.80%	1.14	33.625		
8	0.72%	1.17	34.625	1304	38384
9	0.67%	1.22	35.000		
10	-1.10%	1.24	42.000		
11	0.75%	0.52	37.625		
12	-0.22%	0.54	25.375	1954	43005
13	0.81%	0.00	29.750		
14	0.85%	0.06	36.375		
15	0.92%	0.86	38.500		
16	0.86%	0.93	36.125	1559	41904
17	0.91%	1.40	40.125		
18	0.94%	1.46	44.500		
19	0.94%	1.51	48.375		
20	0.90%	1.53	40.625	1643	40882
21	0.89%	1.57	38.250		
22	0.92%	1.57	37.000		
23	0.64%	1.57	22.500		
24	-1.59%	1.44	20.625	2070	40946
25	0.43%	0.26	24.625		
26	0.21%	0.05	23.000	2753	38629

APPENDIX IV - CONTROL GROUP AVERAGES AND INDEXED NUMBERS.

Averages: The averages were computed based on the number of banks analyzed. For Control Group A there were nine banks, for Control Group B there were two.

The average ROA is calculated based on the average net income of the group divided by the average total assets of the group.

The average EPS is calculated based on the total EPS of the group divided by the number of banks in the group.

The average stock price, non-performing loans, and employees are calculated on the basis as the average EPS.

The average credit rating, sums the individual credit ratings of each bank, after the rating have been converted to an index number, and divides by the number of banks in the group.

Indexed numbers: The indexed numbers, except for the credit rating, were calculated by dividing the each number by the base period number. The index numbers were not converted to a percentage number, that is they were not multiplied by 100.

Control Group A - Peer Group Averages

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.58%	1.00	26.833		
2	0.27%	0.62	28.563		
3	0.56%	1.13	24.188		
4	0.43%	0.87	32.410	1902	31283
5	0.61%	1.12	38.118		
6	0.18%	0.59	36.493		
7	0.58%	1.04	31.583		
8	0.61%	1.15	32.250	1829	33183
9	0.56%	1.16	32.431		
10	-4.69%	-10.47	35.069		
11	0.67%	1.13	32.951		
12	0.59%	0.25	21.472	2752	35066
13	0.81%	1.46	23.194		
14	0.80%	1.39	29.167		
15	0.91%	1.71	30.444		
16	1.20%	2.10	28.833	2712	33863
17	0.84%	1.45	34.458		
18	0.79%	1.47	36.164		
19	-2.19%	-5.35	41.375		
20	0.08%	0.69	33.694	2645	34333
21	0.79%	1.11	28.889		
22	0.57%	0.85	28.972		
23	0.15%	0.17	19.250		
24	0.05%	0.73	21.569	2766	34163
25	0.76%	0.84	25.708		
26	0.46%	0.80	27.111	2791	32616

Excellent Bank Averages

Qtr.	RoA	EPS	Stock Price	Non-perf Loans	Employees
1	0.91%	1.15	27.188		
2	0.88%	1.08	30.282		
3	1.03%	1.26	25.625		
4	0.88%	1.16	34.407	1096	12661.5
5	1.14%	1.46	43.313		
6	1.07%	1.37	46.157		
7	1.00%	1.34	41.719		
8	0.86%	1.21	43.250	1199	13284.5
9	1.01%	1.50	44.438		
10	-3.54%	-5.57	49.438		
11	1.08%	1.61	46.188		
12	1.53%	2.46	34.000	1388	14011.5
13	1.14%	1.57	32.188		
14	1.17%	1.71	37.938		
15	1.12%	1.63	38.250		
16	1.17%	1.84	34.938	1483.5	14057
17	0.85%	1.49	41.375		
18	0.93%	1.63	43.125		
19	-8.97%	-13.67	49.438		
20	0.68%	1.00	42.688	1238	13718.5
21	1.56%	1.61	36.813		
22	0.98%	1.56	38.813		
23	0.93%	1.53	32.188		
24	0.76%	1.19	43.875	1117.5	13142.5
25	1.11%	1.63	44.750		
26	1.03%	1.67	50.250	956.5	12925.5

Manufacturers Hanover Corporation - Indexed

Qtr	RoA	EPS	Stock Price	Non-perf Loans	Employees	Credit
1	1.00	1.00	1.00			5
2	1.03	1.02	1.10			5
3	1.11	1.10	0.95			5
4	1.42	1.15	1.31	1.00	1.00	5
5	1.18	1.18	1.56			5
6	1.21	1.20	1.44			5
7	1.24	1.20	1.24			5
8	1.29	1.22	1.26	1.39	0.94	5
9	1.16	1.10	1.18			4
10	-19.63	-18.72	1.24			4
11	1.84	1.75	1.06			4
12	0.34	0.31	0.60	2.14	0.91	4
13	2.03	1.58	0.69			2
14	5.79	4.53	0.84			2
15	2.84	2.22	0.79			2
16	3.32	2.36	0.79	2.18	0.73	2
17	1.63	1.16	1.00			2
18	1.68	1.20	1.02			2
19	-12.45	-8.89	1.21			2
20	1.08	0.70	0.92	1.91	0.62	2
21	1.66	0.99	0.90			2
22	0.58	0.34	0.96			2
23	1.34	0.79	0.61			1
24	-1.13	-0.69	0.59	2.02	0.60	1
25	1.34	0.61	0.71			1
26	1.29	0.59	0.60	1.98	0.61	1

Peer Group Index Numbers

Qtr	RoA	EPS	Stock Price	Non-perf Loans	Employees	Credit
1	1.00	1.00	1.00			5.6
2	0.46	0.62	1.06			5.6
3	0.97	1.12	0.90			5.6
4	0.74	0.87	1.21	1.00	1.00	5.3
5	1.06	1.12	1.42			5.3
6	0.32	0.59	1.36			5.3
7	1.01	1.04	1.18			5.1
8	1.06	1.15	1.20	0.96	1.06	5.1
9	0.97	1.16	1.21			4.8
10	-8.13	-10.45	1.31			4.8
11	1.17	1.13	1.23			4.8
12	1.01	0.24	0.80	1.45	1.12	4.8
13	1.40	1.45	0.86			4.1
14	1.39	1.39	1.09			4.1
15	1.58	1.71	1.13			4.1
16	2.08	2.09	1.07	1.43	1.08	4.1
17	1.45	1.45	1.28			4.4
18	1.37	1.47	1.35			4.4
19	-3.80	-5.33	1.54			4.6
20	0.13	0.68	1.26	1.39	1.10	4.9
21	1.37	1.11	1.08			4.7
22	0.98	0.85	1.08			4.6
23	0.26	0.17	0.72			4
24	0.08	0.72	0.80	1.45	1.09	3.7
25	1.31	0.84	0.96			3.7
26	0.80	0.80	1.01	1.47	1.04	3.7

Excellent Bank Index Numbers

Qtr	RoA	EPS	Stock Price	Non-perf Loans	Employees	Credit
1	1.00	1.00	1.00			8.5
2	0.96	0.94	1.11			8.5
3	1.13	1.10	0.94			8.5
4	0.96	1.01	1.27	1.00	1.00	8.5
5	1.24	1.28	1.59			8.5
6	1.17	1.20	1.70			8.5
7	1.10	1.17	1.53			8.5
8	0.94	1.05	1.59	1.09	1.05	8.5
9	1.10	1.31	1.63			8.5
10	-3.86	-4.86	1.82			8.5
11	1.18	1.40	1.70			8.5
12	1.68	2.14	1.25	1.27	1.11	8.5
13	1.25	1.37	1.18			8.5
14	1.28	1.49	1.40			8.5
15	1.23	1.42	1.41			8.5
16	1.28	1.60	1.29	1.35	1.11	8.5
17	0.93	1.30	1.52			8.5
18	1.02	1.42	1.59			8.5
19	-9.80	-11.94	1.82			8.5
20	0.74	0.87	1.57	1.13	1.08	8.5
21	1.70	1.41	1.35			8
22	1.07	1.36	1.43			8
23	1.02	1.34	1.18			8
24	0.83	1.04	1.61	1.02	1.04	8
25	1.21	1.42	1.65			8
26	1.13	1.45	1.85	0.87	1.02	8

APPENDIX V - SOURCES OF DATA.

The sources used for the data included:

a. The annual reports of the banks analyzed for the years ending; 1986, 1987, 1988, 1989, 1990 an 1991.

b. News releases from Manufacturers Hanover Corporation for the dates of the announced reorganizations.

c. The credit rating information was obtained from the Standard & Poor's Rating Agency.

d. The stock prices were supplied courtesy of CIBC, New York Branch.

APPENDIX VI - DEFINITIONS OF CERTAIN TERMS

Beta: The relationship between an investments return and that of the market (or a portfolio) returns.

Bond: A long-term (typically ten years or more) promissory note.

Commercial paper: Short-term unsecured promissory notes sold by businesses in order to raise cash.

Correlation coefficient: Measure of the degree of comovement of two variables.

Earnings per share (EPS): A measure of each common share's claim on earnings, defined as earnings available for common shares divided by the number of common shares outstanding.

Net income: The excess of revenues over all related expenses for a given period.

Leveraged buyout (LBO): Purchase of a company financed in large part by company borrowings.

Return on assets (ROA): A measure of the productivity of assets, defined as income divided by total assets.

Trend analysis: An analysis of a firm's financial performance over a period of time.

Volatility: β - risk.

APPENDIX VII - DESCRIPTION OF CERTAIN CALCULATIONS

I. The correlation coefficient used was determined by the following steps.

Step 1. The covariance of A on B was established by:

i. determining the mean of A and B,

ii. multiplying the return of A less the mean of A by the return of B less the mean of B,

iii. summing the results of ii.,

iv. dividing the total of iii., by the number of observations.

Step 2. Once the covariance was established the coefficient was then calculated by dividing the covariance by the standard deviation of A times the standard deviation of B.

II. The coefficient of determination was calculated by squaring the coefficient of correlation.

III. Beta was calculated by dividing the covariance by the standard deviation of B. This determined the slope.

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BIOGRAPHY

David Clancy

Mr. Clancy has been offered a two year assignment at the Westpac Banking Corporation in Sydney, Australia. There he will be working with the bank to establish a world class continuous learning program for one of the core regions of the bank.

Prior to this position, Mr. Clancy was the Managing Director Asia/Pacific Region for the Globecon Group Ltd. Working with Globecon since 1989, he managed assignments for clients on a consulting basis to create educational programs which assisted in the implementation of the bank's business development goals. Mr. Clancy conducted seminars for bankers on a variety of subjects including: Credit (Advanced and Basic); Derivative Products and Capital Markets; Corporate Finance, and Tax and Accounting issues. He also led the design, research and development of new educational programs and seminars including: Globecon's Credit Seminar Series, Corporate Treasurer's Perspective; and Financial Engineering Brainstorming Sessions. Additionally, he is involved in the writing and editing of articles for Globecon's *Finance Update Service*, a monthly service on current finance topics, and various self-instructional guides.

Prior to service with the Globecon Group, Mr. Clancy was a banker for twelve years. He spent two years with the Tokai Bank in New York, where he was Vice President in the bank's Corporate Finance Group. In that capacity, he marketed sophisticated credit products and international solutions to major U.S. corporations. In his years with Tokai, Mr. Clancy worked on transactions as diverse as LBOs, cross border leasing, foreign currency funding and private placements (including foreign currency private placements).

From 1977 through 1987, Mr. Clancy worked at Manufacturers Hanover Trust Company, where he managed major U.S. corporate relationships and helped to form a corporate advisory group, advising multinational corporate customers on tax-driven products such as foreign tax credit capture financing, tax-advantaged foreign currency private placements and accelerated tax leases.

Mr. Clancy is a Doctoral Candidate (May, 1993) at the Walden University in Management. He holds a BA from Marymount Manhattan College and has attended numerous seminars and courses at New York University on taxation issues. He is a member of the International Association of Financial Engineers, and the World Futurist Society.