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APPENDIX B

Some Problems Encountered in Classifying Bank Stocks into Groups

Early in the development of this study it was realized that all of the 117 bank stocks might not be similar, or even comparable, and that an attempt to obtain average weights for all of them might be as incongruous as trying to average sheep and goats. But although it was apparent that classifying the stocks into internally homogeneous groups would be highly desirable, it was by no means clear how, or even whether, such a classification could be obtained. The design actually used, Table B-1, was devised strictly as an experiment. First, the stocks of the seventeen New York City banks seemed to constitute a reasonable group in themselves. Then, among the stocks of banks outside New York, there were twenty-five that seemed to make up a second group; they were all stocks of large banks, quoted daily in such papers as the *Wall Street Journal* or the *New York Times*, and often discussed in analyses and market letters from the leading investment services. Finally, the remaining stocks, representing on the whole smaller and less well known institutions, were divided into four groups according to a broad geographical classification.

To be sure, this rather elementary classification leaves much to be desired. Even though the large and fairly consistent differences in weights from group to group indicate at least a measure of success, there is abundant evidence that the classification falls short of its objective — namely, to provide internally homogeneous groups for statistical analysis. Consider, for example, some of the differences that occurred within the New York group early in 1953. The largest of the seventeen banks had almost 40 times the assets of the smallest, 75 times as many shares outstanding, and some 41 times as many stockholders. Some of the smaller banks did not meet the \$40 million

capital requirement imposed by Massachusetts for savings bank investment. Just one of the banks had its stock listed on the New York Stock Exchange. Another bank had a self-perpetuating board of directors — not elected by the stockholders. A third was not a member of the Federal Reserve System. The number of banking offices in the New York area ranged all the way from 1 to 109, and the number of offices abroad varied from none to 57.

The above list represents a haphazard collection of differences easily compiled from investment manuals and other sources. Some of these items may affect stock prices; others may not. Certain items seem to be of direct interest to investors, such as listing on the Exchange. Others, like the number of offices at home or abroad, may be of indirect interest to the extent that they indicate the type of banking business engaged in. Clearly the above list could be greatly extended — and supplemented by similar lists for the other groups. But although such lists serve to highlight the problem of heterogeneity, they do not materially aid our analysis — either by pointing the way to a much improved classification system, or by shedding light on the nature of intergroup differences in weights.

A desirable preliminary to any attempt at improving the classification of bank stocks into groups would be a systematic analysis of stockholders by categories that would reveal their investment needs, preferences, and behavior — in short, a systematic analysis of the bank stock market. Unfortunately, there is very little pertinent information for such an analysis.

One bit of information available for virtually all banks is the number of stockholders, and from this it is a simple matter to determine the average size of holding. Such information is illustrated in Table B-2 for both group I and group II banks. In this respect, too, it is obvious that there are great differences among banks, for the largest average holding in each group is well over ten times the smallest. However, no systematic differences are apparent as between the two groups though there may be a slight tendency for the group II holdings to exceed those of group I.

Additional information on stockholders, specially supplied by fifteen of the banks in group I and twenty of the banks in group II, is summarized in Table B-3.¹ This tabulation brings out substantial differences between the groups — especially in the items “joint

¹The information duplicated that which was compiled jointly by the Brookings Institution, the New York Stock Exchange, and the banks in question, among others, and which was analyzed by Lewis H. Kimmel in *Share Ownership in the United States*, The Brookings Institution, 1952.

accounts” and “nominees.” But the nature of the stockholder breakdown is not such as to indicate whether there are also important differences in the holdings of individuals in the high tax bracket. In effect, though there is an abundance of evidence of nonuniformity in stockholder lists, we cannot determine whether this lack of uniformity explains intergroup differences in weights.

TABLE B-1

List of Bank Stocks (Common) Included in Statistical Study

Group I: 17 New York City Banks

Bank of the Manhattan Co.
Bank of New York
Bankers Trust Co.
Chase National Bank
Chemical Bank and Trust Co.
Corn Exchange Bank and Trust Co.
Empire Trust Co.
The First National Bank
Guaranty Trust Co.
Hanover Bank
Irving Trust Co.
Manufacturers Trust Co.
J. P. Morgan and Co.
National City Bank^a
New York Trust Co.
Public National Bank and Trust Co.
United States Trust Co.

Group II: 25 Banks of Major Investor Interest outside New York

American Trust Co., San Francisco, California
Bank of America, San Francisco, California
California Bank, Los Angeles, California
Central National Bank of Cleveland, Cleveland, Ohio
City National Bank and Trust Co. of Chicago, Chicago, Illinois
Cleveland Trust Co., Cleveland, Ohio
Continental-Illinois National Bank and Trust Co. of Chicago, Chicago, Illinois
Detroit Bank, Detroit, Michigan
Fidelity-Philadelphia Trust Co., Philadelphia, Pennsylvania
Fidelity Union Trust Co., Newark, New Jersey
First National Bank of Baltimore, Baltimore, Maryland

^aFigures adjusted for City Bank Farmers Trust Co.

First National Bank of Boston and Old Colony,^b Boston, Massachusetts
 First National Bank of Chicago, Chicago, Illinois
 First National Bank in St. Louis, St. Louis, Missouri
 Harris Trust and Savings Bank, Chicago, Illinois
 Manufacturers National Bank of Detroit, Detroit, Michigan
 National Bank of Detroit, Detroit, Michigan
 National City Bank of Cleveland, Cleveland, Ohio
 National Shawmut Bank of Boston, Boston, Massachusetts
 Northern Trust Co., Chicago, Illinois
 Pennsylvania Co., Philadelphia, Pennsylvania
 Philadelphia National Bank, Philadelphia, Pennsylvania
 Republic National Bank of Dallas, Dallas, Texas
 Security-First National Bank of Los Angeles, Los Angeles, California
 United States National Bank of Portland, Portland, Oregon

Group III: 17 Northeastern Banks^c

Central-Penn National Bank, Philadelphia, Pennsylvania
 County Trust Co., White Plains, New York
 First National Bank and Trust Co. of Bridgeport, Bridgeport,
 Connecticut
 First National Bank of Philadelphia, Philadelphia, Pennsylvania
 Hartford-Connecticut Trust Co., Hartford, Connecticut
 Hartford National Bank and Trust Co., Hartford, Connecticut
 Industrial Trust Co., Providence, Rhode Island
 Liberty Bank of Buffalo, Buffalo, New York
 Lincoln Rochester Trust Co., Rochester, New York
 Manufacturers and Traders Trust Co., Buffalo, New York
 National Newark and Essex Banking Co., Newark, New Jersey
 National State Bank, Newark, New Jersey
 Phoenix State Bank and Trust Co., Hartford, Connecticut
 State Bank of Albany, Albany, New York
 Tradesmens National Bank and Trust Co., Philadelphia, Pennsylvania
 Worcester County Trust Co., Worcester, Massachusetts
 Provident Trust Co. of Pennsylvania, Philadelphia, Pennsylvania

Group IV: 17 Midwestern Banks^c

American National Bank and Trust Co., Chicago, Illinois
 American National Bank of Indianapolis, Indianapolis, Indiana
 Bank of the Commonwealth, Detroit, Michigan
 Central Trust Co., Cincinnati, Ohio
 Drovers National Bank of Chicago, Chicago, Illinois

^bFigures adjusted for Old Colony Trust Company

^cOther than group II.

Fifth Third Union Trust Co., Cincinnati, Ohio
First National Bank of Akron, Akron, Ohio
First National Bank of Cincinnati, Cincinnati, Ohio
Fletcher Trust Co., Indianapolis, Indiana
Huntington National Bank of Columbus, Columbus, Ohio
Indiana National Bank of Indianapolis, Indianapolis, Indiana
Marine National Exchange Bank of Milwaukee, Milwaukee, Wisconsin
Marshall and Illsley Bank, Milwaukee, Wisconsin
Michigan National Bank, Lansing, Michigan
Old Kent Bank, Grand Rapids, Michigan
Toledo Trust Co., Toledo, Ohio
Union Bank of Commerce, Cleveland, Ohio

Group V: 17 Southeastern Banks^c

American Security and Trust Co., Washington, D.C.
Citizens and Southern National Bank, Savannah, Georgia
First American National Bank, Nashville, Tennessee
First National Bank, Atlanta, Georgia
First National Bank of Miami, Miami, Florida
First National Bank of Birmingham, Birmingham, Alabama
First National Bank of Memphis, Memphis, Tennessee
Fulton National Bank of Atlanta, Atlanta, Georgia
Hibernia National Bank in New Orleans, New Orleans, Louisiana
National Bank of Commerce, New Orleans, Louisiana
Riggs National Bank of Washington, Washington, D.C.
South Carolina National Bank, Charleston, South Carolina
State-Planters Bank and Trust Co., Richmond, Virginia
Third National Bank in Nashville, Nashville, Tennessee
Trust Company of Georgia, Atlanta, Georgia
Union Planters National Bank, Memphis, Tennessee
Whitney National Bank of New Orleans, New Orleans, Louisiana

Group VI: 24 Southwestern and Western Banks^c

Bank of California National Association, San Francisco, California
Boatmen's National Bank, St. Louis, Missouri
Citizens National Trust and Savings Bank, Los Angeles, California
City National Bank and Trust Co., Kansas City, Missouri
Commerce Trust Company, Kansas City, Missouri
Crocker First National Bank of San Francisco, San Francisco, California
Farmers and Merchants National Bank, Los Angeles, California
First National Bank and Trust Co. of Tulsa, Tulsa, Oklahoma
First National Bank and Trust Co., Oklahoma City, Oklahoma

^cOther than group II.

First National Bank in Dallas, Dallas, Texas
First National Bank of Fort Worth, Fort Worth, Texas
First National Bank in Houston, Houston, Texas
First National Bank of Kansas City, Kansas City, Missouri
First National Bank of Portland, Portland, Oregon
Fort Worth National Bank, Fort Worth, Texas
Liberty National Bank and Trust Co., Oklahoma City, Oklahoma
Mercantile National Bank, Dallas, Texas
National Bank of Tulsa, Tulsa, Oklahoma
Seattle-First National Bank, Seattle, Washington
Second National Bank of Houston, Houston, Texas
South Texas National Bank of Houston, Houston, Texas
Union Bank and Trust Co. of Los Angeles, Los Angeles, California
Valley National Bank, Phoenix, Arizona
Wells Fargo Bank and Union Trust Co., San Francisco, California

TABLE B-2
Average Size of Shareholding for New York City Banks and for
Large Banks Elsewhere, Early 1953

BANK	NO. OF STOCK- HOLDERS	NO. OF SHARES (000)	PRICE	AVERAGE SHARES PER STOCK- HOLDER	VALUE OF AVERAGE HOLDINGS PER STOCK- HOLDER
<i>17 New York City Banks</i>					
Bank of Manhattan	27,010	2,750	32¾	102	\$3,340
Bank of New York	2,002	80	388	40	15,520
Bankers Trust	19,158	3,000	54¼	157	8,517
Chase National	79,500	7,400	48½	93	4,510
Chemical Bank and Trust	16,592	2,540	51¼	153	7,841
Corn Exchange	10,136	750	65¼	74	4,828
Empire Trust	1,423	100	142	70	9,940
First National	7,719	300	397	39	15,483
Guaranty Trust	22,201	5,000	72	225	16,200
Hanover Bank	10,565	1,200	101	114	11,514
Irving Trust	52,003	5,000	23¾	96	2,280
Manufacturers Trust	28,224	2,519	65¾	89	5,852
J. P. Morgan	1,727	250	289	145	41,905
National City	58,358	7,500	52	129	6,708
New York Trust	7,255	600	115½	83	9,586
Public National	5,736	756	47¾	132	6,303
U.S. Trust	2,299	100	291	43	12,513

25 Banks outside New York

Fidelity Union Trust, Newark	1,934	500	51¾	259	13,403
First National, Boston	22,841	2,600	53	114	6,042
National Shawmut, Boston	7,034 ^a	800	33	114	3,762
Fidelity-Philadelphia Trust	3,028	343	66	113	7,458
Pennsylvania Co., Philadelphia	11,572	1,360	41½	118	4,897
Philadelphia National	10,854	733	111	68	7,548
Central National, Cleveland	4,080	562	33½	138	4,623
National City, Cleveland	5,682	875	44½	154	6,853
Cleveland Trust	2,390	175	410	73	29,930
First National, Baltimore	7,036	500	49½	71	3,514
City National, Chicago	507 ^a	240	56½	473	26,724
Continental-Illinois, Chicago	13,977	2,250	92¾	161	14,933
First National, Chicago	5,100	900	268	176	47,168
Harris Trust, Chicago	470	120	345	255	87,975
Northern Trust, Chicago	676	60	380	89	33,820
Detroit Bank	2,158	750	39	348	13,572
Manufacturers National, Detroit	1,158	300	63½	259	16,446
National Bank of Detroit	8,275	1,566	50	189	9,450
Republic National, Dallas	2,814	1,050	57½	373	21,447
First National, St. Louis	5,200	700	52½	135	7,087
California Bank, Los Angeles	2,925	400	59	137	8,083
Security-First, Los Angeles	12,000	1,200	106½	100	10,650
American Trust, San Francisco	7,682	2,000	31½	260	8,190
U.S. National, Portland	4,206	700	66½	166	11,039
Bank of America, San Francisco	220,000	24,000	32	109	3,488

Data on number of stockholders are from Moody's and refer to December 31, 1952, except as otherwise noted. Price and number of shares refer to January 31, 1953.

^aData for December 31, 1951.

TABLE B-3

Distribution of Stockholders and Shareholdings by Class of Stockholder for New York City Banks and for Others, 1951

CLASS OF STOCKHOLDER	15 NEW YORK BANKS		20 OTHER BANKS	
	<i>Stock-holders</i>	<i>Share-holdings</i>	<i>Stock-holders</i>	<i>Share-holdings</i>
Men	34.46%	21.12%	29.61%	27.05%
Women	43.52	20.08	39.38	25.73
Joint accounts	6.28	2.04	23.54	12.12
Fiduciaries	9.68	9.70	4.48	8.61
Institutions and foundations	2.09	3.59	0.97	2.80
Stock brokers and directors	0.54	3.77	0.25	2.09
Nominees	0.85	20.21	0.38	7.35
Other	2.57	19.49	1.44	14.25

From information expressly supplied, and referring to dates on or about December 31, 1951. See footnote one of this appendix.