

Mergers of Equals in the U.S. Banking Industry: A Performance Analysis

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Abstract

This study analyzes eight mega-mergers of equals in the banking industry during the 1987-1996 period to determine if a merger of equal banks is a viable alternative to improve bank's performance and is beneficial to shareholders. Each merged entity is reviewed and examined in detail in terms of long-term financial and stock performance for a three-year period following the merger. The analysis shows that previous mergers of equals have not been overwhelming successes; only three of the eight large-scale mergers of equal banks examined in this study are viewed as a success over the three-year period as the merged entities outperform their peer groups of banks. The overall performance of the eight mega-mergers of equal banks is found to be comparable to that of large national banks, but inferior to that of super-regional banks in many aspects. The results of this study suggest that not all mega-mergers of equal banks in the U.S. banking industry are perceived by the market to have the benefit of creating a large scale bank, and hence future mega-merger applications between equal banks should be executed more carefully.

Keywords: Mergers of equals; bank mergers

JEL Classification: G21; G34

I. Introduction

The 1980s were seen as the beginning of the merger craze in the banking industry as many states opened their doors to out of state banks. Bank mergers and acquisitions continued on into the 1990s and hit an all time high in 1998 with \$1.09 trillion worth of bank assets. In more than 3,844 mergers and acquisitions between 1989 and 1999, acquiring banks purchased more than \$3 trillion in assets (Kwan and Eisenbeis, 1999).¹ As banking acquisitions continue, the number of potential banks to acquire continues to shrink. With this trend and the continued pressure to generate revenue growth, the potential for traditional mergers is also shrinking.

A growing number of banks have considered mergers with similar-sized banks, that is, mergers of equals, as an alternative. These mergers of equals have appealed to, in particular, large regional banks as a way to achieve a more competitive size and market capitalization, since certain regional banks may be too large to be acquired by another institution and too small to compete effectively against large national powerhouses (Cline, 1994; and Svare, 1990). A notable example of a mega-merger of equal banks is the creation of new KeyCorp in March 1994. Billing itself as the nation's first coast-to-coast bank, KeyCorp was formed in a \$4 billion merger of two regional institutions, Society Corp. (\$26.6 billion in assets), of Cleveland, OH., and the old KeyCorp. (\$32.6 billion in assets) of Albany, NY. The merger was to create a powerhouse by funneling Society's wealth of products, such as trusts and investment management, through the new KeyCorp's 1300 branches, which stretched from Maine to Alaska.²

¹ Nationwide banking was approved by President Clinton in the fourth quarter of 1993 and subsequently approved by Congress in 1994. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 allowed banks to branch interstate by consolidating existing out-of-state bank subsidiaries or by acquiring banks or individual branches through mergers and acquisitions. Prior to the Act, federal and state laws prevented banks from expanding across state lines. The Riegle-Neal Act allowed bank holding companies to acquire banks in any state, effective September 29, 1995, and allowed mergers between banks located in different states beginning June 1, 1997.

² Other mega-mergers of equals in the banking industry in late 1990s include First Chicago NBD Corp. and Banc One Corp. in 1998, BankAmerica Corp. and NationsBank Corp. in 1998, and Wells Fargo & Co. and Norwest Corp. in 1998.

In this paper, we attempt to determine whether mergers of equals are a viable alternative for banks seeking to continue their revenue growth and increase shareholder value, compared to traditional mergers of banks. While numerous banking studies have so far examined various aspects of traditional bank mergers, little attention was given to the study of mergers of equals in the banking industry. A notable exception is a study by Brewer, Jackson, Jagtiani, and Nguyen (2000). Although the mergers of equal banks is not the major focus of their study, they find smaller abnormal returns surrounding merger announcements in seven mega-mergers of equals than for other bank mergers in the 1990s. They interpret these results as suggesting that the market anticipates the problem of melding the culture of a large target bank with that of the acquirer to be more serious in mega-mergers of equals deals. As noted in Milligan (1994), the merger of equal banks is worth studying because no matter how much Wall Street dislikes mergers of equals, this type of merger will continue in banking. Focusing on the mergers of equal banks during the ten-year period of 1987-1996, we investigate the long-term performance of mergers of equal banks, relative to other control samples of banks, over a three-year period following the merger announcement, employing both market and financial performance measures. By doing so, we attempt to shed new empirical lights on the potential differences in the long-term performance between mergers of equals and traditional mergers in the banking industry.

Traditionally, bank mergers were based on a dominant partner purchasing a weaker entity and realizing huge cost savings from the integration of overlapping operations. Unlike these mergers, the banks involved in a merger of equals are seen as equal partners. Mergers of equals are inherently complex as no partner dominates. Mergers of equals require two things in order to happen. First, they must be friendly. Mergers of equals cannot happen if the two sides don't get along. Secondly, they require agreement between the two managements over jobs and titles. This is not easy especially when the two merging institutions have little in common. Because of the difficulties in overcoming their differences, there have been very few mergers of equals in the past. A potential problem for shareholders in mergers of equals is that these mergers often may not bring as speedy a

payoff as outright acquisitions do (Stern, 1993). In an outright acquisition, a buyer generally offers a premium and the stock of the company being acquired usually jumps. By contrast, in mergers of equals, each banking entity's stockholders get new stock in the combined company. Accordingly, the benefits for shareholders in mergers of equals are long-term and tend to hinge on whether the banks have enough overlapping operations to allow cost-slashing. Banks that wave aside potential takeover premiums in favor of peer-to-peer unions in effect argue that they can deliver on their own the trading gains offered by an acquirer. Hence, a central issue of this study is how each pair of merged banks complement one another to provide the projected benefits that management has promised. For this purpose, this study will review several representative transactions in detail weighing the benefits and the weaknesses and assess the success of projected benefits over the three-year period following the merger.

A general perception in the banking industry is that mergers of equals, not the acquisition of banks, are cheaper; the buyer takes on no new debt, and there's a good chance that buyer's per share earnings are not diluted. The combined entity of two complementary banks brought together with minimal up-front costs means that earnings can get an immediate boost. On the other hand, many chief executives are wary of engaging in a transaction that would leave them out of a job. Similarly, two competing banks with different cultures are probably wary of merging. Hence, it is not unusual to see that many analysts remain skeptical of the benefits of merger of equals.

Further supporting this skepticism, our results show that only three of the eight mega-mergers of equal banks examined in this study are considered as a success, viewing from both their long-term financial and stock performance over the 3-year period following the merger. We also find that while the performance of the merged entities of equal banks on average is comparable to that of the selected large national banks, it is inferior to that of the selected super-regional banks in many aspects of financial measures. Overall, these results suggest that not all the mega-mergers of equals in the banking industry produced results consistent with those as initially projected or are perceived by the market to have the benefit of creating a large scale bank.

Section II provides a brief review of bank merger gains of traditional bank mergers. Section III describes the data for the study, and Section IV presents the main findings from long-term performance analysis of mergers of equals in comparison with control samples. Section V concludes the paper.

II. Review of Previous Literature on Bank Mergers

Previous studies on the effects of bank mergers on shareholder wealth have yielded consistent results in regards to target banks, but mixed results for bidding banks. Target bank shareholders realize significant positive abnormal returns (see, e.g., Cornett and De, 1991; and Neely, 1987). On the other hand, research by Cornett and De (1991) indicate positive abnormal return for bidders, while Bae and Park (1994); Cornett and Tehranian (1992); Houston and Ryngaert (1992); and Neely (1987) provide results supporting that bidder bank shareholders realize non-positive or negative returns. In addition, Houston and Ryngaert (1994) show that the overall gains in a merger, a weighted average of target and bidder returns, are insignificantly different from zero. Consequently, target bank returns are positive, but are cancelled out by the negative returns to bidding banks.

Other banking studies attempt to examine rationales for bank mergers and have advanced a number of reasons for bank mergers including the need to consolidate to achieve cost savings and operational efficiencies, to be better able to compete in the global marketplace, or to provide for the controlled exit of inefficient firms from the financial services industry. Berger, Demsetz, and Strahan (1999) and Hughes, Lang, Mester, and Moon (1999) provide several rationales to explain banks' merger and acquisition activity in the 1990s. Their rationales include: 1) reduced expenses due to the consolidation of administrative activities; 2) a reduction in risk due to a more diversified product line and/or market position; and 3) economies of scale that are arrived at from the combination of different product lines into one institution.

Evidence supporting bank consolidation to achieve cost savings and operational efficiencies is, however, sparse. Reviewing the research evidence on efficiency gains of

1980s' bank mergers, Pilloff and Santomero (1997) conclude that there is little evidence of bank mergers achieving efficiency gains or other important performance or wealth-improving gains. Their findings undermine a major rationale for bank consolidation and raise questions about other benefits that bank mergers may provide. An earlier study by Cornett and Tehranian (1992) document some evidence of superior post-merger performance of thirty bank acquisitions from 1982 to 1987 including increased cash flows on assets, increased employee productivity, and asset growth. By examining forty-eight bank deals during the 1982-1991 period, Pilloff (1996) finds that while profitability measures remain unchanged, interpretation of efficiency effects is less clear; the ratio of post-merger expenses to assets increases, but so does return on equity, reflecting the fact that both revenues and leverage increase to offset the increase in expenses. He also documents some evidence of a slight increase in the resultant bank's loan-to asset ratio. Kwan and Eisenbeis (1999) analyze bank consolidations between 1989 and 1996 and report mixed evidence of efficiency and performance effects, consistent with previous studies.

It is also important to note that in no small way are the merger and acquisition activity and the associated rationales owed to the changing regulatory landscape in the U.S. The Financial Institution Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICA), and the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 have provided the recent regulatory foundation and incentives for bank holding companies to seek to lower their costs and/or increase their market presence. On November 12, 1999, the Financial Services Modernization Act (Gramm-Leach-Bliley Act of 1999) became effective, allowing banks to merge with securities firms and insurance companies within financial holding companies.³ This will further expand the merger opportunities for banking organizations and has already

³ Highlights of the legislation are: (1) repeal of the Glass-Steagall Act of 1933, allowing for the affiliation of commercial and investment banks; (2) repeal of the Bank Holding Company Act of 1956 prohibition on bank insurance underwriting; (3) approval of cross industry mergers starting in 120 days; and (4) bank insurance sales.

led to a new wave of consolidation in banking and other sectors of the financial services industry.⁴

III. Data

The sample of mergers of equal banks during the 1987-1996 period was identified from a database of all mergers of financial institutions provided by SNL Securities. The sample was also supplemented for additional information through Mergers and Acquisitions and The Banker magazines. The cut-off year of 1996 is necessary because at least three years of stock return data should be available for each merger.

A transaction is defined as a merger of equals when either the assets or the equity value of the smaller bank constitutes no less than 75% of that of the bigger bank before the merger, hence representing over 45% of the combined assets or equity value of the two banks and the board of directors of the new bank will be composed of equal numbers of directors from each bank (Houston and Ryngaert, 1994).⁵

Of the total 540 mergers in the SNL data, 408 mergers have buyers and targets identified on the CRSP NYSE/AMEX/NASDAQ database and information available in our window of time. The distribution of 408 mergers by buyer/target and two alternative criteria of a merger of equals are reported in Table 1. The number of sample firms for mergers of equals varies depending upon what criteria are used to define the merger of equal transaction. The SNL's merger of equals flag is based on statements by the banks involved, though subjective. Over the fourteen bank/bank mergers of equals that pass our selection criteria during the period 1987 - 1996, a sample of eight of the largest mergers of equal banks are selected for a close review in this study: Comerica/Manufacturers National Corp.in 1991; Citizens & Southern/Sovran in 1989; NCNB/C&S/Sovran to form NationsBank in 1991; Chemical Bank/Manufacturers Hanover in 1991;

⁴ An example of cross industry mergers is the mega-merger between banking colossus Citicorp and insurance giant Travelers to form Citigroup in April 1998, which later merged with brokerage giant Salomon Smith Barney.

⁵ Houston and Ryngaert (1994) exclude mergers of equal banks from their sample since it is unclear which bank is the bidder or the target.

BankAmerica/Security Pacific in 1991; KeyCorp/Society Corp. in 1993; First Chicago Corp./NBD Bancorp. in 1995; and Chase Manhattan Corp./Chemical Banking Corp. in 1995.⁶

For comparison, two control samples of banks are constructed during the same period: a sample of seven super-regional bank holding companies with assets in the range of \$30 billion to \$100 billion (as of 12/31/96), and a sample of four large national banks with assets over \$100 billion (as of 12/31/96). The sample of super-regional banks include those banks that were involved in at least one of traditional mergers during the same time period, and consists of Banc One Corp., the Bank of New York, Norwest Corp., PNC Bank, Wachovia Corp., NBD Bancorp., and National City Corp. The sample of large national banks include Citicorp., Mellon Bank, Bankers Trust, and Wells Fargo Bank. The two control samples of banks are identified from the SNL data and supplemented through Mergers and Acquisitions magazine, The Banker magazine, and Moody's Bank & Finance Manual. Details of the transactions and accounting and financial data of each sample bank are collected from various issues of the Wall Street Journal, The New York Times, Compustat Research Insight database, Global Access Disclosure database, and the SNL database. Table 1 provides summary information on a sample of bank mergers with assets greater than \$1 billion during the 1987-1996 period.

IV. Empirical Methodology and Results

1. Measurement of Post-Merger Financial Performance

The financial and stock performance of each merged bank is analyzed over the 3-year period following the merger. Financial performance is measured through the following seven ratios; Total Assets, Return on Assets, Return on Equity, Earnings Per Share, Efficiency Ratio, Price to Book ratio, Price to Earnings ratio, and Net Profit Margin. The following definitions are used for this study:

- Return on Assets (ROA): Net income as a percentage of average total assets.

⁶ Chase Manhattan acquired J.P. Morgan in September 2000 to form J.P. Morgan Chase & Co., the second

- Return on Equity (ROE): Net income as a percentage of average common shareholder's equity.
- Earnings Per Share (EPS): Net income applicable to each share of common stock.
- Efficiency Ratio (ER): Non interest expense (excluding merger and integration charges and other nonrecurring charges) divided by net interest income plus non-interest income (excluding net securities gains and certain gains on asset sales). ER is a measure of cost control and is perceived as important for acquiring banks since it gives a good indication of whether they are realizing the necessary cost savings from the mergers. With revenue growth difficult to achieve and thinner net interest margins, the investment community view the ER as a key indicator of a bank's vigor; an ER of 65% to 67% used to be fairly commonplace, though an ER no higher than 60% has become the industry benchmark (see Jordan, 1994).
- Price to Book Ratio (P/B): Market value of stock divided by the book value of stock. The relationship between the market price and the book value has been used extensively in the evaluation of bank stocks, because the assets of banks often have similar book and market values; assets include investments in government bonds, corporate and municipal bonds, and loans that ordinarily are collectible. As is the case in industrial stocks, the banking industry has seen an increase in the range of this ratio, because in some instances the loans are not collectible, or the growth potential for some banks is substantially above average. As a result, the P/B ratio for banks has ranged from .25 to 2.0. In the case of industrial firms, the P/B ratio typically exceeds 1.0, as the book value of the assets will almost always be lower than the current replacement value of the assets. For this reason the average P/B ratio for industrial firms has experienced a volatile increase over time. Since book value trends are usually more stable than earnings trends, we can conservatively use the P/B ratio as a price comparison (see Dunnan, 1988). Only stocks of the most profitable companies sell, on average, at much more than twice book value.

largest bank in the U.S. with a combined assets of over \$715 billion.

- Price to Earnings (PE): Market value of stock as divided by net income per common share. P/E ratio is another measure of the market's expectation for future growth, expressing how much an investor is willing to pay for a potential future stream of earnings. The P/E ratio is one of the most frequently used measurements of a stock's relative value to other stocks and the market in general (Maturi, 1991). Those banks with sustained growth for at least five years are likely to be perceived as more favorable in the market and have higher P/E ratios.
- Net Profit Margin (NPM): Earnings before interest expenses and taxes divided by total revenue.

Stock returns are also tracked for each merged bank as a measure of market performance in each of the 3-year period following the merger. For comparison, returns of two additional indices are used along with returns of a group of selected super-regional banks.

2. Review and Performance Analysis of Mergers of Equal Banks

Table 3 presents the trends of assets from a year before to three years after the merger announcement for the mergers of equal banks examined in this study. On average, the total assets of the seven mega-mergers of equals grew at an average rate of 29.47% over the three years following the merger announcement, which is equivalent to about 10% of annual asset growth.⁷ Of the seven merged banks examined, BankAmerica Corp. experienced 86.54% of asset growth over the three years following its merger with Security Pacific, while First Chicago NBD Corp. experienced a decrease in its total assets over the same period.

Table 4 summarizes financial performance of banks involved in the sample mergers of equals and of banks in the control samples, for the four years including the announcement year and three years after that. A bank's financial performance is measured by seven accounting/financial measures including Return on Assets, Return on Equity,

⁷ The merger between Citizens & Southern and Sovran Financial is not included in Table 3 due to incomplete data resulting from its merger with NCNB Corp. to form NationsBank in 1991.

Earning per Share, Efficiency Ratio, Price to Book Ratio, Price to Earnings Ratio, and Net Profit Margin.

Table 5 contrast stock return performance of banks involved in the sample mergers of equals for the three years following the merger announcement with that of three benchmarking measures over the same period for comparison purpose. The three benchmarking measures include the group of selected seven super-regional banks, the KBW 50 index, and the Standard and Poor's 500 index. The KBW 50 index is compiled by Keefe, Bruyette & Woods, Inc. and includes a cross-section of 50 major banking institutions. The S&P 500 index is used as a broad-based market index.

Employing the results on financial and market performance of merged banks reported in Tables 4 and 5, each merger of equal banks is reviewed and analyzed in depth for similarities and differences with other mergers of equals and other benchmarking measures following the merger. Since the benefits for shareholders in mergers of equals tend to hinge on whether the banks have enough overlapping operations to allow cost-slashing, below we attempt to determine how quickly the mergers of equals in our study began to realize benefits of their mergers, if at all.

2.1. Comerica/Manufacturers National Corp.

On 10/28/91, Comerica, Inc. (\$13.3 billion in assets as of 12/31/90) and Manufacturers National Corp. (\$12 billion in assets as of 12/31/90), Detroit rivals, announced merger plans. Comerica shareholders ended up with a 55% stake in the merged entity. As of 12/31/93, the merged entity was the twenty-seventh largest bank holding company in the country with \$30.3 billion in assets. The merger was treated as a pooling of interest, tax-free exchange of stock, valued at \$1.2 billion (see Klinkerman, 1991). The merger closed on 6/18/92.

On news of the merger, Comerica's shares jumped \$7 per share, or 16%, while Manufacturers National's shares jumped \$5.50 per share, or 16%. The values are based on

the closing price of the stock the day prior to the announcement and the closing price the day following the announcement.

Important characteristics of this merger include: 1) Both entities were financially sound institutions. Neither institution was known to have any credit problems or financial difficulties; 2) the merging entities had vastly different strategies. Comerica focused on small businesses and upscale consumers, while Manufacturers National was a large corporate bank; 3) the chief executive at each entity would have the opportunity to manage the merged entity at some point. Manufacturer's chief executive became the chairman and chief executive of the merged entity until June of 1994, when Comerica's chief executive replaced him; prior to June, he was acting as president and chief operating officer of the merged entity; 4) Comerica and Manufacturers National were rivals operating in many of the same markets; 5) cost savings was a major motivation for the merger. Annual cost savings of \$145 million or 15% of their combined overhead was anticipated from the merger. Comerica also expected the elimination of over 1,800 jobs and the closing of 60 branches (Klinkerman, 1991); and 6) a premium of 1.58 times book value was paid for Manufacturers National.

Looking at the financial performance reported in Table 4 reveals that while Comerica's ROA is the top tier in the group for all periods, its ROE is the fifth best in the group over the 3-year period, though it is in the upward trend. In addition, Comerica is ranked third for the group in Net Profit Margin over the 3-year period. On the other hand, its efficiency ratio is the worst in the group, suggesting that more cost cutting is needed. Furthermore, its P/B ratio and P/E ratio are both below the group average, reflecting below-average performance of its stock. Comerica's management conceded that it took longer than expected to extract the cost savings and improve earnings, which affected their performance numbers and their stock value (see Stern, 1993). As shown in Table 5, the merger did not benefit the shareholders for the 3-year period following the merger. Comerica's stock yielded a mere 1.74% return on an annual basis over the 3-year post-merger period, substantially lower than 9.31% for the selected super-regional banks and 9.29% for the KBW 50 index for the same period.

2.2. Citizens & Southern Corp./Sovran Financial Corp.

On 9/26/89, Citizens & Southern Corp., based in Atlanta, Ga. (\$23.3 billion in assets as of 12/31/89), and Sovran Financial Corp., based in Norfolk, Va. (\$25.4 billion in assets as of 12/31/89), announced merger plans. Sovran Financial shareholders controlled 54% of the merged entity. The merger created the 14th-largest financial institution at that time. The merger was treated as a pooling of interests, tax-free exchange of stock, valued at \$2.2 billion (see Mathews, 1989). The merger closed on 8/31/90. On news of the merger, Citizen & Southern's stock increased \$.50 or 1.5%, while Sovran's stock increased \$.63 or 1.5%.

Important characteristics of the Citizens & Southern/Sovran merger are: 1) Possible defensive move on the part of management of Citizens & Southern Corp. the smaller partner, to avoid an acquisition by another institution; 2) no overlapping markets; 3) revenue enhancements and not cost savings were seen as the biggest benefit of the merger. Citizens & Southern and Sovran did not have any overlapping markets; hence revenue enhancements, not major cost savings, was a primary motivation for the merger. At the time of the merger, with 976 branches in six southeastern states and the District of Columbia, the combined entity had the third largest financial services delivery system in the country. Additionally, five of the six states ranked among the 20 states that generate most of the nation's deposits. Although revenue enhancements and not cost savings were seen as the biggest benefit, certain cuts and combining of operations was necessary and desirable to make the combined entity more efficient. In the Citizens & Southern and Sovran merger, management was not able to create the cost savings expected in the short time prior to the merger with NCNB; 4) Citizens & Southern and Sovran had similar corporate cultures; and 5) credit problems were soon discovered in the loan portfolios of the C&S Sovran entity.

The merger was viewed as a flop by analysts as the deal floundered when no leader emerged to make the tough business decisions (see Lipin, 1993). They were eventually

bailed out by NCNB. An assessment of the value of the merger between Citizens & Southern and Sovran is complicated by the short length of time between the merger and a subsequent merger with NCNB. Since the subsequent merger closed on 12/31/91, we were unable to compare the performance for the full 3-year period. Nevertheless, as reported in Table 4, the merged bank shows poor performance ratios for year end 1990, the first year end as a merged entity, and its post-merger financial performance lies at the bottom of the group of the mega-mergers of equals in almost all aspects except the P/E ratio. This is troubling because there were no overlapping markets and revenue enhancement was a major reason for the merger. The troubled loan portfolio and the banking climate at the time of the merger appeared to be the major reasons for the poor performance.

The stock price of the merged entity suffered as a result of increase in non-performing loans and loan loss provision. Though not reported in Table 5, Citizens & Southern Sovran stock experienced a decline of 49% from year end 1989 to year end 1990, compared to the average decline of 31.06% for the KBW 50 index.

2.3. NCNB/C&S/Sovran

On 7/22/91, NCNB Corp. (\$65.3 billion in assets as of 12/31/90) and C&S/Sovran (\$51.2 billion in assets as of 12/31/90), announced merger plans. Although the merger was not formally announced until 7/22/91, publicly announced meetings began on 6/22/91. As of 12/31/93, the merged entity was the third largest bank holding company in the country with \$157.7 billion in assets. The merger was treated as a pooling of interests, tax-free exchange of stock, valued at \$4.3 billion (see Cline, 1991). The merger closed on 12/31/91, and the new name became NationsBank. On initial news of the merger, NCNB Corp.'s stock dropped \$2.50 or 6.5%, while C&S/Sovran's stock increased \$1.13 or 5%. By year-end 1991, the stock price of merged entity was back up \$4.88, or 13.7%, to close at \$40.63.

Important characteristics of this merger are: 1) NCNB and C&S/Sovran were rivals competing in overlapping markets including Georgia, Florida, and South Carolina; 2) the merger was also expected to provide major cost savings. Annual cost savings of \$350

million were believed to be very conservative by bank analysts (Cline, 1991). Approximately 60% of the savings was expected to come from the consolidation of operations and data processing and the closing of branches in overlapping markets. The anticipated cost savings were sufficient enough to make the deal attractive to investors, which eventually drove up the stock price after an initial decline; and 3) both NCNB and C&S/Sovran were known to have some credit quality problems.

As shown in Table 4, NationsBank's ROA and ROE are at or above average of the group for the 3-year period, but all other ratios are below average. In particular, its efficiency ratio is relatively high, its P/B ratio is ranked fourth, and its P/E ratio the second worst among the group banks. Thus, the merged bank overall performed poorly relative to other mergers of equal banks and the sample of super-regional banks examined in the study.

From 1991 to 1994, NationsBank stock yielded about 5% annually, whereas the average annual stock return for the selected super-regional banks and the KBW 50 index were 9.31% and 9.29%, respectively, for the same period. As additional supporting evidence of poor stock performance whose results are not reported here for brevity purpose, the stock price of NationsBank increased by 26.5% from 1991 to 1994, whereas the average increases in stock prices for super-regional banks and large national banks in the study for the same period were 34.2% and 108%, respectively. Hence, the increase in stock price of NationsBank did not keep pace with the other banks in the study.

A comparison of NationsBank's performance with a group of large national banks shows somewhat different results. NationsBank outperformed the selected group of large national banks in most categories over the 3-year period, yet their share price for 1994 remained unchanged from their closing price on 12/31/92. The average increase during that same period for the large national banks in the group was 22.5%; with Citicorp experiencing the largest increase in share price of 79% during the period.⁸

2.4. Chemical Bank/Manufacturers Hanover Corporation

On 7/15/91, Chemical Bank (\$73 billion in assets as of 12/31/90) and Manufacturers Hanover (\$61.5 billion in assets as of 12/31/90), both headquartered in New York City, announced merger plans. As of 12/31/93, the merged entity was the fourth largest bank holding company in the country with assets of \$149.9 billion. The merger was treated as a pooling of interest, tax-free exchange of stock (see Glasgall, 1991). The merger closed on 12/31/91. On news of the merger, Chemical's stock remained unchanged, while Manufacturers Hanover's stock jumped \$5.50 or 24%. On closing date 12/31/91, Chemical's stock price was up 7.6%, to close at \$21.25.

Important characteristics of this merger were: 1) Similar to NCNB and C&S/Sovran, Chemical and Manufacturers Hanover were rivals with overlapping operations; 2) as a result, major cost savings were anticipated from the merger. Over 80 branches were closed and over 6,000 employees displaced following the merger. Cost savings in excess of \$750 million were anticipated by the end of 1994. The merged entity appeared to be on track to meet this goal (Cline, 1992); 3) Chemical and Manufacturers Hanover were very similar organizations with an abundance of common interests. Both were commercial banks headquartered in New York City and were competitors in one of the America's most competitive banking markets. They shared the same markets and banking philosophies. Both were big city banks specializing in corporate banking and competed for the business of the biggest and strongest companies in the markets they shared (Glasgall, 1991); and 4) there was some question as to the credit quality of Manufacturers Hanover.

Regarding the financial performance, Chemical Bank's all financial ratios reported in Table 4 ranked almost last when compared to the other mergers of equal banks. In particular, Chemical's P/B ratio ranked second last in the group at a very low 1.10, and its P/E ratio was the lowest in the group. This could signify an underpriced stock. Unlike the financial performance in the post-merger period, the market performance of the Chemical/Manufacturers Hanover merger shows impressive results. As reported in Table 5, its merger was viewed favorably by the market, as reflected in the stock return of 88.06% for the first year following the merger. For the 3-year period of 1991-1994, the stock of

⁸ A possible explanation for this is that the banks had excessively depressed prices resulting from credit

Chemical Bank outperformed other super-regional banks and the KBW 50 index easily with a handsome annual return of 33.9%. The average annual increase for the large national banks in the study for the period was a comparable 36%.

2.5. BankAmerica/Security Pacific

On 8/12/91, BankAmerica (\$110.7 billion in assets as of 12/31/90) and intra-state rival Security Pacific (\$84.7 billion in assets as of 12/31/90) announced merger plans. As of 12/31/93, the merged entity was the second largest bank holding company in the country with assets of \$186.9 billion. BankAmerica ranked number one in the country in market capitalization as of 1994 at \$16 billion. Security Pacific obtained a 34% stake in the new entity. The merger was treated as a pooling of interest, tax-free exchange of stock valued at \$4.5 billion (Biderman, 1991). The merger closed on 4/22/92. On news of the merger, BankAmerica's stock increased \$6.00 or 16%, while Security Pacific's stock jumped \$12.63 or 55%. By the end of the year 1991, BankAmerica's stock price dropped back down 17.3% to close at \$35.88.

Important characteristics of this merger are: 1) Security Pacific was experiencing some credit problems as a result of the recession in California; 2) major cost savings were anticipated. Due to the overlapping markets and operations, cost savings in excess of \$1.2 billion annually were projected. BankAmerica realized \$0.4 billion in the post merger period of 1992 and \$1 billion in expense reductions in 1993. Management still anticipates annual savings of \$1.2 billion (see Cline, 1992); and 3) unlike the other mergers of equal banks examined in this study, BankAmerica was seen as the dominant partner in the BankAmerica/Security Pacific merger.

Compared to other mergers of equal banks, selected super-regional banks, and selected large national banks, BankAmerica did not perform well; all of its financial ratios ranked in the low end of its peer group for the 3-year period. The merger with Continental Bankcorp., which closed in August, 1994, may affect their numbers in 1994 and beyond.

problems that they experienced in the late 1980s and early 1990s.

The California economy continued to be a burden on the bank. Diversification into other markets, such as the Continental purchase, should help the company in the future. The merger between BankAmerica and Security Pacific, both from the same part of the country, may have been an early indication that diversification into other market areas is important in banking (see Cline, 1992). Examination of its stock performance over the 3-year post-merger period shows similar evidence. From 1991 to 1994, the stock of BankAmerica produced an annualized return of about 8%, well below the 9.31% and 9.29% return for selected super-regional banks and the KBW 50 index, respectively. Over the same period, stocks of the large national banks in the study generated an annual return of 36%.

2.6. KeyCorp/Society

On 10/4/93, KeyCorp (\$32.6 billion in assets as of 12/31/93) in Albany, New York, and Society Corp. (\$26.6 billion in assets as of 12/31/93) in Cleveland, Ohio, announced merger plans. As of 12/31/93, the merged entity was the tenth largest bank holding company in the country with assets of \$59.6 billion. The merger was treated as a pooling of interest, tax-free exchange of stock valued at \$3.9 billion. Since the merger closed on 3/1/94, KeyCorp's stock price appreciated \$0.25 or 0.8%, compared to the average increase of \$2.20 or 7.04% in stock price of the group during the period.

The KeyCorp and Society merger combined two companies that at the time had records of high performance, no significant asset quality problems, strong management teams with experience in successful merger transactions, and maintained compatible data-processing and other operating systems. Both KeyCorp and Society believed that the merger would provide the opportunity for the combined entity to reach expanded markets by combining the strengths of the two.

Although management provided no assurances, the merger was initially projected to achieve a cost savings of \$80 to \$105 million, or 5% of combined total expenses, by the end of the first quarter of 1995. In contrast, many bank mergers of companies in similar markets assume cost savings of as much as 25% to 30% (Lipin, 1993). Although these cost

savings were not insignificant, the true benefit of the merger was projected to be the revenue enhancement capabilities of the combined entity. The revenue enhancement was projected to come from the distribution of numerous specialty products and services through a vast branch network. Livia Asher, bank analyst with Merrill Lynch & Co., believed that the two really complemented each other as one had the products and the other had the distribution (Klinkerman, 1994). Additionally, since neither was paying a premium for the other's shares, the deal should immediately benefit the shareholders.

Table 4 shows that the New KeyCorp performed relatively well in its financial ratios when compared to both super-regional banks and large national banks. Its ROA and ROE ranked second and its Efficiency Ratio first, whereas its P/B ratio, P/E ratio, and Net Profit Margin all ranked fourth. On the contrary, KeyCorp's stock performance was not comparable to its peer groups. Its stock return for the first year following the merger was a negative 12.31%, and, over the 3-year period, KeyCorp's stock on average produced an annual return of about 28%, which is slightly below that of super-regional banks and the KBW 50 index.

Both KeyCorp and Society conducted their banking and financial services operations in multiple, although different, regions of the U.S. Each had historically expanded its geographic scope and its customer base and market share by means of acquisition programs, initially on the intrastate basis, and later on the interstate basis. The acquisition strategies followed by KeyCorp and Society over the years were strongly influenced and shaped by the economic conditions in their home states and the banking legislation in those states. Overall, the New KeyCorp posted impressive financial performance numbers in the 3-year period since the merger; however, the market appeared to be not yet convinced of the benefits of the merger for the first three years following the merger.

3. Recap

Comerica's merger with Manufacturers National did not benefit its shareholders, mainly due to the fact that it was not aggressive enough in its cost cutting efforts.

Citizens & Southern's merger with Sovran was viewed as a flop, due to asset problems, which they never were able to get under control. The credit problems forced a later merger with NCNB.

The benefits of the merger between NCNB and C&S/Sovran were difficult to quantify, considering the short time period since the merger. NationsBank performed relatively strongly, when compared to its peers, but the market did not reflect its strong financial performance into its stock; their stock appreciation was minimal compared to the other super-regional banks and large nationals in the study. The possible explanation for this observation is that the other national banks' stock prices were so depressed from credit problems that any improvement in credit quality was greatly rewarded in the market. NationsBank did not have as big a credit problem as the other large banks in the study, so their stock price was not as depressed in the early 1990's.

Chemical's merger with Manufacturers Hanover is viewed as a success, because they are meeting their cost cutting goals (Milligan, 1994). While its stock outperformed its peers and other comparable groups of banks, its financial performance was relatively poor. The Chemical Bank merger was based on cost savings rather than revenue enhancement. As indicated previously, the analysts and the market responded more favorably to mergers with major cost savings since outcomes were more quantifiable and achievable more quickly in most cases, as revenue enhancement programs take time to implement.

The BankAmerica/Security Pacific merger was not a major success for shareholders. Its stock produced a 24% return over the three-year period following the merger, well below the stock returns of its peer groups. These results appear to be attributed, at least in part, to the worsening condition of the California economy and the concentration of the two merged institutions in this market. Nevertheless, BankAmerica's merger with Continental Bankcorp. in 1995 was expected to help diversify the company out of this market and into new products.

The New KeyCorp expected to realize cumulative merger related annual savings of \$100 million by mid 1995 (Klinkerman, 1994). These savings would primarily come from the consolidation of holding company and support operations rather than lines of business. For example, nearly \$20 million in savings was targeted through the combination of data processing operations. Although the cost savings goal was significant, management believed the opportunities for revenue enhancements had greater long term potential. Management estimated that the New KeyCorp could achieve revenue increases of \$70 million annually within two years.

Both the First Chicago/NBD merger and the Chase Manhattan/Chemical merger can be considered as a success, viewing from both their financial and stock market performance over the 3-year period following the merger. Both mergers result in relative strong financial performance in almost all aspects, hence outperforming other mergers of equals and large national banks, though their financial performance was only comparable to, though not worse than, that of other super-regional banks examined in this study. Furthermore, their stocks over the 3-year post-merger period also yielded returns better than those of other super-regional banks and the KBW 50 index. To be more specific, the First Chicago/NBD merger generated, on average, an annual stock return of 49.93%, well above 43.50% for super-regional banks and 44.07% for the KBW 50 index. Similarly, the Chase Manhattan/Chemical merger produced, on average, an annual stock return of 38.26%, well above 33.14% for super-regional banks and 34.10% for the KBW 50 index.

As a group, the eight merged entities of equal banks performed comparably to the large national banks. Their overall performance was, however, inferior to that of selected super-regional banks, as evidenced by their lower averages of most performance measures than those of super-regional banks. Over the 3-year period after mergers, of the eight mergers of equals examined in this study, the Chemical's merger with Manufacturers Hanover is viewed as a clear cut winner, as it met its cost cutting goals, and both the First Chicago's merger with NBD Bankcorp. and the Chase Manhattan's merger with Chemical Bank are also viewed as a winner, as their financial and stock performance are better than their peer groups. On the other hand, the remaining five mega-mergers of equal banks did

not generate financial performance as initially planned. Furthermore, their stock returns over the 3-year period following the merger were inferior to those of other peer groups including super-regional banks, large national banks, and the KBW 50 index.

Our analysis suggests that the following facts are critical to any bank contemplating a merger with other equal-sized bank: 1) Credit quality is critical. Credit quality problems plagued two out of the eight mergers of equals reviewed; 2) meeting cost cutting projections is essential. Analysts are very hard on banks that do not meet their initial projections; 3) mergers of equals generally do not provide a quick return to shareholders; 4) in-market mergers could provide significant cost savings; however, as was the case in the BankAmerica/Security Pacific merger, geographical concentration can also be detrimental to future growth; 5) banking analysts and investors are skeptical of anything they cannot quantify. Revenue enhancement is difficult to quantify, as opposed to cost cuts; thus, the market is slow to react; and 6) synergy between the two managements is critical. There must be mutual benefits to both sides for the merged entity to remain viable.

V. Summary and Conclusions

Merger activity in the U.S. banking industry is expected to remain heavy for the coming years. More mergers of equal banks are a distinct possibility. This study examines if a merger with equal banks is a viable alternative to improve bank's performance and strengthen its market position.

In essence, mergers of equals in the banking industry, not the acquisition of banks, are perceived as cheaper; the buyer takes on no new debt, and there's a good chance that buyer's per share earnings are not diluted. The combined entity of two complementary banks brought together with minimal up-front costs means that earnings can get an immediate boost. On the other hand, many chief executives are wary of engaging in a transaction that would leave them out of a job. Similarly, two competing banks with different cultures are probably wary of merging. Hence, it is not unusual to see that many analysts remain skeptical of the benefits of merger of equals, primarily because mergers of

equals typically do not provide a quick return to shareholders. Additionally, this merger emphasizes revenue enhancements rather than the traditional cost reductions as the primary basis for merging. Revenue enhancements are not predictable and take longer to reflect results. Cost reductions are predictable, quantifiable, and are recognized quicker.

Further supporting their skepticism, only three of the eight mega-mergers of equal banks examined in this study showed strong financial and stock performance over the 3-year period following the merger, relative to their peer groups of banks, and hence are considered as a success. While the performance of the merged entities of equal banks on average is comparable to that of the selected large national banks, it is found to be inferior to that of the selected super-regional banks in many aspects of financial measures. These results suggest that not all the mega-mergers of equals are perceived by the market to have the benefit of creating a large scale bank, and hence future mega-merger applications between banks should be executed more carefully.

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Table 1
Distribution of Mergers of Equals in the U.S. Financial Services Industry

Buyer/Target	Total	A Merger is Defined as Merger of Equals if Buyer to Target's				
		SNL's Merger of Equals Flag	Total Asset Ratio is < 1.50	Total Asset Ratio is < 1.25	Market Capitalization Ratio is < 1.50	Market Capitalization Ratio is < 1.25
Bank/Bank	186	10	17	14	22	16
Bank/Thrift	163	5	9	7	7	3
Thrift/Bank	6	0	0	0	0	0
Thrift/Thrift	53	9	9	9	9	9
Total	408	24	35	30	38	25

Source: SNL Securities for the period of 1987-1996.

Table 2
Bank Mergers with Assets Greater Than \$1 Billion During the 1987-1996 Period

Acquiring Bank (Dominant Bank)	Announcement Date	Closing Date	Acquired Bank	Asset Size (\$billion)	Acquisition Accounting
<u>Large Mergers of Equal Banks</u>					
Comerica, Inc.*	10/28/91	6/18/92	Manufactures National Corp.	12.0	Pooling of int.
	9/8/93	3/30/94	Pacific Western Bancshares	1.0	Purchase
Citizens & Southern*	9/26/89	8/31/90	Sovran Financial	25.4	Pooling of int.
NationsBank	2/18/93	10/1/93	MNC Financial Inc.	16.5	Purchase
NationsBank (formerly NCNB Corp)*	6/27/91	12/31/91	C&S/Sovran	51.2	Pooling of int.
Chemical Banking Corp.*	7/15/91	6/31/92	Manufacturers Hanover Corp.	63	Pooling of int.
BankAmerica*	8/12/91	4/22/92	Security Pacific	84.7	Pooling of int.
	1/28/94	8/31/94	Continental Bankcorp	22.5	Pooling of int.
KeyCorp*	10/4/93	3/1/94	Society Corp.	25.5	Pooling of int.
Society Corp	6/19/89	1/15/90	Trustcorp, Inc.	6.0	Pooling of int.
	9/13/91	3/16/92	Ameritrust	10.0	Pooling of int.
First Chicago Corp.*	7/12/95	12/1/95	NBD Bancorp.	65.9	Pooling of int.
Chase Manhattan Corp.*	8/28/95	3/31/96	Chemical Banking Corp.	114.0	Pooling of int.
<u>Mergers of Super-Regional Banks</u>					
Banc One Corp.	6/5/92	5/3/93	Key Centurion Bancshares	3.2	Pooling of int.
	4/14/92	3/31/93	Valley National Corp.	11.4	Pooling of int.
	11/3/93	8/15/94	Liberty National Bancorp	5.0	Pooling of int.
NBD Bancorp	3/25/91	10/1/91	FNW Bancorp	1.4	Pooling of int.
	12/20/91	7/1/92	Summcorp	2.5	Pooling of int.
	3/18/92	10/15/92	INB Financial Corp.	6.6	Pooling of int.
The Bank of New York Co.	1/29/93	8/11/93	National Community Banks	4.3	Pooling of int.
Wachovia Corp.	6/24/91	12/6/91	South Carolina National Corp	7.0	Pooling of int.
National City Corp.	10/30/91	5/2/92	Merchants National Corp	5.8	Pooling of int.
	4/2/93	10/13/93	Ohio Bancorp	1.6	Purchase
Norwest Corp.	7/26/90	4/19/91	United Banks of Colorado	6.0	Pooling of int.
	8/20/92	2/9/93	Lincoln Financial Corp	2.4	Pooling of int.
	7/27/93	1/14/94	First United Bank Group	3.9	Pooling of int.
PNC Bank Corp.	12/11/91	10/25/92	CCNB Corp	1.2	Pooling of int.
	5/11/93	12/1/93	Sears Mortgage Banking	8.0	Purchase
	7/27/93	6/17/94	First Eastern Bancorp	2.1	Pooling of int.

* denote mega-mergers of equal banks which are included in the sample of this study.

Table 3
Trends of Total Assets of Banks Involved in Mergers of Equals
Over the Pre- and Post-Merger Period

Bank	Announcement Year	Year Relative to Announcement Year					3-year Growth Rate (%)
		T=-1	T=0	T=+1	T=+2	T=+3	
Comerica Inc. Comerica (pre-merger) Manufacturers Nat. Corp	1991	26,815 13,300 12,078	28,989 14,451	27,556	30,295	33,430	15.32
NationsBank Corp. NCNB C&S Sovran	1991	112,791 65,285 51,237	110,319	118,059	157,686	169,604	53.74
Chemical Banking Corp Chemical (pre-merger) Manufacturers Hanover	1991	136,249 73,019 61,530	138,930	139,655	149,888	171,423	23.39
BankAmerica Corp. Security Pacific	1991	110,728 84,731	115,509	180,646	186,933	215,475	86.54
KeyCorp (new) KeyCorp (old) Society (post-merger)	1993	55,068 25,457 24,978	59,631 33,000 26,631	66,798	66,339	67,621	13.40
First Chicago NBD Corp. First Chicago (old) NBD Bancorp	1995	47,111 52,560 40,776	122,002 65,900 45,232	104,19	114,096	N/A	-6.48
Chase Manhattan (new) Chase M. (pre-merger) Chemical Banking Corp.	1995	285,383 102,103 171,423	303,989 114,495 178,205	336,099	365,521	365,875	20.36
Average 3-year Growth							29.47%
Annual Average Growth							9.82%

Notes: All figures are in million dollars; information obtained from Company Annual Reports, Global Access Disclosure, and Compustat Research Insight database.

Table 4
Comparison of Post-Merger Financial Performance of Mergers of Equal Banks
with Selected Super-Regional Banks and Large National Banks

Bank	Year	ROA (%)	ROE (%)	Earnings Per share(\$)	Efficiency Ratio (%)	Price To Book	Price To Earnings	Net Profit Margin (%)
Comerica	T=0 (1991)	1.06	15.90	2.41	66.08	1.65	11.06	10.66
	T=+1	0.91	12.10	1.99	71.56	1.56	11.08	12.95
	T=+2	1.25	15.94	2.85	65.12	1.40	9.34	15.17
	T=+3	1.16	16.19	2.19	62.07	1.21	7.43	15.14
	3-year avg.	1.11	14.74	2.18	66.25	1.39	9.28	14.42
C&S Sovran	T=0 (1989)	1.00	16.70	3.67	62.25	0.72	5.97	10.45
	T=+1	0.46	7.20	1.60	64.80	0.72	13.64	11.81
	T=+2	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	T=+3	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	3-year avg.	0.46	7.20	1.60	64.80	0.72	13.64	11.81
NationsBank	T=0 (1991)	0.17	2.70	0.76	73.58	1.25	42.30	1.81
	T=+1	1.00	15.83	4.60	65.00	1.67	10.10	11.81
	T=+2	0.97	15.00	2.93	62.90	1.41	8.77	14.56
	T=+3	1.02	16.10	3.06	62.50	1.23	8.01	12.80
	3-year avg.	1.00	15.64	3.53	63.47	1.44	8.96	13.06
Chemical Bank	T=0 (1991)	0.11	0.33	0.11	77.68	0.69	7.50	1.09
	T=+1	0.78	12.36	3.90	65.12	1.19	7.90	8.92
	T=+2	1.11	16.66	5.77	62.14	1.07	7.20	12.90
	T=+3	0.78	12.30	4.60	63.40	1.04	7.80	10.20
	3-year avg.	0.89	13.77	4.76	63.55	1.10	7.63	10.67
BankAmerica	T=0 (1991)	0.97	13.94	2.41	62.20	1.20	7.46	9.16
	T=+1	0.83	9.63	2.12	65.20	1.33	10.97	9.78
	T=+2	1.05	11.40	2.40	64.80	1.20	9.68	12.32
	T=+3	1.01	11.52	2.68	64.51	0.94	7.37	13.24
	3-year avg.	0.96	10.85	2.40	64.84	1.16	9.34	11.78
KeyCorp	T=0 (1993)	1.19	16.16	1.45	60.50	1.72	10.29	13.69
	T=+1	1.28	18.17	1.73	59.27	1.36	7.25	15.89
	T=+2	1.24	16.01	1.65	38.22	1.75	10.99	13.63
	T=+3	1.16	16.04	1.69	40.79	2.30	14.99	12.97
	3-year avg.	1.23	16.74	1.69	46.09	1.80	11.08	14.16
First Chicago NBD Corp.	T=0 (1995)	0.94	13.61	3.48	60.96	1.58	11.45	10.77
	T=+1	1.37	15.94	4.44	53.03	1.98	12.24	14.19
	T=+2	1.34	19.16	4.99	52.70	3.14	16.73	15.10
	T=+3	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	3-year avg.	1.36	17.55	4.72	52.87	2.56	14.49	14.65
Chase Manhattan	T=0 (1995)	0.96	16.15	3.16	62.05	1.41	9.30	19.78
	T=+1	0.77	12.48	2.57	57.14	2.10	17.39	15.50
	T=+2	1.04	18.73	4.15	55.25	2.30	13.19	22.06
	T=+3	1.01	17.27	4.35	55.30	2.64	16.32	20.27
	3-year avg.	0.94	16.16	3.69	55.90	2.35	15.63	19.28
Mergers of Equals	3-year avg.	0.99	14.08	3.07	59.72	1.57	11.26	13.73
Super-Regional Banks	3 year avg.	1.35	17.77	3.20	62.55	1.70	13.08	15.64
Large National Banks	3 year avg.	1.02	13.05	2.54	64.28	1.15	13.11	10.28

Notes: N/A = not available; super-regional banks include Banc One, Bank of New York, National City Corp., NBD Bancorp., Norwest Corp., PNC Bank, and Wachovia Corp.; large national banks includes Citicorp., Mellon Bank, Bankers Trust, and Wells Fargo Bank.

Table 5
Comparison of Post-Merger Stock Returns of Mergers of Equal Banks with Selected Bank Indices

Bank (Year of Merger Announcement)	Annual Return (%)								3-Year Average Return (%)	3-Year Average Return for Matching 3-year Period (%)		
	1991	1992	1993	1994	1995	1996	1997	1998		Super- Regional Banks	KBW 50 Index	S&P 500 Index
Comerica (1991)	-	22.95	-13.66	-4.07					1.74	9.31	9.29	6.33
NationsBank (1991)	-	20.65	-1.46	-4.17					5.01	9.31	9.29	6.33
Chemical Bank (1991)	-	88.06	7.36	6.49					33.9%	9.31	9.29	6.33
BankAmerica (1991)	-	33.43	2.74	-11.77					7.98	9.31	9.29	6.33
KeyCorp (1993)			-	-12.31	51.73	44.48			27.97	29.57	32.26	20.61
First Chicago Corp (1995)					-	40.66	59.20	N/A	49.93	43.50	44.07	28.15
Chase Manhattan (1995)					-	56.77	25.44	32.57	38.26	33.14	34.10	28.29
Selected Super- Regional Banks	-	27.29	6.00	-5.35	57.43	36.63	50.37	12.43				
KBW 50 Index	-	27.43	5.54	-5.09	60.02	41.88	46.26	14.15				
S&P 500 Index	-	7.61	10.06	1.33	37.54	22.95	33.35	28.58				

Notes: Stock return reflects both dividend yield and capital gains yield of common stock; KBW 50 index is offered by Keefe, Bruyette & Woods, Inc. and includes a cross-section of 50 major banking institutions.