MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

YEAR-END STATEMENT ISSUE

FEBRUARY, 1974

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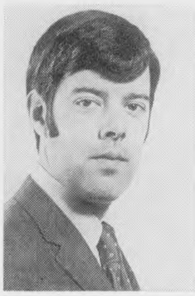
BMA Regional Conference Set for Little Rock First Week in March

LITTLE ROCK—The Midwest Regional Conference of the Bank Marketing Association will be held at the Camelot Inn here March 4-6. Co-chairmen for the event are Donald E. Forston, vice president and manager, marketing division, Worthen Bank, and Thomas E. Steves, vice president, First National, both in Little Rock.



STEVES

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Topics scheduled for the program include "Marketing Planning—Management to Marketing," "Banking's Changing Environment and Its Implications," "How to Do Branch Location Analysis," "How to Create an Environment for Sales," "New Trends in Radio and Print Advertising for the Community Bank," and "New Trends in Profit Planning."

Van Smith, president, Bank of Tuckerman, and president, Arkansas Bankers Association, will welcome attendees and there will be an exhibit area.

The conference is sponsored jointly by the BMA and the Arkansas Bankers Association.

Foreign Banking Study

WASHINGTON—The ABA's Commercial Lending Division has announced that it will sponsor a foreign banking study seminar this spring. It will feature visits to the banking communities of England, Germany and Austria. Objective of the 15-day program is to enable commercial lending officers to gain insight into current economic and financial developments in the international area.

James A. Webb Jr., chairman, Nashville City Bank, said this will be the first study of this nature the Commercial Lending Division has ever undertaken.

The seminar will be limited to 45 lending officers whose institutions belong to the ABA.

MID-CONTINENT BANKER

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MID-CONTINENT BANKER is published 13 times annually (two issues in May) by Commerce Publishing Co. Editorial, executive and business offices, 408 Olive, St. Louis, Mo. 63102. Second-class postage paid at Fulton, Mo.

Subscription rates: Three years $18; two years $14; one year $8. Single copies, $1.25 each.

Commerce Publications: American Agent & Broker, Club Management, Decor, Life Insurance Selling, Mid-Continent Banker, Mid-Western Banker, The Bank Board Letter and Program. **Donald H. Clark,** chairman; **Wesley H. Clark,** president; **Johnson Poor,** executive vice president and secretary; **Ralph B. Cox,** first vice president and treasurer; **Bernard A. Beggan, Allan Kent, James T. Poor** and **Don J. Robertson,** vice presidents.

By Dr. Lewis E. Davids

Hill Professor of Bank Management, University of Missouri, Columbia

Increased Need for Bank Capital

THE MOST recent figures published by the Federal Deposit Insurance Corp.—"Bank Operating Statistics 1972" —continue to show that the average bank's capital has continued to diminish relative to its total liabilities.

This continues a trend that has been evident since the mid-1930s. There has been more than a 40% decline in the ratio of capital of banks related to their total liabilities since that time. In fact, since 1969, the percentage of capital has dropped from 7.5% to the 7.1% figure for 1972 and the figures for 1973, when they become available, will show an increased rate of decline.

These figures in the aggregate tend to be somewhat misleading because the very nature of an average dictates that approxiately half of the banks involved will be below the average figure; therefore, there is a 50% chance that your bank will fall in that category.

Serious Questions

But even if such is not the trend at your bank, the declining ratio of capital to total liabilities raises some serious questions as to how much further the decline can be tolerated in view of the need to provide some cushion of protection for depositors.

The preceding figures, while somewhat disturbing, are an understatement of the diminished capital position of many of our banks. This is because many banks today have had their real estate holding company subsidiaries finance new bank buildings or related property improvement. In addition, since the early 1960s, commercial banks have in effect removed themselves from exclusive reliance on equity capital and have moved increasingly to the utilization of preferred stock, capital notes and debentures.

In addition, it should be recognized that the trend of capital accounts is such that the larger the bank the more likely its total capital accounts will be relatively smaller than those for banks of a smaller size. One of the most frequent communications banks have from their regulators is a recommendation for increased capital.

When the outlook for the economy is strong, optimism prevails. The growth of deposits related to the slower growth in capital is not as foreboding when the outlook is clouded, as it is today, by the uncertainties prevailing in the energy shortage. Many bank regulators now are concerned that loans which normally would have been considered completely bankable may, as a result of the fuel shortage, prove to be problem loans. When this is related to the diminished capital position of a bank, the question of the adequacy of the bank's capital comes to mind.

Therefore, some bankers who in years past have held that it was prudent to hold off as long as the bank could in increasing its capital, now are expressing some reservations about this policy.

It is one thing to identify a problem and a potential solution to the problem, and another to implement the solution. For this reason, a brief synopsis of the ways banks can meet this problem is described.

Number one in theory is the plowing back of earnings to increase capital. This might call for a complete stoppage of dividends, or at least a reduction in the rate of dividends.

Academic Solution Unsatisfactory

While this may be an academic solution, as a practical matter it is often unsatisfactory. In the first place, many banks have not had the type of income earnings that would make a significant impact on their capital ratios. The other is that there are so many small banks that are controlled by shareholders who are demanding increases in dividends, that a cut is certainly impractical.

The next method is the classical sale, probably on a pro-rata basis, of additional common stock to existing shareholders. This, too, causes a number of problems in its implementation. One can only go to the well for so much water. The shareholders of many small banks are simply not in a financial position to purchase new capital stock. They are also adamant in their unwillingness to reduce their proportionate ownership and control.

Smaller Bank Experience

A number of smaller banks in this position have investigated and sold consumer-type capital notes. Their experience has often been that, while they have sold their notes, they have observed that the funds for the purchase have simply been removed from the banks' deposit liability side to the other part of the liability capital debenture category.

In corporation finance the possibility of a private placement is conventionally noted in most textbooks. Most small banks would be surprised at the difficulty of accomplishing such a move. Larger banks, of course, have entree to private placements with insurance companies, pension funds and the like.

The remaining options include the issuance of stock, which in turn can be purchased by officers and directors with the bank's leading correspondent financing the purchase. This, too, in theory, is an attractive alternative until one starts examining the actual numbers involved. For many bank correspondents, at least the regional major banks, the payout for such a loan would be over a five- to six-year period. Thus, from

(Continued on page 53)

It's beautiful-and it works.

An instant skyline?

A strikingly beautiful skyline addition, yes. But, instant? Well, not quite.

For welding style and substance into a unity of form and function initially requires the productive time of a thoughtful, working partnership.

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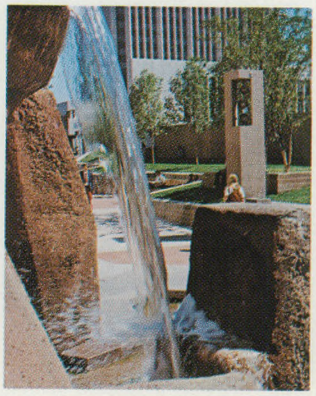

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Mosler Television Satellite Stations. Now, you can put your bank where your customers are.

Mosler Television Vestibule Stations. Lets you add extra hours to every day.

Banking by television. It's the revolutionary idea that's changing the banking world. And Mosler has it ready for you. Now.

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Nothing is more efficient than television banking. One teller serves two customer stations simultaneously. And two tellers can alternate in serving a third customer station during peak periods. This holds operating costs in line while increasing customer service.

Nothing offers more customer convenience than television banking. You can put a satellite television banking unit wherever people are—without building a branch. The Mosler system goes anywhere—shopping centers, subways, airline terminals—because the customer unit is connected to your remote teller station through a pneumatic tube system. You simply keep one or more tellers on duty in your security room to operate walk-up vestibule units and drive-in units. Thus, you add hours to your banking day by serving those customers who can't bank during regular hours. And you increase your banking volume at the same time because your customer units are located in areas of greater customer traffic.

Finally, nothing could be more versatile than television banking. Mosler television banking systems fit your needs today. And because additional units can be added to your Mosler remote transaction systems, they'll fit your needs tomorrow, too. You add units as you need them, without losing your initial investment.

Banking by television. A system that increases return on investment, keeps operating costs in line, provides more security, and pleases customers. Mosler television banking systems. The dream machines. They're here now. **For complete information write Mosler, Dept. MC-274, Hamilton, Ohio 45012.**

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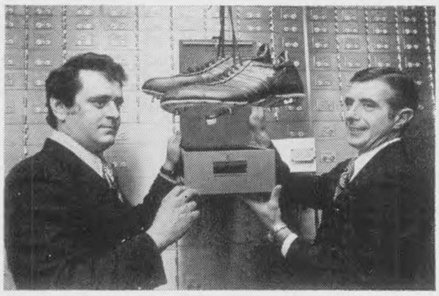
Community Involvement

Bank Guards Shoes



The Brooklyn (N. Y.) Branch of Manufacturers Hanover Trust was the safekeeper of the last pair of baseball shoes worn by player Willie Mays recently. The shoes, donated by Mr. Mays to a civic organization, were later raffled to raise funds to purchase property for a park. Supervising "lock up" of shoes are Jonathan Gibbs (l.), president, Block-in-Between-Block Association, and John Mahoney, branch manager.

Market Development

Viable Business Ideas Contest Held by Liberty, Okla. City

Liberty National, Oklahoma City, recently honored winners in its "Viable New Business Ideas" contest at the annual meeting of the Oklahoma State Chamber of Commerce in Tulsa.

Purpose of the contest, according to bank Chairman J. W. McLean, was to encourage young people between the ages of 18 and 25 to seek out and develop profitable new markets for goods and services in the tradition of the free enterprise system.

The two top winners received $1,000 checks and runners-up received five shares each of stock in Liberty National Corp. Ideas of the two top winners concerned a new custom furniture shop and the development of a horticulture business.

• **One hundred hams** were donated to needy families this past Thanksgiving season by Northern Indiana Bank, Valparaiso. In addition, the bank acted as a depository for canned goods donated by area residents. The canned goods were distributed the day before Thanksgiving by the Porter County Welfare Department.

• **Chemical Bank,** New York, is offering low-cost noise pollution loans to construction firms. A new city law requires construction firms to update old, noisy jackhammers, compressors and generators with new, quieter and more efficient equipment. Loans under $5,000 are available for a maximum period of 36 months at a special annual percentage rate of 9.6%. Loans for larger amounts run for 60 months at 10.52%. Regular rates are 12.11% and 13.46%, respectively.

Classrooms Extended:

Special Bus Donated By Bank to Schools For New Program

The Montgomery, Ala., public schools can implement a new educational program because of the donation of a specially designed and equipped bus by that city's First National.

The program, "Experience-Based Reading," is an innovative attempt to improve the language and reading skills of about 500 first- and second-grade children who attend schools serving neighborhoods that are densely populated, racially isolated and suffer from a severe cultural lag. Funds for basic needs such as additional staff, staff training, instructional materials and books are provided through a grant under the Emergency School Aid Act. Program funding was contingent on the local school system obtaining a specially equipped bus for transporting the children on experience-study trips.

Pictured next to specially designed and equipped bus donated to Montgomery public school system by First Nat'l of Montgomery are (l. to r.): Lionel M. Laws, ch., Emergency School Aid Act community advisory committee; Frank A. Plummer, ch. of bank; W. A. Garrett, supt., Montgomery public schools; J. Allen Reynolds, exec. v.p., and James S. Gaskell Jr., pres. of bank.

The bus furnished by First National makes it possible for the entire city and its environs to serve as extended classrooms for students in three target schools. Experiences gained from the 20 study trips to places of interest and culture will provide a core of knowledge around which reading and language will be taught. The bus is equipped with a tape player, speakers and microphones that will aid the teacher in conducting learning activities while en route to and from each planned destination.

Helping Hand

Free Livestock Trailers Provided by Bank

First National, Opp, Ala., has purchased three livestock utility trailers for use by local farmers. The trailers are available at no cost from the Farmers Cooperative Market. Farmers are welcome to use the trailers to transport their animals to and from the market or for other uses.

A bank spokesman said the trailers will meet a real need and provide a valuable free service to the bank's many farm customers and friends.

20 Students Aided

Hamilton Nat'l, Chattanooga, Continues Scholarship Plan

Hamilton National, Chattanooga, is again providing scholarships for five students at the University of Tennessee as part of a continuing program begun in 1969.

The funds were earmarked for the scholarship program in lieu of the bank holding an open house celebration upon completion of its remodeling project.

Recipients of the Hamilton National Bank scholarships are chosen by the university. The stipends continue throughout each student's four-year program, providing the student maintains his eligibility.

A total of 20 students is participating in the program.

Booklets Given Schools

Bayard H. Friedman, pres., Fort Worth Nat'l, shows third-grader Gregory Howard of Oakhurst Elementary School the historical booklet published by the bank in observance of its 100th anniversary last year. Since the city of Fort Worth also observed the 100th anniversary of the issuance of its official charter last year, the booklet traced the histories of the bank and the city. Fort Worth Nat'l presented a quantity of the booklets to the city's public schools, which use them to teach local history in elementary schools, and also placed them in every public school library in the school system.

Selling/Marketing

A Halloween Promotion:

All Kinds of Faces Appear on Pumpkins In Bank Contest

A pumpkin-carving contest was sponsored last Halloween by Heritage Bank of Country Club Hills, Ill. The event was held in the bank's lobby, which abounded almost wall to wall with funny- and evil-looking, large and small pumpkins and children dressed in Halloween costumes. The contest was open to all local grammar school students and was judged in three age categories: five through seven, eight and nine and 10 through 12.

Young winners of the pumpkin-carving contest held by Heritage Bank, Country Club Hills, Ill., are shown with their creations. With the children is Walter G. Johnson, president of the bank.

Each first-place winner received a $20 check; each second-place winner was given a $10 check, and a $5 check went to each third-place winner. In addition, honorable-mention ribbons and silver dollars were awarded to 11 other participants.

Judges were a local art teacher and two representatives of the bank's advertising agency.

Saying 'Thank You':

Barbecue for 6,000 In Carnival Setting Is Given by Bank

First National, Okmulgee, Okla., said "thank you" to its customers with a barbecue that was attended by 6,000 patrons and their families. A 200-by-40-foot circus tent, pennants, balloons, barbecued beef and 65 major door prizes provided a carnival setting. The bank believes it was the biggest party in the city's history.

About 5,000 helium-filled balloons were distributed, and hundreds of them were released unintentionally. The following week, letters began coming in to First National from as far away as Grand Rapids, Mich., and Toledo, O. People in those cities had found the bank's balloons just hours after the party. Meteorologists were consulted and speculated that the balloons had hit fast winds at high altitudes to travel so far so fast.

The bank's president, Robert L. Hollis, took advantage of the gathering to point out how funds deposited by customers in the bank had helped make the city grow through First National's financing of new industries and expansion of existing business firms.

Silver Dig

Children Give Assist In Groundbreaking Job

More than 50 children from a local center for the retarded took part in a groundbreaking ceremony recently for an expanded drive-in facility for American Bank, Houston.

The bank had $100 in silver coins buried in the vacant lot upon which the facility would be constructed. The bank invited the children to help break ground by digging for the silver. Following the dig, a party was held for the children at the bank.

At Hamilton Bank

Cross-Selling Emphasized In 'Sugar Bowl' Contest

Personnel at Hamilton Bank, Nashville, recently took part in an employee incentive promotion designed to increase demand deposits to $10 million and time deposits to $25 million.

The campaign was titled "Take your sugar to the Sugar Bowl," and was built around the importance of all bank personnel selling the bank to Nashvillians as well as to promote an awareness of the opportunities for cross-selling bank services. The bank is in its first year of operation.

The grand prize consisted of tickets and transportation to the Sugar Bowl football game plus a TV set.

Banking Contrasts

Pioneer, Futuristic Banks Featured at Centennial Of Northwestern National

To celebrate its 100th anniversary, Northwestern National, Minneapolis, recently staged two exhibits consecutively. The first was a reproduction of a typical bank of 100 years ago. The second was a concept of the bank of the future.

The "Pioneer Bank," as the first exhibit was called, featured gas lights, personnel in the outfits of the day and teller stations protected from would-be money grabbers by massive iron grillwork.

The "Futurebank," as the second exhibit was called, is a continuing department, offering customers a self-contained automatic bank that is open around the clock. The Futurebank has no doorway, utilizing an air curtain at the entrance.

Convenient Personal TV Teller units are located at entrance to unique Minneapolis Skyway in Northwestern Nat'l building.

Futurebank customers are offered a full range of banking services and other conveniences, including a miniature, automated post office and a "Picturephone" installation which permits customers to see bank personnel when they have questions to ask.

Equipment includes three Diebold Personal TV Tellers that enable customers to see and talk with tellers stationed elsewhere in the building. Transactions are handled by means of a pneumatic tube system.

Extra long hours are possible at Futurebank, since tellers are not on premises. Current hours for teller service are from 7 a.m. to 6:30 p.m.

The bank has also installed Diebold Personal TV Teller units in its Skyway Bank, located in the main bank building, but adjacent to the Minneapolis Skyway, a system of elevated, enclosed walks that permit shoppers to walk between downtown stores without going out into the weather.

'Change Makers'

Bank Capitalizes on Theme At Remodeling Open House; Handfuls of Coins Awarded

A bank can wring a lot of attention from a simple slogan or "moniker."

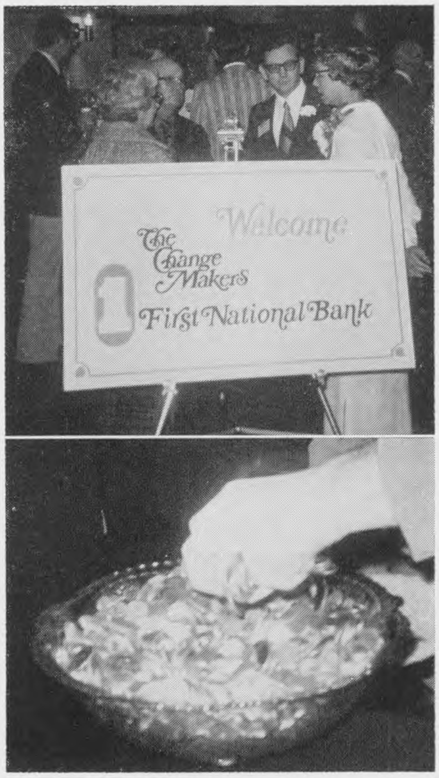
First National, Coffeyville, Kan., has spent a lot of time and money over the past year to make itself known as the "Change Makers" bank. The bank was seeking to create an image as being innovative, thus making for change in the area of bank services.

The title took on an expanded dimension recently when the bank held an open house to show its changed—or remodeled—banking quarters to the public.

According to Dean Daniel, president of the 88-year-old bank, "It wasn't just a remodeling project—it involved major physical changes—and the spirit of our expanded space rubbed off on our people."

During open house, a mid-December combination holiday and "bank-warming" celebration, the bankers began to hear a playback of their first half-year of advertising as the "Change Makers." Visitors who toured the facilities commented on the many real changes inside the bank, and in almost every case, the word "change" was a part of the compliments.

Carrying out the theme, drawings were held for the privilege of grabbing a handful of change from a bowl of assorted coins. Coupons were published in the bank's newspaper ad and were also available at the bank. The coupons, after being filled out and deposited, were drawn at intervals during the two-day open house.



TOP: Pres. Dean Daniel and AVP Laudine Luhn (standing directly behind word "welcome" on sign) greet guests at open house at First of Coffeyville, Kan., celebrating remodeling of bank. BOTTOM: That's Teller Jim Clark's hand making an official grab for change at open house. Mr. Clark is a basketball player, hence he has large hands. Coins were given away as prizes during celebration. Mr. Clark did the grabbing for winners who were not present.

Persons whose names were drawn could do their own grabbing for a handful of change. For winners not present, the "grab" was made by Jim Clark, teller, whose basketball-player hands came up with amounts that ranged from $16 to $34 for a dozen winners, to whom checks were sent. The grand prize, drawn as the final winner, was a $200 "Change Maker" savings account.

Invitations to the bank's customer list carried a unique gift, a genuine post card picturing the old bank building dated 1927. In the process of remodeling, several boxes of these collector's items were unearthed from a basement storage area. Nearly half a century old, these never-mailed post cards now carry their own value as well as a graphic reminder of how much the bank has changed since 1927.

Bank officials were pleased with the turnout of over 2,100, and were especially impressed with the public's interest in the "inner workings" of the bank. "We made the tour an educational experience purposely," explained Eva Sanborn, assistant cashier, one of the official guides. "I think most of the visitors went away much more knowledgeable about our bank, and that's good!"

Are more changes in the planning? Mr. Daniel admitted, "We can't stop now—the public expects us to continue to make changes for the better."

Apples Welcome Fall

First Bank of Park Forest South, Ill., welcomed the fall season last year by giving a free apple to anyone visiting the bank or its drive-up facilities during regular banking hours. The apples were bright red, orchard-fresh Delicious, grown in the area. Obviously enjoying her apple is Daroyl Mills (r.). Looking on (l. to r.) are Fran Kieper, Cathy Corbett and Vicki Nyman, the bank's cashier. All are Park Forest South residents. President Dan Kaplan said the apple giveaway "was just another small way to show that a neighborly and friendly atmosphere prevails at the First Bank of Park Forest South."

Itchy Feet, Anyone?

Leisure Savings Club Offers Travel Benefits, Merchandise, Insurance

Richmond Hill Savings, Long Island, N. Y., has become the first bank to offer the Leisure Club savings plan, described as a new concept in bank savings plans.

The plan is described as a "save now, play now as well as later" plan, offering a comprehensive family savings plan whereby people can both save and spend for various forms of leisure activity and merchandise. The plan involves savings, insurance and preferred pricing of merchandise and services.

Club members can deposit as little as $25 monthly and will be paid interest on their deposits. The program continues for 10 years, at which time life membership is attained. At that time, the member stops monthly payments, but continues to receive benefits and services for the rest of his life, according to promoters of the plan.

A member can withdraw from the plan at any time with principal and accrued interest made payable to the member, less membership charges and "redemptions."

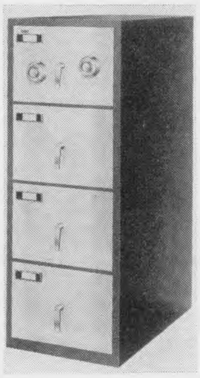
According to a spokesman, members begin to receive regular credits of "leisure dollars" within three months of joining the plan. The dollars can be redeemed for leisure-related merchandise and travel/tour packages at reduced prices. Various types of insurance can also be obtained with leisure dollars.

Marketers to Meet

"Competition—Action or Reaction?" is the theme of the 1974 National Marketing Conference, sponsored by ABA and scheduled for March 17-20 at the Americana Hotel, Bal Harbour, Fla.

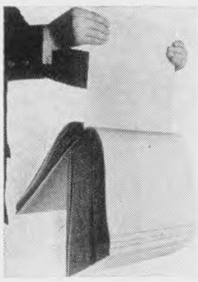
The conference will serve as the forum for almost three dozen industry spokesmen addressing topics such as "How Congress Views Bank Competition," "Competition—Implications of Interstate Banking," "New Products Analysis," "Corporate, Commercial, Retail and Trust Banking Markets," "Holding Company Marketing," "Women and Credit" and "Impact of EFTS on Bank Competition."

New Products and Services



• **Diebold.** A line of bank security files with combination dials and dual responsibility locks has been introduced by Diebold, Canton, O. 44711, to protect vital papers used by customers of banks as collateral. The files are suited for guarding bearer bonds and other customer collateral, as well as bank papers such as cashier's checks, traveler's checks, savings bonds and other negotiable items.

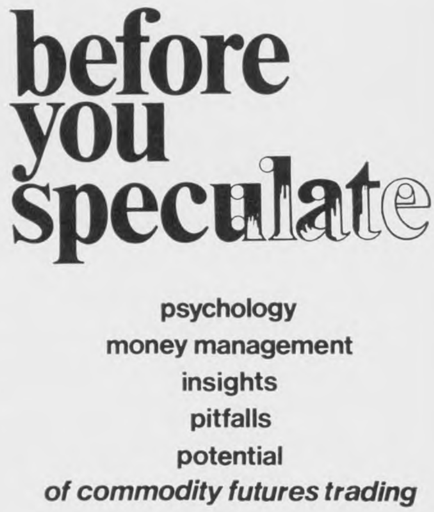
Two- and four-drawer models are available, each offering key-changing combination locks and dual locking responsibility. Key-locking dials are available as an optional extra.



• **Cummins-Allison Corp.** Planax binding equipment is available from Cummins-Allison Corp., 826 Waukegan Road, Glenview, Ill. 60025, that provides a way to place permanent bindings on stacks of papers, such as printout records, books or brochures. Finished books open flat, with 100% edge-to-edge visibility of the entire page. Bound copies can be placed on shelves vertically like books. Books can be bound in multi-volumes up to six inches thick and then sliced apart. In illustration, one sheet of book supports entire volume when Planax binding equipment is used.

• **Chicago Mercantile Exchange.** "Before You Speculate," a 40-page brochure "for the person who wants to become informed on commodity futures speculation," has been released by the Chicago Mercantile Exchange. It contains papers by six recognized authorities in the commodity futures industry. The brochure's cover is shown in the accompanying illustration.

The foreword explains its objectives as being "to strip away the veil of mystery and myth surrounding speculation in futures, to explain the economic purpose futures serve, to indicate the potential rewards along with the pitfalls of futures speculation, to describe the mechanics of the market and to provide insight to those who would participate in it."



Subjects in the brochure include "The Future of Futures," "Speculating and Money Management," "How Commodity Futures Are Regulated," "Commodity Future Trading: Mystery, Myth and Mandate," "A Professional's View of Commodity Trading" and "Who Are Those Commodity Speculators and What Are They Doing to Us?"

Free copies of the brochure are available by writing: Public Relations Department, Chicago Mercantile Exchange, 444 West Jackson Boulevard, Chicago, Ill. 60606.

Holding Companies

• **First Union, Inc.**, St. Louis, and Union Finance Co., Kansas City, have entered into an agreement whereby the HC will acquire the consumer loan and sales finance firm. Union Finance has six branches in Kansas City and one in Topeka, Kan. A. K. Simpson Jr. will continue as president of Union Finance. Key bank of the HC is First National, St. Louis.

• **First Commerce Corp.** and its subsidiary First National Bank of Commerce, New Orleans, have formed a new data processing company with Boeing Computer Services, Inc., a subsidiary of Boeing Co., Seattle. The jointly owned subsidiary will be First Boeing Data Services, Inc., and will market data processing services to banks and commercial customers. President of the new subsidiary is James R. Schwantes, formerly with Boeing Computer Services. Executive vice president is R. Bradford Thomas, present vice president and manager of the data services division at First NBC.

• **A definitive agreement** has been reached for the acquisition of American Finance System, Inc., by First Chicago Corp. American Finance, headquartered in Silver Spring, Md., conducts consumer lending activities from 718 offices in 40 states and 38 offices in the province of Ontario. As of last September 30, American Finance's total assets were approximately $523 million. When consummated, the acquisition will be the fourth for the Chicago HC, whose principal subsidiary is First National, Chicago.

• **Southwest Bancshares, Inc.**, Houston, has received Fed approval to establish Southwest Bancshares Leasing Co. as a subsidiary. President of the new operation is E. L. Epperson Jr., formerly president of United Virginia Leasing Corp. The new firm's emphasis will be on leasing capital equipment. Southwest Bancshares owns Bank of the Southwest, Houston, and 12 other Texas banks.

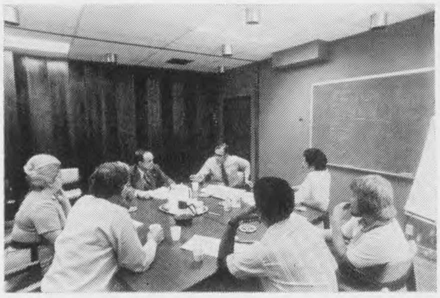
• **Hamilton Bancshares, Inc.**, Chattanooga, has received Fed approval to engage de novo in the field of factoring. The new operation will be the fourth non-banking subsidiary of the HC. Name of the new subsidiary is Hamilton Factors, Inc., and it is headquartered in Atlanta. John G. Brennan, former senior vice president and southeastern regional manager of James Talcott Factors, heads the new firm.

• **Chemical New York Corp.**, parent of Chemical Bank, has announced a definitive agreement whereby it will acquire Sunamerica Corp., Cleveland-based finance company. Sunamerica's principal subsidiary is Sun Finance & Loan Co., with a network of 104 offices in 11 states. Upon completion of the acquisition, the finance company will function as an autonomous subsidiary of the HC.

Commercial Lending

Menninger Foundation Speakers

'Toward Understanding Man' to Be Theme Of RMA Missouri Valley Spring Meeting



RMA Missouri Valley Chapter officers meet with staff of Menninger Foundation to plan spring conference program. At far end of table are William E. Drenner (l.), chapter pres., and Robert P. Priest, sec.-treas. and program ch. Mr. Drenner is exec. v.p., First of Topeka; Mr. Priest is v.p., Merchants Nat'l, Topeka.

WHY DOES man behave the way he does? Is he a flameout or a late bloomer? What are a man's responsibilities to his job? Himself? His wife? His children?

Rather than more traditional banking topics, these are some of the questions that will be explored at the 1974 Spring Conference of the Missouri Valley Chapter of Robert Morris Associates (RMA) scheduled April 25-27 in Topeka.

"Toward Understanding Man," a two day program, will be presented by senior staff members from the Center for Applied Behavioral Sciences of the Menninger Foundation, located in Topeka.

Robert P. Priest, vice president, Merchants National, Topeka, and general conference chairman, explained the new thrust for this conference:

"The primary goal of our program is to convey the message that a sound understanding of what really makes people do what they do will lead to a much happier, and therefore more productive, society. Programs like 'Toward Understanding Man' work toward this end.

"There aren't enough psychiatrists around to provide this understanding on a one-to-one or even a small group basis. Only when these concepts are conveyed to everyone, and in particular to leaders, will a mentally healthy or, more properly, an emotionally healthy society be a reality," Mr. Priest said.

William E. Drenner, executive vice president, First National, Topeka, and President of RMA's Missouri Valley Chapter, stressed the 1974 conference will also break with tradition in another way. "Our spouses are being encouraged to join in participating in the Menninger program, since we believe it is doubly important each marriage partner gains a better understanding of these concepts," Mr. Drenner said. No separate program for spouses is planned.

MORRISON MENNINGER KLEMME

Topics to be presented and discussed at the conference include: "Man at a Glance—Overview," "Flameouts and Late Bloomers," "Man and His Structure," "Toward Understanding Change and Morale," "Psychological Contracts" and "Responsibility to Self."

Roy W. Menninger, M.D., president of the Menninger Foundation; Herbert L. Klemme, M.D.; and David E. Morrison, M.D., of the Foundation's Center for Applied Behavioral Sciences will present the program. • •

■ DALE GRIGGS, senior vice president, First National, Fort Worth, has been elected a director of Cleburne National. The latter bank is a wholly owned subsidiary of First United Bancorp., Inc., a Fort Worth-based multibank HC, whose principal subsidiary is First of Fort Worth.

"Crunch Bird"

Does Your Bank Have a Rumor Mill? A Time Waster, But Usually Harmless

By LOUIS C. FINK

ONE DAY the president of our bank was talking to me about some assignments. Suddenly he stopped and said, "It drives me crazy—the way people in this bank spend their time spreading rumors. Why can't they just go about their work and stop trying to anticipate what's going to happen? We'll tell them everything they want to know when the time is right."

I was approaching retirement so I thought I could speak frankly. "You don't understand, Mr. President," I said. "Many bank employees work year after year in jobs that don't require any great initiative and certainly don't call for any major decisions. Since they don't have a voice in the really big decisions, they get a kick out of trying to anticipate what those decisions will be."

The president agreed, about halfway. "I guess what really bothers me is that it seems impossible to make any decisions which aren't leaked somehow, by somebody. I don't see how people find out all the things they do."

Have a Grapevine?

Sound familiar? Is there a rumor mill in your bank? Does the grapevine prove a faster way of spreading news than an official memo? You have to be a couple of levels away from top management in order to understand it all.

Time magazine had an article recently about rumors in industry. It said the best way to stop rumors was for management to announce its decisions promptly and honestly. That doesn't happen to be true, because after the decision is announced, the rumors will fly as to *why* it was made. If you announce that the new dividend will be 60 cents, people will wonder why it couldn't have been 65. If you announce that Joe Jones is to be manager of the new branch, Jack Brown's friends will speculate as to why he didn't get the job. Maybe Joe is related to the senior vice president.

In a lifetime in banking—well over 40 years—I didn't see rumor-spreading do any harm. It may have wasted a little time, but the time probably would have been spent talking about last night's bowling game or next week's picnic.

I suppose there are occasional malicious rumors, designed to blacken someone's character. Personally, I have seen almost none of that.

The rumors I've observed in three banks of varying size were usually concerned with decisions about to be made at the top. As I said, the people who never make big decisions get pleasure out of anticipating the decision—trying to figure out if they would act the way the board does—and if not, why not. It may even be a healthy exercise in training future leaders to make wise decisions.

Tell Why

For the plain truth is that banks are pretty good at announcing news promptly, but rather poor at giving the reasons. They'll tell you the WHO, WHAT, WHEN and WHERE, but seldom the WHY. I remember one president who always told us solemnly that certain men had been promoted because they did good work and deserved the advancement; the rest of us figured that we had not done good work and did not deserve advancement—which hurt.

There is a selfish angle in this rumor business, of course. If an employee learns the location of a branch, or hears that so-and-so is being brought in to run the marketing department, or divines that Mr. Gold will be elected a director, he can't wait to tell a few close friends. Who tell a few of their friends. Naturally. It's a big boost to the ego to be on the inside, to know something nobody else knows. The president who is on the inside of every decision can't understand how much fun this can be for the employee down the line.

Of course, what the president and the men around him rarely understand is how the news gets out so often, and so accurately. Not always, but frequently enough to be upsetting.

The leaks are blatantly obvious if you know where to look. The country club and the bridge tables are a prime starting ground. Wives tell other wives—a little secret their husbands dropped, which they know will never get back to the bank. It's usually downtown within 12 hours!

Rival banks keep tabs on one another. They seek to learn who's going on the other bank's board, what the new dividend will be, where the next branch will be located and what they're planning to do about savings rates. It is a truism that employees get most of the news about their own bank from friends or relatives in the bank across the street.

Leaks within a bank are just as obvious. Consider a typical example. I used to write publicity for a large bank. If the board was going to name some new officers, I'd be called to the president's office the day before the meeting. Twenty-five clerks and stenographers saw me go in there, and they knew the PR man was never called in except to write a news release.

Then I went to personnel and asked for biographical information on the new officers. I never hinted at the reason, but personnel people weren't born yesterday. If I was inquiring about somebody the day before the board meeting, it could mean only one thing. By lunch time, the news was all over the bank. Not 100% accurate, but close enough.

Meetings are one of the biggest giveaways. The senior vice president has a long and somber meeting with the head of the credit department. Then, looking not too happy, the two men go to see the president. They come out, looking very grim or smiling and congratulating each other. Something big is going to happen up in credit!

Secretaries Can Slip

Secretaries are usually the soul of discretion, but they can slip. Naturally, they keep the mail confidential, but a file can be left out on the desk, a name can be dropped, or—usually—something can be told "in strictest confidence." Of course, there's no such thing: People tell other people, always with a promise of sealed lips—and the story moves along.

And—I still say—with no great harm. A little time wasted perhaps, but coffee breaks *are* provided by the bank, and you have to talk about something.

Naturally, if the rumors work to the detriment of the bank, something is wrong and you'd better take prompt action. But if the rumors are just guessing games, chalk them up as a form of amusement. And don't worry. • •

■ FORT WORTH NATIONAL CORP. has acquired Exchange Bank, Dallas, and Levelland State.

We took the best MICR coupon and made it better.

Cummins-Allison introduces a new MICR book to all users who furnish formatted punch cards or magnetic tape. The expanded format of this new MICR coupon provides you with unparalleled flexibility. It's virtually unlimited in capacity for payment schedules, number of payments, skipped months, and irregular payments.

It's good to know that when you use Cummins-Allison MICR books, you're getting the best. And if you select the new expanded format coupons, you're getting one better. You can't ask for more than that. And neither will your customers.

In addition to the most accurate, reliable, and flexible MICR coupons, prompt service is assured by the Cummins-Allison sales and service organization which consists of over 45 branch offices located across the country.

Write today for a copy of our new MICR coupon brochure!

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Scheduled balance available

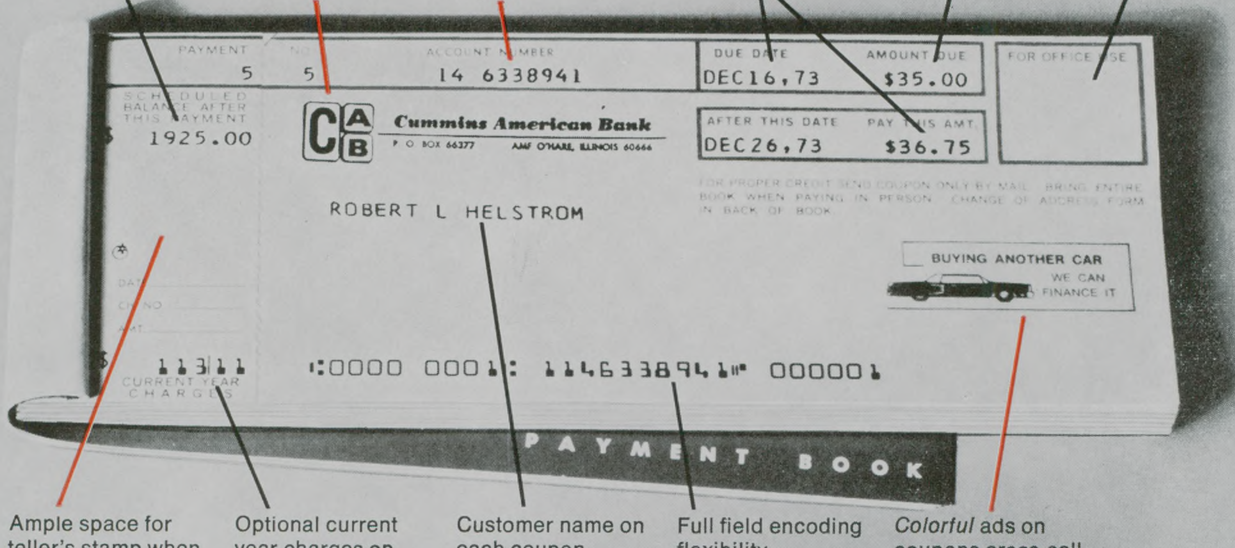
Extra space for personalized logo on flysheet and coupons

Account number is printed in normal type on every coupon

Actual dates and amounts due—no blockouts

Net-gross amounts (net only also available)

Ample working space



Ample space for teller's stamp when payments are made in person

Optional current year charges on stubs of December and last payment

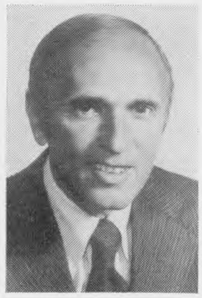
Customer name on each coupon

Full field encoding flexibility

Colorful ads on coupons cross-sell other services

Corporate News Roundup

• **Walter E. Heller & Co.** Maynard I. Wishner became president, Walter E. Heller & Co., Chicago, January 1, succeeding Franklin A. Cole, chairman and chief executive officer of Heller's parent holding company, Walter E. Heller International Corp. Mr. Cole became chairman, Walter E. Heller & Co., January 1 and continues as the subsidiary's CEO. Norman B. Schreiber, chairman of the subsidiary since 1969, retired at year-end.

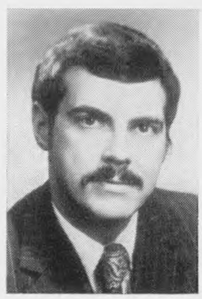

WISHNER

Mr. Wishner joined Heller in 1963 and had been executive vice president of the operating subsidiary since 1971. He continues as executive vice president and a director of the parent company. Mr. Schreiber was CEO, Walter E. Heller & Co., from 1969-71, chairman of the parent corporation from mid-1969 to last August and honorary chairman since then.

• **Christmas Club A Corporation,** Easton, Pa., has named Harold Gregory vice president in charge of operations. Mr. Gregory comes from Sears, Roebuck & Co., where he was personnel manager for the Eastern Territory Fashion Distribution Center, Regional Credit Center, National Jewelry Center and Regional Data Processing Center.

• **BBC Real Estate Services Corp.,** a subsidiary of Bank Building Corp., St. Louis, has named Walter E. Yesberg Jr. director, real estate consulting services. Mr. Yesberg was formerly a vice president of Roy Wenzlick Research Corp. He is a member of the Mortgage Bankers Association and the American Institute of Real Estate Appraisers.


GREGORY


YESBERG

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For all your correspondent banking needs.

The First of Fort Worth is not only willing, but able, to give your bank the very best in correspondent services. It might be that you need to draw upon our resources for overline assistance. Or possibly you're in need of information in a specialized field such as petroleum and chemical financing, pension and profit sharing plans, and computerized record keeping with direct entry banking.

The First of Fort Worth offers ABACUS, a new bond accounting system that gives you an accurate, complete and current listing of your bond portfolio. And we are the only bank in the Fort Worth area with a money market center.

Make the most of what you've got by teaming up with the First of Fort Worth. Call Dale Griggs in our Correspondent Banking Department today. 817/336-9161.

Make the most of what you've got.

First of Fort Worth

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NEWS ROUNDUP

News From Around the Nation

Letter of Credit Regs Proposed

Interested parties have until March 15 to comment on proposed rules from regulatory agencies making letters of credit subject to loan rules. The regulations would limit the use of such letters by banks to obtain loans from third parties, including other banks, for their customers.

All standby letters would be subject to bank lending limits, just as loans are now. This would include all bankers acceptances, with the exception of those now eligible for discount at a Fed Bank. Commercial letters of credit, the type most frequently used in international goods trade, would not be included in the rule.

Unsound letter of credit practices are said to have been the principal cause of the failure of U. S. National of San Diego last fall.

Banks Not Included in Gas Ration Plans

The Federal Energy Office's (FEO) standby gas rationing plan, disclosed in mid-January, is silent on the issue of banks participating in the distribution and collection of gas coupons. Banks, along with S&Ls and post offices, had been mentioned as possible participants.

FEO officials stated the omission of participants was intentional because it wanted to keep its options open as to whether banks, post offices or some other facilities will be used for the centers, should gas rationing be instituted.

Court Asked to Void Security Act

Lawyers for the California Bankers Association, a West Coast bank and the American Civil Liberties Union have jointly asked the Supreme Court to strike down the remaining sections of the Bank Security Act, the 1970 law Congress passed to help government agencies uncover and prosecute white-collar criminals.

The act has been criticized as providing the government with virtually limitless power to collect financial records on private citizens. It is also claimed that many of the provisions in the act are contained in other legislation.

Chicago Bank Disagrees With ABA

Exchange National, Chicago, has gone on record as taking strong issue with the ABA regarding the association's resistance to increasing FDIC insurance from $20,000 to $50,000. The bank also opposes ABA's position against full insurance for public deposits and authorization for credit unions to accept such deposits.

A bank representative testified before the U. S. House Subcommittee on Bank Supervision that the need is great for the insurance hike and that the average person unschooled in investment alternatives should be able to fully secure his savings.

On the topic of full insurance for public deposits, the spokesman said such coverage would provide uniformity in place of the existing national hodgepodge of collateral requirements and that such coverage would relieve banks from tying up much of their liquidity reserves when public deposits require collateral.

A Mortgage Money Program

The American Bankers Association is co-sponsoring an automated pilot program designed to make mortgage money available to prospective home buyers.

The system, called AMMINET (Automated Mortgage Market Information Network, Inc.), is designed to free up and stimulate residential mortgage money by providing a central data bank—at the touch of a fingertip—with listings of secondary mortgage offers that meet specific needs.

AMMINET is not an exchange, since the actual buy/sell transactions will still be privately conducted. Use of the system permits current mortgage investors to avoid tying up large sums of capital for the full 25- or 30-year life of most loans. The program is expected to stimulate more money into the mortgage market because the new efficiency in liquidity it would provide would mean more volume and attract more diversified institutional investors.

New Trade Group Formed

The nation's private mortgage insurance firms engaged in the business of providing guarantees on residential home loans for U. S. financial institutions have formed a national trade association called Mortgage Insurance Companies of America (MICA).

MICA will be the forum for the member firms to discuss industry-wide standards and represent their interests before Congress and federal and state regulatory agencies that review housing-related legislation.

Public Approves of Banks

According to a recent national survey by Opinion Research Corp., 68% of the American public has a favorable opinion of the nation's banks. Only 9% have unfavorable opinions while 23% have no opinion.

The research was conducted on behalf of ABA to provide a benchmark by which to measure national industry advertising effectiveness.

The survey also shows that 80% of U. S. households have savings accounts—49% of the total with a bank, 32% with a S&L, 10% with a credit union, 3% with a mutual savings bank and 3% in the "don't know" category. Eighty-one percent said they maintained checking accounts.

The majority of respondents said there was no difference between banks and S&Ls.

The First Showed a Texas Bank

Senior Vice Presidents Calvin Newton and Don Eason in The First's Bond Department.

They Weren't Alone.

When you're bidding public funds, you've got to be on the money. Overbid, and you could be paying more interest than necessary. Underbid, and you won't get the account. It's tricky.

That's why a bank in a major Texas market recently called on the Municipal Bond Department of The First when $12 million in public funds was at stake.

It didn't matter that they weren't a correspondent of ours. What did matter was helping them get close to what we figured would be the next bid. Perhaps they heard about our in-depth experience in municipal and government bonds. But when we heard they were awarded the account, we were probably as excited as they were.

No matter how far away you are from Oklahoma City . . . if you need expert help, you're not alone. You've got The First.

You're not alone. You've got The First.

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A SUBSIDIARY OF FIRST OKLAHOMA BANCORPORATION, INC.

Usury Laws Need Changing

Most bankers agree that interest rate ceilings must be raised. But how can this best be done, considering formidable opposition from various areas—notably trade unions and consumer groups? MID-CONTINENT BANKER editors asked three prominent bankers to explain their approaches to this important topic.

JOHN P. WRIGHT,* President, American Nat'l, Chattanooga

THE INTEREST rate ceilings in Tennessee are 6% as a legal rate and 10% as a contract rate for both individuals and corporations. Just a few years ago, bankers in Tennessee thought these ceilings were adequate, but today the view has been so drastically altered that it is obvious that change is necessary. Interest rate ceilings in Tennessee must be raised. Why the change and why the mandate? Basically, the reason is inflation, the upward spiraling of so many costs that we have experienced in recent years. What is needed is a viable means of dealing with economic change so that the financial growth and prosperity of the state can continue. Let me deal with these two issues separately—the problem and the solution.

WRIGHT

Certainly, inflation is not a problem just in this state, it is worldwide in scope. Still, Tennesseans live and work under state law, and the Tennessee economy must operate under those same statutes. When costs rise to the degree that the rate ceilings hamper economic progress, it is regrettable and hopefully short-lived, but when the costs rise so as to impede or stifle economic well being, change is required. This is particularly true when the inflation which causes the increases is so pervasive and underlying that no significant downturns are in sight. This is precisely where Tennessee bankers find themselves today. Their cost of funds has risen to such a degree that the granting of credit on a profitable basis has become restricted and resulted in reductions in the availability

(Continued on page 28)

Mr. Wright is also president of the Tennessee Bankers Association.

EDWARD M. PENICK, President, Worthen Bank, Little Rock

THE ARKANSAS interest rate ceiling is unique in that it is a provision of the Arkansas Constitution of 1874. This provision limits the maximum rate of interest to 10%. Through the years this ceiling has been interpreted by the State Supreme Court to mean 10% simple-interest ceiling. In other words, the maximum interest rate that one can earn on any type of installment paper, conditional sales contract or accounts receivable is a 10% simple-interest rate. This has been further enforced by a provision in the Arkansas Constitution that makes any usurious contract completely void and which requires the forfeiture of not only the interest but also the principal.

PENICK

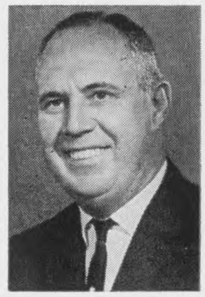
Prior to the early 1950s, the Arkansas Supreme Court had been more lenient in its interpretation of this provision and had accepted the time-price-differential theory which would allow an interest ceiling of higher than 10%. In the early 1950s the Court went back to a restrictive interpretation of 10% simple interest. It was at this time that the major finance companies started to withdraw their business from Arkansas. Today few major finance companies and none of the major personal finance companies are engaged in business in Arkansas. The only finance companies operating in the state are those that are related to the automobile industry.

This ancient and unusually severe restrictive interest rate has had a bad effect on the general economy of Arkansas. Arkansas, like many of the other southern states, is a capital-poor state. It has had to import the capital

(Continued on page 28)

JAMES E. CLINE,* President, Citizens State Bank, Maryville, Mo.

FOR MORE than a decade financial leaders, business leaders, and the whole citizenry, for that matter, have witnessed a constant flow of money out of Missouri. I want to emphasize the fact that the flow has been continuous, maybe not at too alarming a rate at times, but at other times money departed from our state at a rapid rate.



CLINE

Economic history will record the past 10 years as being very damaging to the economic growth of Missouri. Time will prove that it will take years to recover from this period of disintermediation.

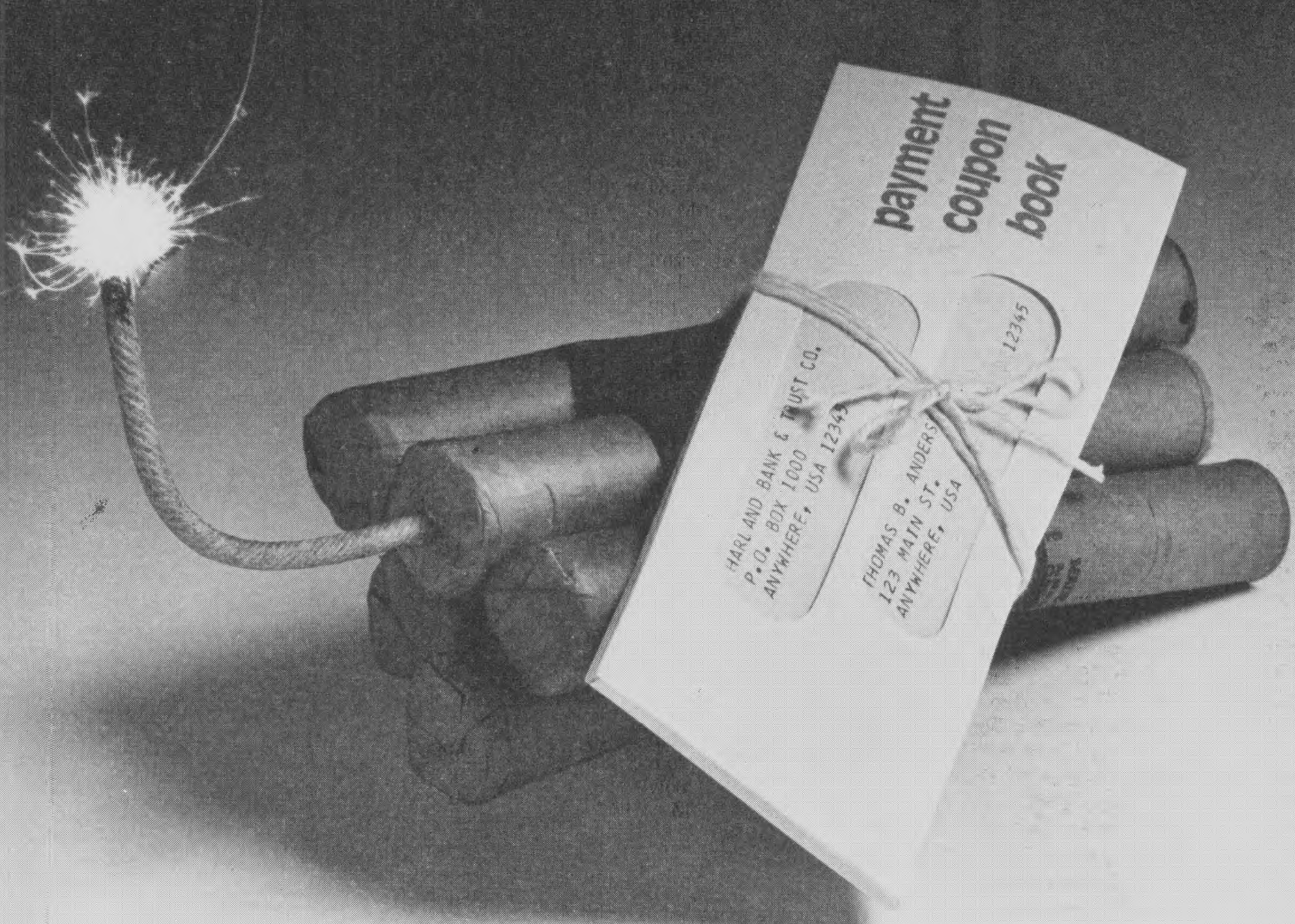
Looking back, it is difficult to reconcile the fact that our financial leaders, our business community, our labor leaders and our elected government officials have failed to develop the necessary thrust to change the state's usury laws so as to provide us with equalization which would permit the state's financial institutions to compete with the federal government and the financial institutions of other states on a competitive basis. Far too many people in and out of government did not even recognize such problems existed. We all talk about the law of supply and demand and freedom in the marketplace, but changing the laws so that supply and demand can function has never been accomplished.

We have now reached the point where such basic industries as housing, agricultural and many others are suffering because capital and credit are no longer available. Productivity has been seriously hampered. A city can make a great effort to secure a new plant with a national

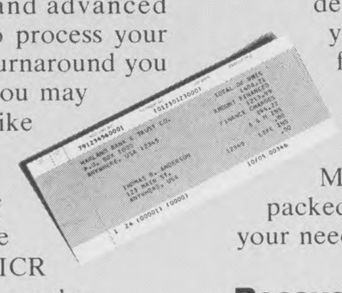
(Continued on page 28)

Mr. Cline is also president of the Missouri Bankers Association.

If you didn't need reliable service on loan coupons, ours would have bombed.



But since reliable service is an absolute must, Harland's loan coupons are becoming more popular every day. ■ A sophisticated computer center and advanced technical experience enable Harland to process your customers' coupon books with the fast turnaround you need. And without many of the snags you may be running into with other coupons. ■ Like accuracy. Harland loan coupons regularly test out at better than 99.5% computer readability... The kind of accuracy you need. ■ You also get the flexibility you need, highlighted by an MICR line adjustable to your *exact* needs. It can be programmed to include the payment number and amount, identification numbers, branch or department designations, and transaction or loan codes. Or you can even have the MICR line blank. The flexibility is there for you. ■ Combine this flexibility, accuracy and reliable service, and you've got yourself a real loan coupon. A Harland loan coupon. ■ Write today, c/o our Marketing Department, for an information-packed kit on how Harland loan coupons can meet your needs. Reliably. Exactly.



Because you need more, we give you more.

JOHN H. HARLAND COMPANY
BANK STATIONERS
P.O. Box 13085, Atlanta, Georgia 30324.

Usury Laws Need Changing (Continued)

Edward Penick

necessary for its economic development. This has been accomplished through industrial revenue-type bonds that have the advantage of a tax-free status. Without these, industrial development in Arkansas would be at a standstill.

The most serious consequence of the Arkansas restrictive interest rate was felt last fall when the prime interest rate reached 10%, a rate equal to the maximum interest rate that could be charged in Arkansas. With bumper crops in cotton, rice and soybeans, those out-of-state financial organizations that had been financing the processing and storage of Arkansas crops refused to come into Arkansas at a 10% interest rate when their funds were earning much higher rates in competitive markets. This became a serious matter and could have had a devastating effect on the Arkansas economy. The reason it did not have a worse effect was that the price of agricultural crops was good, and the crops did not stay in process long but moved into the market so that the funds accelerated through the economy at a rapid pace.

The general consumer in Arkansas also suffers from this restrictive interest rate. Studies conducted by research teams of the University of Arkansas have conclusively proved that the cost of major appliances in Arkansas is anywhere from 8% to 12% higher than in adjoining states. This is due entirely to the fact that the credit seller makes up the difference in his cost of credit by raising the basic price of the product.

Probably the most serious consequence has been in the Arkansas banking industry. As the rates on the large CDs have moved upward in excess of 10%, it has been difficult, if not impossible, for Arkansas banks to pay rates competitive with those of surrounding states. Last fall Arkansas bankers had aggressive competition from banks in surrounding states offering larger depositors 11% and 12% on short-term CDs. This has resulted in a major outflow of this type of investment funds from the state when it is badly needed.

There is currently a group which has filed a petition with the attorney general asking for a referendum election on the interest rate provision of the Arkansas Constitution. If this petition is successful, it will put the interest rate ceiling into the hands of the legislature, so that it can be reviewed on a periodic basis. The problem now is that we are trying to operate in a 1974 economic environment with an 1874 interest-rate ceiling. Until this is changed, or until a degree of flexibility is permitted, Arkansas will continue to be a state that has difficulty in attracting outside capital and Arkansas banks will continue to have difficulty in serving the consumer banking market with the type of services that consumers in other states have come to enjoy. • •

John Wright

of funds so necessary to growth and prosperity.

Let me cite examples of this. At the end of September, 1973, the 10 largest banks in the state reported some interesting statistics: Their net Fed funds position was in excess of $383 million, with funds selling at a rate of 10% or more; their large ($100 thousand and up) CD holdings were over $1.7 billion, up over $810 million from the same date a year earlier. This latter position is particularly revealing because the costs of these certificates increased during the period from 5% and 5½% to 10%. Both the Fed funds and certificate rates match the loan rate ceiling, leaving no margin for operating cost or profit. Another notable statistic recently was the announced cost of living increase of 8½%. In this kind of atmosphere, savers will not long be satisfied with the rate of returns on their savings not matching the cost-of-living increase plus an interest margin for the use of their money. The result of all of this is a profit squeeze and a potential flight of funds from the state, thus further worsening the local economies.

Now, in regard to a recommended solution, let me say I understand why ceilings are sought. Consumers deserve and should have protection from unethical lenders. What is needed is a workable system which allows both protection and flexibility to deal with changing economic conditions on a continuing basis. Tennessee is one of the few states in which the rate ceilings are set as constitutional maximums. What I propose is for a constitutional convention to place the responsibility for setting the ceilings into the trusted hands of the state legislature. In that way, these representatives of the people can deal with the situation of economic supply and demand as it develops. The very people for whom the ceilings were designed, the voters who supply and consume funds, can in fact be helped in this way. The legislators can discharge their proper duties to their constituents, and the economy of the state will have the opportunity to respond progressively to change. The alternative is little or no relief for a developing dilemma and, in the absence of reduced inflation, the threat of economic regression in Tennessee. • •

James Cline

reputation only to find that adequate housing is not available for the new employees, so the plant goes to another state.

Missouri agriculture is facing the best prospects for growth since World War II, but we find the shortage of capital for operating funds curtailing growth. People fail to recognize that a man working in a factory or a farmer on a tractor provides employment for an additional 10 to 12 people in other related industries, such as marketing, transportation, finance, construction, chemicals, petroleum and health, just to mention a few.

We are each day experiencing a slowdown in Missouri's economic growth. Those dollars that have left our state the past 10 years for a higher rate of return will be difficult to recover. Investment of funds classified as more or less permanent funds move around slowly. Consequently, those funds lost from Missouri banks and other savings institutions will be slow to return. Many dollars will never return.

Many Missouri communities have unknowingly let these savings leave their communities without demanding that at least part be reinvested in their home communities. Some financial institutions have taken funds from communities for more than a year without financing a single new house. Many savings that formerly were used to finance new homes now finance commercial enterprises in the Southwest because of much better earnings there.

Changes in policy are in order. Funds now must be invested out-of-state to enhance profit. We must restrict lending in our state until our interest rate is equalized with other states, thereby giving our banks an opportunity and an environment which will insure profits. Those banks fortunate enough to have state funds are forced to invest with out-of-state corporations in order to receive a return to make these public funds profitable. How does this condition help Missouri citizens and Missouri taxpayers? • •

Bank of America Consolidated Statement of Condition

RESOURCES:	December 31, 1973	December 31, 1972
Cash and Due from Banks	$12,264,413,000	$11,053,538,000
United States Government Securities	$ 2,516,288,000	$ 3,013,825,000
State, County and Municipal Securities	2,747,681,000	2,718,792,000
Other Securities	1,623,382,000	1,103,179,000
Total Securities	**$ 6,887,351,000**	**$ 6,835,796,000**
Loans	24,835,244,000	19,356,854,000
Funds Sold	2,552,845,000	1,852,787,000
Customers' Liability for Acceptances	625,028,000	418,847,000
Bank Premises and Equipment	526,546,000	508,866,000
Other Resources	1,342,679,000	818,788,000
Total Resources	**$49,034,106,000**	**$40,845,476,000**

LIABILITIES:	December 31, 1973	December 31, 1972
Demand Deposits	$12,887,930,000	$12,772,338,000
Savings and Time Deposits	28,956,450,000	22,655,827,000
Total Deposits	**$41,844,380,000**	**$35,428,165,000**
Funds Borrowed	2,863,916,000	1,883,638,000
Liability on Acceptances	632,060,000	423,178,000
Other Liabilities	1,521,623,000	1,184,743,000
Total Liabilities	**$46,861,979,000**	**$38,919,724,000**
Reserve For Possible Loan Losses	$ 348,010,000	$ 295,377,000
Capital Funds:		
Capital Notes	$ 225,845,000	$ 225,845,000
Common Stock	214,618,000	214,618,000
Surplus	787,207,000	687,207,000
Undivided Profits	491,495,000	403,109,000
Reserve for Contingencies	104,952,000	99,596,000
Equity Capital	1,598,272,000	1,404,530,000
Total Capital Funds	**$ 1,824,117,000**	**$ 1,630,375,000**
Total Liabilities, Reserve and Capital Funds	**$49,034,106,000**	**$40,845,476,000**

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION • MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION
MEMBER FEDERAL RESERVE SYSTEM

MANUFACTURERS NATIONAL CORPORATION

PARENT COMPANY OF MANUFACTURERS NATIONAL BANK OF DETROIT

CONSOLIDATED BALANCE SHEET December 31, 1973

ASSETS

Cash and due from banks	$ 481,880,000
U.S. Treasury securities	142,332,000
Public housing authority securities	48,124,000
State and municipal securities	203,610,000
Other securities	33,508,000
Total securities	427,574,000
Federal funds sold	69,950,000
Commercial loans	732,492,000
Instalment loans	196,531,000
Real estate mortgage loans:	
Insured or guaranteed	263,813,000
Other	486,092,000
Total loans	1,678,928,000
Properties and equipment	53,028,000
Accrued income and other assets	29,443,000
Total assets	$2,740,803,000

LIABILITIES, RESERVE AND SHAREHOLDERS' EQUITY

Demand deposits	$ 891,244,000
Personal time and savings deposits	1,165,289,000
Other time deposits	296,996,000
Total deposits	2,353,529,000
Federal funds purchased and securities sold under agreements to repurchase	133,096,000
Notes payable	18,048,000
Accrued expenses and other liabilities	48,410,000
	2,553,083,000
Reserve for possible loan losses	25,245,000
Capital notes:	
Capital notes—4.65%, due 1989	21,000,000
Convertible capital notes—5%, due 1994	13,388,000
Total capital notes	34,388,000
Shareholders' equity:	
Preferred stock—no par value:	
Authorized and unissued—250,000 shares	—
Common stock—$10 par value:	
Authorized—4,000,000 shares	
Issued—3,120,179 shares	31,202,000
Capital surplus	50,410,000
Retained earnings	47,543,000
Less cost of 31,941 shares of common stock in treasury	(1,068,000)
Total shareholders' equity	128,087,000
Total liabilities, reserve and shareholders' equity	$2,740,803,000

NOTE: Securities carried at approximately $152,876,000 were pledged at December 31, 1973 to secure public deposits (including State of Michigan deposits of $15,759,000) and for other purposes as required by law.

MANUFACTURERS
NATIONAL CORPORATION

DIRECTORS

DEAN E. RICHARDSON
Chairman of the Board and Chief Executive Officer

LOUIS G. ALLEN
President and Chief Administrative Officer

KENNETH AIRD
Executive Vice President, Holding Company
Vice Chairman, Bank

WENDELL W. ANDERSON, JR.
Chairman of the Board and President
Bundy Corporation

ALBERT J. BERDIS
Former Vice President and Director, National Steel Corporation

H. GLENN BIXBY
Chairman of Executive Committee
Ex-Cell-O Corporation

E. PAUL CASEY
President, McCord Corporation

LEROY W. DAHLBERG
Partner, Dahlberg, Mallender & Gawne

MAX M. FISHER
Chairman, Detroit Renaissance, Inc.

WILLIAM CLAY FORD
Vice President and Director, Ford Motor Company

MERVYN G. GASKIN
Chairman of the Board, Taylor & Gaskin, Inc.

PIERRE V. HEFTLER
Partner, Bodman, Longley, Bogle, Armstrong & Dahling

KENNETH G. HERRICK
Chairman and Chief Executive Officer, Tecumseh Products Company

GEORGE M. HOLLEY, JR.
Director

WILFRED D. MACDONNELL
President and Chief Executive Officer, Kelsey-Hayes Company

WILBER H. MACK
Chairman and Chief Executive Officer, Michigan Consolidated Gas Company

WILLIAM G. MEESE
President and Chief Executive Officer, The Detroit Edison Company

ROLAND A. MEWHORT
Consultant

WILLIAM T. PATRICK, JR.
Director of Community Relations
American Telephone and Telegraph Company

ROBERT D. ROWAN
President
Fruehauf Corporation

ROBERT P. SCHERER, JR.
Chairman and President, R. P. Scherer Corporation

DR. PATRICIA SHONTZ
Professor of Business Administration
Graduate School of Business Administration
University of Michigan

A. THOMAS TAYLOR
Chairman, Deltec International Limited

JOSEPH D. WILLIAMS
President and Chief Executive Officer
Parke, Davis and Company

Capital Adequacy—

An Ongoing Controversy

Varied viewpoints concerning capital adequacy are presented by a Fed Governor, the Comptroller of the Currency and representatives of the nation's largest bank and a regional correspondent

Time to Pause and Reflect

By JOHN E. SHEEHAN, Member, Board of Governors, Federal Reserve System, Washington, D. C.

EXPERIENCE has shown that the adequacy of a bank's capital is an enormously difficult question and is peculiar to that bank in its particular environment.

There has been a dramatic drop in the capital ratios of many banks in recent years, accompanied by a sharp rise in return on equity capital. In the aggregate, banks have overtaken the manufacturing sector of our economy as measured by return on equity and therefore should be quite competitive in bidding for equity capital. Taking the long view, the bank holding company movement is really in its infancy but portends profound change in the structure of the nation's financial institutions. Thus, we should pause and vigorously resist a further decline in bank capital ratios while we reflect carefully on the complex issues involved and make certain that banks remain in a sound capital position.

Several factors support my contention that banks should not permit their capital positions to decline further. U. S. banks have been moving into the international sphere in a major way during the past decade. Assets held by foreign branches of U. S. banks have increased phenomenally from less than \$5 billion in 1962 to over \$80 billion in 1973. While loss experience as a result of this business has thus far been low, a meaningful track record has not yet been established. In addition, rumblings are coming from within the banking industry itself concerning the loss potential of some of this low-margin business which carries not only a credit risk but also a political risk. For example, banks are now providing a much larger share of the total capital flows to less developed countries than they did 10 years ago.

This development has great promise; but, there are also some disquieting aspects of this expanded business. Losses might result from a major war or government confiscation of property in an area where U. S. banks are heavily involved. While geographic diversification can be stabilized by protecting a bank from localized economic disturbances, it can exacerbate a bank's problems if many of the areas in which it has investments are in an economic downswing at the same time.

The second development which gives rise to some concern is the liquid-

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These viewpoints were originally presented at the ABA's 1973 National Correspondent Banking Conference.

TABLE I

SOURCES OF FUNDS FOR LARGE COMMERCIAL BANKS

	July 7, 1965	July 4, 1973	July 7, 1965 % of funds	July 4, 1973 % of funds
Demand:				
IPC	74063	113967	37.2	28.1
States & Political Subdivisions	5391	7645	2.7	1.9
U.S. Government	7453	5079	3.7	1.3
Domestic Commercial Banks	12770	22448	6.4	5.5
Foreign Governments & Banks	2088	4363	1.0	1.1
Other	4832	8000	2.4	2.0
Total Demand	106597	161502		
Time:				
Savings	48313	158376	24.3	14.4
Other Time	20821	87530	10.5	21.5
States & Political Subdivisions	6379	21173	3.2	5.2
Domestic Interbank	554	4304	.3	1.1
Foreign Governments & Banks	4210	8044	2.1	1.9
Other	188	706	.1	.2
Total Time	80465	180133		
Borrowings from FR Banks	380	2423	.2	.6
Borrowings from Others	4259	44939	2.1	11.1
Other liabilities	7161	17094	3.6	4.2
Total Non Capital Sources of Funds	198862	406091	100%	100%
Memorandum: Large CD's included in time	15587	59773	7.8	14.7

Source: Federal Reserve Bulletin
August 1966
August 1973

ity position of U. S. banks, particularly the large money-center banks and, to an increasing degree, some regional banks. The most striking change has occurred in the proportion of funds obtained from demand deposits and savings accounts of individuals, partnerships and corporations. As Table 1 indicates, these deposits are now about 43% of sources of bank funds, compared to 62% in 1965.

On the other hand, other time deposits (mostly purchased money CDs)

"I do not think it can be effectively argued that the market itself can be relied upon to police the rate of bank asset expansion financed through leveraging."

and borrowings (mostly overnight Fed fund purchases) now comprise 33% of total fund sources, up from 13% in 1965. Coupled with this increasing use of money market sources of funds has been a general lengthening of the maturities of bank assets and a substantial rejection of traditional asset liquidity concepts. Some of this results from the new emphasis on liability management as opposed to asset management.

This has placed an increasing number of banks in a position where they are almost wholly dependent on their continued ability to access the money markets in ever-larger amounts to meet their present and future commitments. I cannot help but believe that banks are in a much more vulnerable position because of this development. Clearly, lenders in the money market are more sophisticated than the average bank depositor, and while they seem to be exerting little constraining influence over the expansion of bank liabilities—perhaps because so few people understand bank accounting—it is not clear how these lenders would react to a series of financial shocks. Consider the holders of commercial paper when the Penn Central crisis occurred.

The risk is that an individual bank that encounters difficulty might overnight find itself unwelcome in the marketplace. The process is apt to be much more rapid in the market than would be the case with smaller depositors. This prospect argues for considerable caution. A generous cushion of equity capital would give the bank added flexibility when setbacks occur and would likely enhance its position with knowledgeable lenders.

I do not think it can be effectively argued that the market itself can be relied upon to police the rate of bank asset expansion financed through leveraging. The banking industry is different from other industries in this respect. For non-financial institutions, free-market forces discipline leveraging in the

"Liability management has placed an increasing number of banks in a position where they are almost wholly dependent on their continued ability to access the money markets in ever-larger amounts to meet their present and future commitments."

following way: As a corporation finances an expansion of earning assets from borrowed funds, the return on a given level of equity will initially increase. As the level of debt rises, however, the cost of this debt will rise since creditors will require added compensation for bearing more risk. Additional leveraging will eventually cease when the increased cost of the debt has risen enough to cancel the added return on equity from the leveraging. On the other side, the added return from the leveraging will theoretically raise the P/E ratio. But here also, eventually the rising debt level will lower the ratio as the stockholders require added compensation for bearing the increasing risk associated with the leveraging.

Banks tend to be insulated from this free market regulating force in large part because of dependence of the market on the supervisory function. As a result, leverage could be extended to extremely high levels.

TABLE II

Average Bank Capital Rat ios and Rates of Return at Insured Commercial Banks with Total Deposits Over $100 Million by Size of Bank for Selected Years 1962-1972[1/]

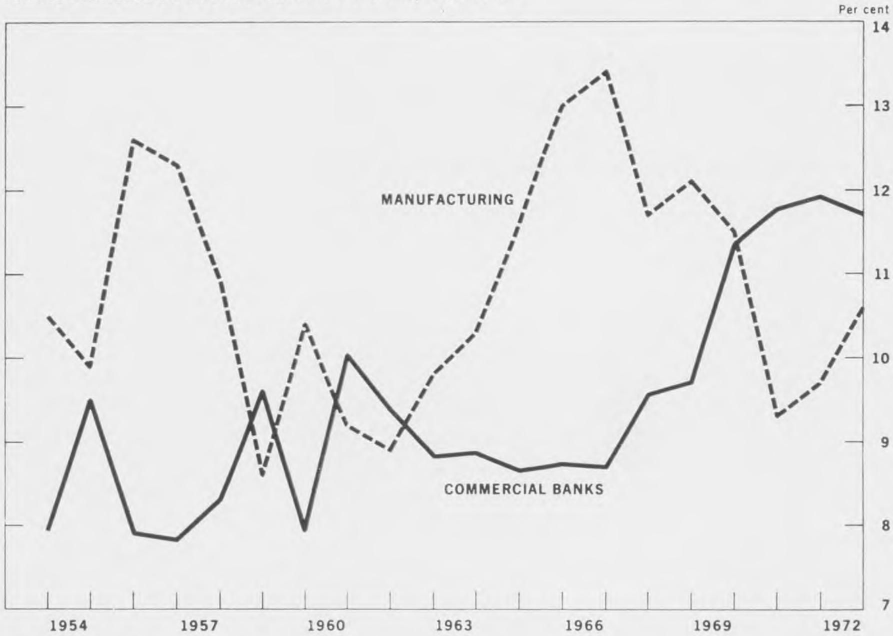
Bank Deposits ($ millions)	1972 Capital Ratios	1972 Earnings to Equity Capital	1972 Earnings to Total Assets	1971 Capital Ratios	1971 Earnings to Equity Capital	1971 Earnings to Total Assets	1965 Capital Ratios	1965 Earnings to Equity Capital	1965 Earnings to Total Assets	1962 Capital Ratios	1962 Earnings to Equity Capital	1962 Earnings to Total Assets
Over 5,000	8.1	11.4	.52	8.8	11.3	.57	11.3	8.5	.58	13.0	8.4	.67
1,000 - 5,000	8.8	10.5	.62	9.5	12.3	.70	11.1	9.6	.65	11.9	8.3	.60
500 - 1,000	9.5	10.5	.80	10.3	12.7	.85	11.6	8.5	.70	12.4	7.9	.61
300 - 500	9.2	12.2	.74	10.1	12.9	.83	11.1	9.2	.63	11.6	8.7	.62
100 - 300	9.6	12.3	.77	10.3	12.6	.84	11.2	8.6	.62	11.4	8.3	.60

[1/] Capital ratio refers to equity capital plus reserves/total liabilities minus cash and due from banks.
Earnings refers to net income before dividends. Income data prior to 1969 not strictly comparable to later data.

Source of data: December Reports of Condition and Annual Reports of Income and Dividends for Insured Commercial Banks.

AVERAGE ANNUAL RATES OF RETURN

FOR ALL COMMERCIAL BANKS AND ALL MANUFACTURING, 1953–1972 1/



1/ Rates of return refer to net income/equity capital.

Source: Data on bank earnings are from various issues of Annual Report of the Federal Deposit Insurance Corporation. Manufacturing data are from The Economic Report of the President, 1973.

Given the strong incentive for banks to pursue the apparently profitable avenue of expanding assets through leveraging, a weaker market discipline of the banking industry could allow a self-justifying competitive downward spiral in equity ratios. The question is, then, is this in everyone's best interest—including those of the banks themselves?

Taking a different approach, it is not clear that the movement toward added leveraging is not in some sense a self-defeating process. As Table 2 indicates, the ratio of equity capital plus reserves to total liabilities less cash and due from banks has declined dramatically for banks with deposits of over $5 billion—from 13.0% in 1962 to 8.1% in 1972. This increased leveraging has been accompanied by a higher return on equity—8.4% versus 11.4%. I might speculate, however, on the possibility that the initial benefits from this added leveraging might evaporate. Perhaps evidencing this is the decline in bank earnings as a percent of total assets that has occurred in recent years.

This decline in profit margins may be attributable in part to increased competition which has resulted in a narrower spread between the cost of funds and the return on those funds for sometimes riskier loans. This seems to suggest that the initial benefits derived from increased leveraging by a few banks which have taken the lead will be somewhat eroded by competition if the industry follows that lead.

To regain the initial advantage, the leaders would then have to lower the lever of capital again to obtain a further short-term profit advantage. If this is in fact what is happening, it is not apparent where the reduction of capital levels would stop. But at some point in this process the stability of the banking system would be endangered. So, we return to the historical question of the trade-off between stability and profitability.

Since the market cannot be relied upon to determine the optimum point between profitability and stability, the task devolves to the authorities. Understandably, central bankers would no doubt be inclined to be conservative. While I would prefer not to put U. S. banks at a competitive disadvantage vis-a-vis other business concerns in their relative ability to attract capital, this danger doesn't appear to be a problem at present.

"It is an appropriate time for all of us to pause, reflect and carefully evaluate before allowing capital ratios to continue their decline."

A comparison of return on equity for commercial banks with the return on equity for all manufacturing companies shows that currently the return for banks is quite competitive with manufacturing companies. As the attached graph indicates, returns on equity for manufacturing companies fell from 13.4% to 9.7% from 1966 to 1971 while in banking it was rising from 8.7% to 11.7%. Furthermore, since bank earnings tend to be more stable than manufacturing earnings, do banks have to reach the peaks that earnings in manufacturing sometimes do to attract capital on favorable terms?

There is little doubt that the whole financial structure is changing. Banking is entering a new era. Considering how little any of us can project about the long-run ramifications of these changes, I suggest that it is an appropriate time for all of us to pause, reflect and carefully evaluate before allowing capital ratios to continue their decline.

We should not forget the unique position of banks in our society and how important confidence in our banking system is. The damage that would be inflicted on our economic system and our whole social order by a loss of this confidence as a result of a period of substantial instability is incalculable.

I should like to emphasize again the special responsibility to the public that you as bankers, and we as regulators, share. Banking is a special and unique industry. As the center of our financial system, it is at the heart of our economy. We have been fortunate in having a relatively stable financial system in a growing economy over the last few decades. You as bankers have a right to be proud of that achievement. In an era in which business is being urged to accept greater social responsibilities, recent successes should not allow us to become complacent or to forget that bankers have a responsibility going far beyond that of the ordinary business concern. Bankers have a responsibility not only to their shareholders but also to the economy and the nation as a whole. • •

Assessing Banking's Capital Needs

By JAMES E. SMITH, Comptroller of the Currency, Washington, D. C.

BANK regulators must inevitably be concerned with the adequacy of bank capital. We in the Comptroller's Office are giving a good deal of attention to that question, and I would like to share with you our early thinking on some of the issues with which we are wrestling.

As I see it, there are five major issues. These are: (1) the relevance of total economic collapse; (2) the weight to be given the quality of management; (3) the role of capital notes and debentures; (4) the role of bank capital in bank holding companies; and (5) the usefulness of capital ratios as measures of capital adequacy. I will discuss those topics in turn.

The first problem that must be faced in any discussion of capital adequacy is composing a list of contingencies threatening bank capital. At the forefront of that problem is the question: Should the list include total economic collapse?

Perhaps the principal element that may distinguish our answer to this question today from the answer that may have been appropriate 40 years ago is the changing role of national economic policies. Most economic authorities are agreed that our knowledge of appropriate counter-cyclical fiscal and monetary policies is vastly superior to that available to our policymakers in the early 1930s. From this, one may reasonably assume that an economic debacle of the magnitude of the Great Depression of the early 1930s is avoidable.

What does this mean for the stance of the banker and the bank regulator in connection with capital adequacy? I think it is defensible for both bank regulators and bankers to assume that fiscal and monetary policies will allow the prevention of large-scale economic crises. We are well aware, however, that cyclical movements have not been abolished, and that periodic recessions of more limited amplitude are to be expected. Those swings can bring significant pressures to bear upon banks.

The second issue to be considered is whether the quality of management should influence determinations of capital adequacy. Some views from outside and inside banking suggest that management quality has not been given its due. For example, a major study completed a few years ago by Professors Robinson and Pettway suggested that bank examiners ". . . should take their eyes off bank capital and focus on the quality of bank management."

The *Comptroller's Manual,* until its 1971 revision, contained a section dealing with capital adequacy. It opened with the statement that, "The Comptroller of the Currency will not hereafter rely on the ratios of capital to risk assets and to total deposits in assessing the adequacy of capital of national banking associations." That is a strong, unqualified statement, and may account for deletion of the section in the 1971 revision.

The section also included the well-known set of eight factors to ". . . be considered by the Comptroller in assessing the adequacy of capital." The first factor listed was "the quality of management." The other seven were:

(b) The liquidity of assets;

(c) The history of earnings and of the retention thereof;

(d) The quality and character of ownership;

(e) The burden of meeting occupancy expenses;

(f) The potential volatility of deposit structure;

(g) The quality of operating procedures; and

(h) The bank's capacity to meet present and future financial needs of its trade area, considering the competition it faces.

Although this list is not contained in the current edition of the *Manual,* the factors have not been disowned by this office. Indeed, to some degree, the set of factors has come to epitomize the non-ratio approach with which the Comptroller has been identified during the past decade.

Let me now turn to the issue of capital notes and debentures. The office of the Comptroller of the Currency in the early 1960s issued a ruling that encouraged national banks to resort, on appropriate occasions, to the sale of debentures to supplement their capital position. Until that ruling, senior capital, in the view of many bankers, was associated only with near-emergency situations at financially weak institutions. Our office has applied a rule of thumb that limits the proportion of a national bank's total capital that can be in debentures to one-third.

Some of the capital formulae applied by bank regulators discriminate against the use of debentures. For example, one such ratio involves total equity capital plus reserves on loans and securities, divided by the sum of total liabilities plus total debentures less cash and cash items. It is obvious that a bank with outstanding debentures is penalized in the application of this ratio, as compared with a bank that has issued no debentures.

We believe there is a place for debt instruments in the capital structure of national banks. The basic regulatory function of bank capital is to serve as protection for depositors and those who assume their risks. Capital notes and debentures extend substantial additional protection to bank depositors. Further, some market situations would penalize bank stockholders greatly, were the regulatory authorities to insist upon the sale of equity securities. Having the option of selling capital notes yields valuable flexibility.

A subsidiary question, in connection with bank debt capital, relates to the sale by one bank, usually a smaller one, of its debentures to a larger bank. There are, I believe, reasons for holding such transactions to a minimum. From the standpoint of the entire banking system, such transactions do not provide any net inflow of capital. Were such transactions to proceed on a round-robin basis throughout the system, it is evident that a substantial watering down of capital requirements for the system would have occurred. If the regulatory authorities desire to reduce capital requirements for the system, it may be preferable to take such action directly.

Having stated this, I do not today advocate abolition of this type of transaction. On occasion, in a particular situation, this course of action can be beneficial to both banks involved, and perhaps, to the mental health of the bank regulator.

Let us now look at the question of bank capital for holding company banks.

There appears to be fairly general agreement that a bank and its capital position must be protected, whether or not it is a holding company subsidiary. Certainly, from the standpoint of a primary bank regulator, the relationship of a regulated bank with a parent bank holding company and its associated non-bank affiliates should be a source of positive strength for the bank. Our office will oppose any affiliation for a national bank when that affiliation would tend to threaten the soundness of the bank.

No single banking agency is responsible for regulating all types of banking organizations. In general, that division

"The approach we are considering as an additional tool in the capital adequacy area involves a determination of acceptable limits of certain capital ratios for banks in each of our groups."

of responsibility is a plus for banking. However, the division of responsibility does lead to some overlap, and to occasional jurisdictional problems. One such problem involves the adequacy of capital in holding company banks, where the banks are other than state-member banks.

As a primary bank regulator, our office is concerned with the soundness of the bank and with its capital position.

We also recognize that the Federal Reserve, as the regulator of bank holding companies, is legitimately concerned with the capital position of the holding company *per se* and its constituent parts.

The fifth and final issue touched on in my introduction relates to the usefulness of capital ratios as measurements of capital adequacy. In fact, somewhat more broadly, the question really is: How may the adequacy of capital be measured?

A variety of capital ratios are used by all bank examiners as initial screening devices in their attempt to determine whether an institution under examination is adequately capitalized. The loans-to-capital ratio, the capital-to-total assets ratio, the capital-to-total deposits ratio—these and others are among the more popular measures.

As to the norms or the "acceptable" levels for these ratios, it is undoubtedly true that the current average figures tend to become a sort of standard. There has been a sharp drop in capital ratios over the past 60 years. This drop illustrates that we tend to look at the concept of capital adequacy in relative rather than in absolute terms.

In using ratios, one is often tempted to adopt "minimum" values for regulatory purposes. When this is done, there is a natural tendency on the part of bankers, hard pressed as they are to maintain a favorable rate of return on capital, to allow their institutions to slide gradually to the minimum acceptable levels. The choice of any minimum which lies below the ratios of a significant number of banks would tend, in and of itself, to exert downward pressure on the aggregate capital ratios of the system.

I personally believe that no strict formulation can substitute for the factor of human judgment in determining capital adequacy. Obviously, if this were not so, the world would be an easier place for bank regulators. Were mechanistic judgments to be finally determinative, one perhaps could appoint the latest generation computer as regulator.

However, bank regulators do need benchmarks and guideposts, and I would like to describe one exercise in which we are currently engaged. Even if this exercise bears fruit, we will not have altered our basic position that no strict formula can be finally determinative of the adequacy of capital. Rather, we will simply have another tool to help us in our determination.

Our office develops classified assets totals for national banks. Classified assets are those assets of an institution which our examiners find to be subject to some type of criticism. The volume of classified assets is related to the degree of potential loss in a bank's asset portfolio.

There are several determinants of the overall classification of a bank, but a principal one relates to the ratio of classified assets to gross capital funds. Gross capital funds include total stated capital plus reserves on securities and loans. Banks with a ratio below 20% are "A" banks; those with a ratio of 20% or more, but below 40%, are "B" banks; those with a ratio of 40% or more, but below 80%, are "C" banks; and those with a ratio of 80% or more are "D" banks.

We have also divided all national banks into a number of deposit-size categories. Let me confine the discussion to three broad-size categories, with the smallest being those banks with less than $100 million, and the largest those with $500 million or more.

The approach we are considering as an additional tool in the capital adequacy area involves a determination of acceptable limits of certain capital ratios for banks in each of our groups. The approach assumes that the "A" banks, that is, those banks with relatively low ratios of classified assets to gross capital funds, can safely reach higher loans-to-capital ratios than is the case for banks in the "D" category.

As of the end of 1972, the ratio of total loans to total capital accounts for all insured banks was 7.4. Taking this as a jumping-off point, we have explored the question of how many national banks would require additional capital were various limits of the loans-to-capital ratio applied to banks in the "A," "B," "C," and "D" classifications.

In a preliminary exercise, we have applied two different sets of limits for the loans-to-capital ratio to banks in each classification. The first ranges from 8.5 for "A" banks to 6.5 for "D" banks, while the range for the second is from 9.0 to 7.0.

Under the first set of loans-to-capital ratio limits, i.e., the set ranging from 8.5 for "A" banks to 6.5 for "D" banks, 12.7% of all national banks would need additional capital. Only 8.4% of "A" banks would require an injection of capital, while the percentages for the "B," "C" and "D" groups would be 30.0%, 64.6%, and 81.3%, respectively.

If the set of limits ranging from 9.0 for "A" banks to 7.0 for "D" banks were to be applied, 8.1% of all national banks would fall short. This would include 4.8% of "A" banks, 20.3% of "B" banks, 51.3% of "C" banks and 71.9% of "D" banks.

We applied the same sets of limits to banks in various deposit-size categories.

"As a primary bank regulator, our office is concerned with the soundness of the bank and with its capital position."

For the set of ratio limits ranging from 8.5 to 6.5, 12.2% of the national banks with deposits under $100 million would require a capital injection. Of national banks with deposits between $100 and $500 million, 14.8% would need to augment their capital, while for the banks above $500 million, the comparable percentage would be 26.6.

To add some perspective to these figures, it is useful to note that most of our national banks—85.5%, in fact—are "A" banks, and that a far lower percentage of "A" banks would require additional capital under the limits discussed than is the case for the other classifications. Secondly, for many banks showing a need for capital under the procedures outlined, a comparatively small injection would suffice. This is shown by the fact that altering limits by small amounts drastically reduces the number of banks failing to meet the limit test.

I must re-emphasize that whatever the continuing results of these exercises may be, we will never replace our judgment with any strict formulation. We do believe, however, that the more relevant data that can be brought to bear on the question, the better our judgment is likely to be. However, I am reasonably certain that annual reports of the Comptroller of the Currency well into the future will continue to provide evidence that no final resolution of this question has been achieved. • •

Capital Adequacy And Commercial Banking

By C. J. MEDBERRY, Chairman,

BankAmerica Corp., San Francisco

CAPITAL adequacy has been a subject of study and debate ever since 1791 when Congress chartered the First Bank of the United States. In one context, theory holds that if deposits are viewed as loans to the bank by depositors, principles of credit analysis require that the bank provide sufficient capital to act as a cushion should losses arise. Thus capital is viewed as a buffer between assets and liabilities in the banking system.

On these grounds, it could be said that the larger the capital position of a bank the safer it is. However, history paradoxically has indicated that this is not the case, because bank failures most frequently involve institutions that have relatively large capital positions at the time of failure. Imprudent management regarding credit quality and liquidity matters are usually the twin problems that cause bank failures and capital adequacy in most cases is not a significant factor in the final collapse.

For a variety of reasons largely related to growth factors, bank capital ratios have almost consistently declined since requirements were established over a hundred years ago. For example, in the early 19th century, bank capital ranged up to 70% of assets; by 1900, the capital ratio had declined to about 20%. Currently, bank capital ratios for the system as a whole approximate 7%. This historic decline has focused attention on capital ratios and has raised the question: What is a sufficient amount of bank capital and how should capital adequacy be determined?

Any contemporary discussion of capital adequacy must be placed in the context of the dynamic forces occurring in the U. S. banking system over the past 25 years. During the postwar period, the banking system advanced from a rather limited focus emphasizing commercial lending to one of growing diversification. In the last five years this trend has accelerated with the development of the bank holding company form of organization. This movement has increased the competitive vitality of the banking system and improved the earning capacity of many banks. This growth and diversification also have brought increased stability and balance to earnings growth, permitting a general reduction in capital ratios and improvement in the rate of return on stockholders' equity. Overall improvement in price/earnings ratios has enhanced the investment quality of many bank holding companies' stocks.

Size and diversification have brought new economies of scale and expanded the financial services offered to the public. Moreover, the increase of multinational operations has accelerated growth in the international sector, and because of competent regulation, has increased the safety of this important segment of the financial world.

"The determination of capital adequacy cannot be reduced to formula evaluation; the question involves many complex trade-offs which must be evaluated collectively."

From another viewpoint, the need to maintain relatively full production, income and employment has encouraged more liberal monetary policies and accelerated the expansion of banking resources to help achieve these objectives. As competition in the financial system has intensified, operating margins have decreased, producing a paradox of meeting more rapid growth with a declining relative retention of banking resources in terms of equity capital. This paradox has been resolved with the increased use of debt capital and by allowing capital ratios to decline modestly in recent years.

Against this background, some elements have developed which should be considered in analyzing capital adequacy. The determination of capital adequacy cannot be reduced to formula evaluation; the question involves many complex trade-offs which must be evaluated collectively.

Key considerations include: 1) size and diversification of financial institutions, 2) development of management strength, 3) changing concepts of liquidity and 4) risk management. In the final analysis, every banking institution is a unique entity with a special set of capabilities. For this reason each must be assessed on its own merits and slavish devotion or formula analysis is not a meaningful method of making these complex evaluations.

First of all, size confers strength, mobility and flexibility to any financial institution. The larger the institution, the stronger it becomes because of its ability to utilize economies of scale and to diversify risk in many ways. Moreover, the bank holding company is bringing major benefits to the public through increased competition, lower costs and a wider range of services.

Secondly, with successful growth, diversification and profitability has come the ability for commercial banks to attract, retain and develop high quality management. Quality of management can be measured in many ways, but four characteristics stand out:

"The key to the future lies in competent bank management of liquidity and risk coupled with effective regulation and supervision."

First, in the areas of organization and control. In a growing organization, delegation of responsibility can be better managed. Specialization can be more readily facilitated.

Second, commercial banks are generally recognized for developing superior internal audit and control systems. In addition to supervisory examinations, most banks now employ external auditors as well.

Third, most commercial banks now stress forecasting and planning in all their activities. This permits the development of innovative programs, adherence to profit maximization and effective contingency planning.

Fourth, the increased size and scope of banking operations has been enhanced by the growing use of computer technology which has vastly improved speed and accuracy of financial management. Computer technology is now addressing questions of credit risk analysis and economic and financial forecasting.

In a third area, growing sophistication in liquidity management has permitted increasing flexibility without sacrificing earnings or materially increasing risk. This subject is so broad that one cannot do it justice in a brief presentation so let me just make a few quick observations. Since liquidity in securities can vary widely with movements in interest rates, it is not reasonable to evaluate liquidity simply in terms of maturity structure. Also, short-term commitments that are marketable, redeemable on short notice or self-liquidating in nature materially increase liquidity in the loan portfolio. Substantial liquidity has developed for real estate loans with the evolution of the loan sale and pass-through concepts. Liquidity in real property has been enhanced through leasing and lease-back arrangements. Pooled collateral arrangements have increased the liquidity of pledged collateral. In short the banking system has made important progress in the improvement of asset management.

But even greater advances in bank liquidity management have come on the liability side of the balance sheet. Aided by the relaxation of Regulation Q, banks now buy a much larger share of available funds through the issuance of negotiable CDs and through the offering of a widening area of savings and time deposits. Greater flexibility has been developed through the use of funds borrowed from the Federal Reserve, in the Fed funds market, through repurchase agreements and through a variety of borrowing techniques. The widening scope of international operations now allows banks to draw effectively on foreign-held dollar balances also.

This substantially enhanced capability to mobilize liquidity provides a plus to management that can be translated into reduced capital requirements in a traditional sense. This point cannot be emphasized enough.

And, finally, in a fourth area, although risk is inherent in banking, excessive risk minimization can result in reduced returns to stockholders, which prevents attraction of necessary capital and reduces the competitive viability of the banking system. Advances in techniques of risk analysis have allowed greater predictability and tailoring of terms to cope with varing risk characteristics. Commercial banking also has been able to make good progress in risk diversification by enlarging operations, both geographically and by area of interest. A broader, better balanced loan portfolio with good risk dispersion has kept the banking system strong and permits lower capital ratios with appropriate emphasis on loss reserves.

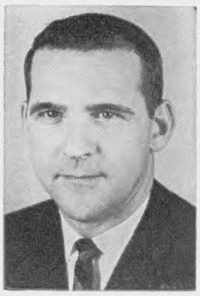
Taken together, these four elements point up how diversification, management strength and advances in asset, liability and risk management have enhanced the capability of financial institutions to manage capital effectively. With all this in mind one can legitimately question traditional concepts of capital adequacy that is based on rigid ratio test formulations. Although formula tests may be a useful parameter in appraising relative performance, they do not provide a good overall guide in determining capital adequacy. As I previously indicated, we believe each financial institution is unique and must be evaluated on its own individual merits.

In summary, a pro-competitive attitude on the part of bank regulators, coupled with promotive monetary policies and an aggressive competitive posture on the part of the banking system, have all combined to accelerate the growth of commercial banks. This has enlarged the control base of the regulators, while at the same time it has caused resources to grow faster than the equity capital base accumulated in the form of retained earnings.

As policies involving the growth of the banking system are set in relation to overall needs of the economy, policies designed to minimize unemployment tend to accelerate growth in the financial system. The problem arises for regulators in terms of ability to maintain stable growth without inflation and for the banking system in terms of providing balanced growth in both liquidity and risk protection.

Given the rapid growth of the banking system, it has been impossible to sustain equity capital ratios at the higher levels of previous decades. As a result, banks have turned to debt capital to fill the gap between rapidly expanding resources and diminishing equity coverage, providing an acceptable alternative which increases depositor protection and enlarges the cushion of stability to absorb shifting needs. Additionally, banks have sought to diversify through the holding company into non-bank areas to enhance the earning power of the total entity, stabilize growth and diminish risk.

The banking system in the U. S. has done an admirable job of meeting growth needs of the economy while maintaining essential balance in its responsibilities. In practice it is difficult to determine an essential minimum level of equity capital that is required so long as banks continue to meet their contractual obligations and hold risk within manageable proportions. The practical solution to the capital adequacy question is suggested in our theme "building on our strength." The key to the future lies in competent bank management of liquidity and risk coupled with effective regulation and supervision. • •



Views of a Regional Correspondent Bank

By BENNETT A. BROWN, President

Citizens & Southern Holding Company, Atlanta

BANK capital serves two major functions. The first and most important is the protection of the depositor; and the other is the providing of funds to finance current operations, including the acquisition of fixed assets. This is in contrast, however, with the majority of non-financial businesses, where capital is primarily used to finance operations and, secondarily, to provide a buffer or insurance fund to absorb possible losses.

The interest of regulatory authorities in capital accounts has rightfully centered on protection of depositors. During their examination and appraisal of the various asset portfolios, the examiners determine the possible decline in asset value and the ability of the bank's capital to protect depositors by absorbing that decline. If there is reason for concern on their part, the bank is required to make an adjustment by either reducing risk assets or obtaining more capital.

One writer has noted that, from 1935 to 1969, all of the ratios which measure adequacy of bank capital have declined. *(Basic ratios are capital-to-risk assets, capital to assets and capital to deposits.)* The basic reason stated has been a faster increase in deposits than in capital because of inadequate earnings. The ratios utilizing total assets and deposits each declined about *40%* over the period, while that of risk assets decreased more than *60%*. In other words, while deposit growth has materially surpassed capital growth, the conversion of deposits into risk assets has proceeded even faster.

There are several ways smaller banks can approach acquisition of additional capital: sale of stock, sale of consumer-type capital notes, a private placement and loans from correspondent banks. We have tried to find ways to assist in providing capital through one or more of these routes.*

For example, on a new bank or a new stock issue of an existing bank, we will loan money to officers and directors to purchase the shares. In the C&S System, we have approximately $5 million of such loans outstanding presently to non-affiliated correspondent bankers. Each loan situation is different, but generally we try to arrange for pay-out over five to six years. There are no special terms attached to this type of financing. We simply do it as a service to our correspondent banks.

Another type of capital financing which we provide frequently is that of loans to real estate holding company subsidiaries of banks to finance a new bank building or some other physical improvement. These loans may not appear under the heading of capital accounts, but they are considered as capital financing nevertheless. Presently, we have approximately $3 million outstanding in such loans. These are long-term commitments of 10-15 years and are usually handled at "best rate" plus 1% to 3%.

Generally speaking, there are no prepayment penalties included in these arrangements. Frankly, we would just as soon encourage early repayment rather than discourage it. Further, where these arrangements are made, we are usually the bank's primary correspondent.

Of the more direct examples of capital financing, I would have to say that the most likely source is the sale of a capital note to a large regional correspondent.

The reasons for issuing capital notes have been stated on many occasions. The two most commonly stated advantages of capital notes are that of lack of dilution of equity earning power and the fact that the interest on the notes is tax deductible to the issuing bank. Thus, capital notes and debentures provide low-cost capital funds on an after-tax basis as compared with equity capital (preferred or common stock) and would afford greater leverage for owners of the common stock.

As has been pointed out, there are other more practical reasons for the issuance of debt as the source of additional capital for banks. One is the fact that in the case of the small bank in the local community, the president and his family may own from 25% to virtually all of the stock. If an offering were made on a pro-rata basis, to maintain control, the president would be put in an undesirable position of having to obtain substantial amounts of cash. If a public offering were made, his control could be diluted. In addition, the market for his stock will probably be his local community, and since these individuals have their money in his bank, the funds for purchase of stock would simply be transferred from checking or savings accounts, which are also undesirable alternatives.

Thus, of all the alternatives presently available, privately placed capital debt is most to be favored, in my judgment. But the availability of such loans from banks such as ours is limited. Presently, one of the situations we face is the fact that we are substantially more sensitive on the liability side than we are on the asset side. Moving heavily into long-term investments, such as capital notes for correspondent banks, would mean for us further pressures on the asset side of the ledger at a time when we are trying to turn our money more quickly.

Nevertheless, we have purchased notes and some convertible debentures from several small banks in the Southeast. As of September, capital notes and debentures to correspondent banks stood at a total of $6.5 million. The dollar amount ranges generally from $300 thousand to $500 thousand with maturities of up to 20 years.

The typical situation is that one of our correspondent banking officers calls on a correspondent and finds that the banker either has been advised by regulatory authorities that he needs additional capital to support his deposit growth or he has found that he needs to substantially enlarge his banking facilities.

I think you would agree that attempting to raise capital through a pro-rata stock offering or a public offering in capital debt doesn't seem to work. Although the thought of raising the capital in the local community is sound in principle, and the individuals involved appreciate the chance to earn a high rate on their investments, it

* *It is assumed that services similar to those outlined in this article are available from other big-city correspondent banks.*

Now what do you do?

Last half. 18 seconds to go. Score's tied. Your center just fouled out and you're being pressed in the backcourt. What do you do? Charge through? Go for the fast break? Pass off?

Same is true with your correspondent. Sometimes it is the better part of valor to call "Time" and talk it over with someone who's on your side. Like Fourth National . . . The *Action Bank* of Tulsa.

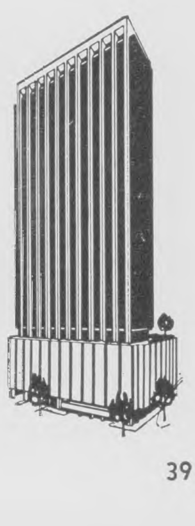
The Fourth can really prove its worth to you when you're starting your big drive by putting our many specialists to work on your team.

Does this sound like the Fourth National is the type of correspondent you'd like to have on your team? If so, call Glenn "Red" Ward or Wilbur Waters and tell him what you have in mind. They have the know-how to help you get things going . . . and keep them that way.

Remember: When you want *Action* from your correspondent, contact the *Action Bank* of Tulsa . . . Fourth National. That's where it all starts.

The Action Bank of Tulsa

FOURTH
NATIONAL BANK
515 SOUTH BOULDER
TULSA, OKLAHOMA 74103



seems that the average investor simply doesn't hear the "20-year" maturity, and the problem of his needing his money prior to maturity puts the banker in a tough position.

In most cases the banker knows the situation and has already been through the mental exercises I have described here. He realizes that the best way is that of adding debt capital, even though he may be somewhat hesitant to borrow.

Usually, if the arrangements can be made, he is looking at a 15-20-year note at our best commercial lending rate or a point over. Some of these notes have amortization schedules and some do not. In terms of amount, there is a requirement in Georgia that the percentage of capital notes cannot exceed one-third of the total of capital, surplus accounts and capital notes.

With this in mind we have put together a kit of information required to make the handling of these transactions a little easier.

Let me briefly run through the procedures.

At the outset, I would point out that initial contact should be made with the state commissioner of banking to outline the concept in general as to amount and terms.

(1) After that, the first step in the issuance of a capital note should be the recommendation to the stockholders of the bank by the board that such a note be issued. This is done by a resolution by the board. At the same time the board should call a special stockholders meeting. The letter sets out the principal amount of the note, the rate, the maturity and the name of the bank purchasing the obligation.

(2) A meeting of the stockholders is then called. Written notice is mailed 10 days prior to the meeting. Notice includes a proxy and proxy statement. The proxy statement should state completely the terms of the note sale, including any prepayment penalty.

(3) In the case of Georgia, a favorable vote of two-thirds of the capital stock of the bank is necessary for the issuance of the capital note. A secretary's statement certifying that the stockholders meeting was held and that two-thirds voted in favor of the capital note is then prepared.

(4) A letter is then written to the superintendent of banks requesting approval for the issuance of the capital note. A copy of this letter is also sent to the FDIC. The letter should set out the principal amount, the maturity date and redemption provisions, the interest rate, subordination agreement and other terms of the offering and should state the name of the bank which will hold the note. Three copies of the capital note and a recent statement of condition of the bank are also sent along. (We furnish our correspondents with a proposed form of the capital note.)

(5) After the stockholders' meeting is held, a letter is written to the superintendent of banks with a copy of the secretary's statement certifying the stockholders' meeting was held and that two-thirds of the stock was voted in favor of the capital note.

(6) When the approval of the superintendent of banks is received, the bank may proceed with the issuance of the capital note.

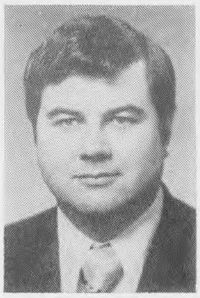
(7) Customarily, notice is sent from our bank to the correspondent bank president indicating that the transaction will take place and funds will be transferred and the job is completed.

In summary, I would simply note that we are aware of the problems attendant to raising capital in smaller banks. Each of the alternatives available seems to have some substantial drawbacks. But for the present, the debt route is the most likely one from our point of view. • •

■ EAST SIDE BANK, Chicago, plans to open its new building early this year. The new home, located half a block from the bank's present location, will have five drive-up lanes.

Arkansas Bank, Hot Springs, Promotes Pittman to Sr. VP

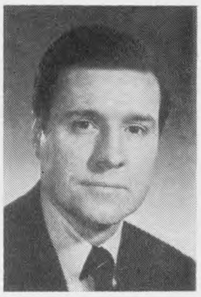
HOT SPRINGS, ARK.—Arkansas Bank has promoted Don Pittman to senior vice president. He had been vice president and marketing director since joining the bank in 1972. He came from a South Carolina bank.


PITTMAN

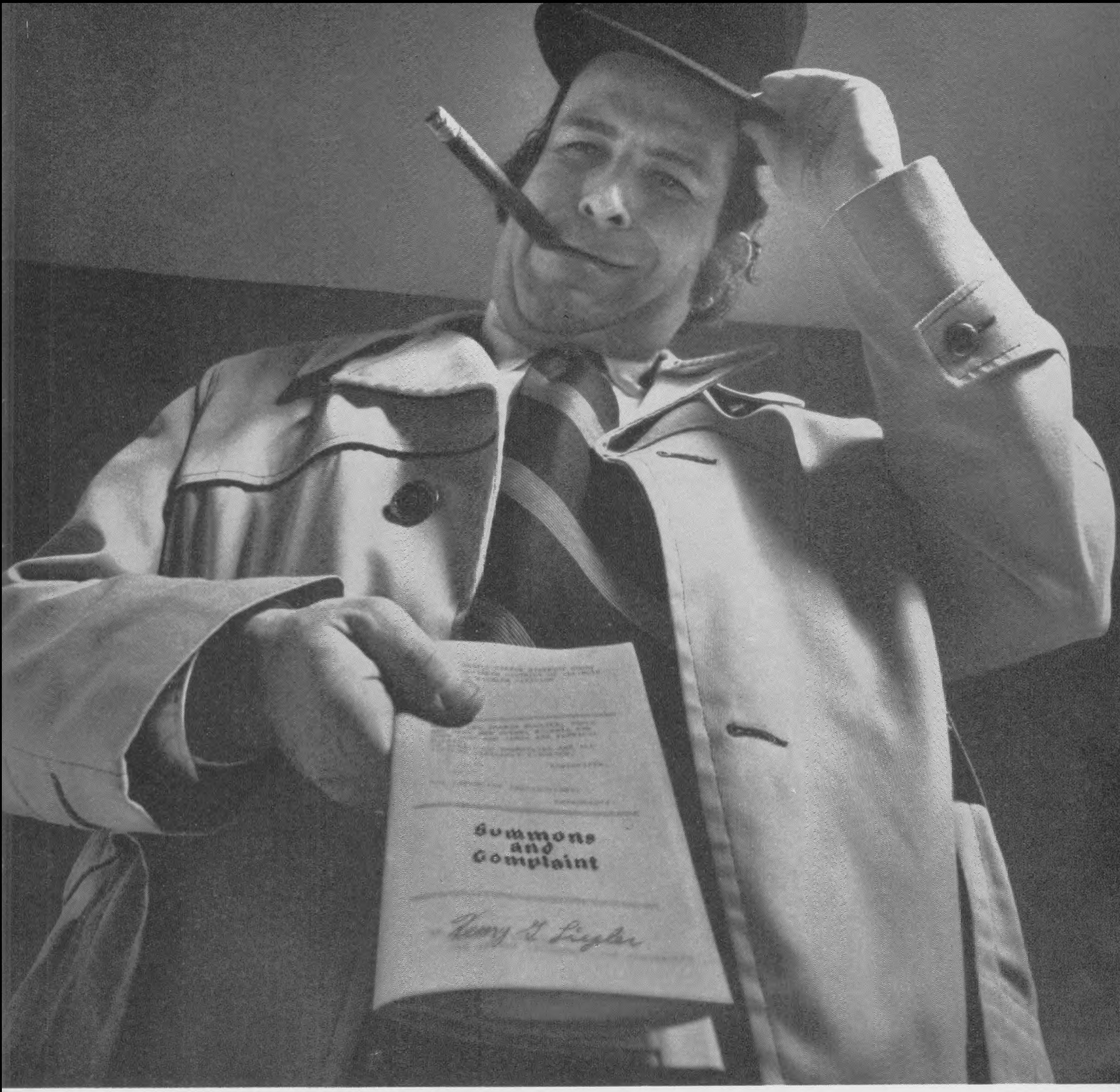
Mr. Pittman, a 13-year banker, is a graduate of the School of Bank Marketing at the University of Colorado and the Graduate School of Bank Marketing at the University of Wisconsin. He is on the publicity committee of the Arkansas Bankers Association.

New Holding Company Posts Go To Frank E. McKinney Jr.

INDIANAPOLIS—Frank E. McKinney Jr. has been elected chairman and chief executive officer, American Fletcher Corp., parent company of American Fletcher National Bank. He succeeded S. Edgar Lauther, who was named chairman of the executive committee of the HC, succeeding the late Frank E. McKinney Sr. Mr. Lauther also was made honorary chairman of the HC.


McKINNEY

Mr. McKinney Jr. continues as chairman and CEO of the bank, L. Joseph Tuohy as president of AFC and vice chairman of the bank and Harry L. Bindner as president and chief operating officer of the bank.



Someone wants to serve on your board.

No matter how conscientious your directors and officers are, their chances of being sued increase almost daily.

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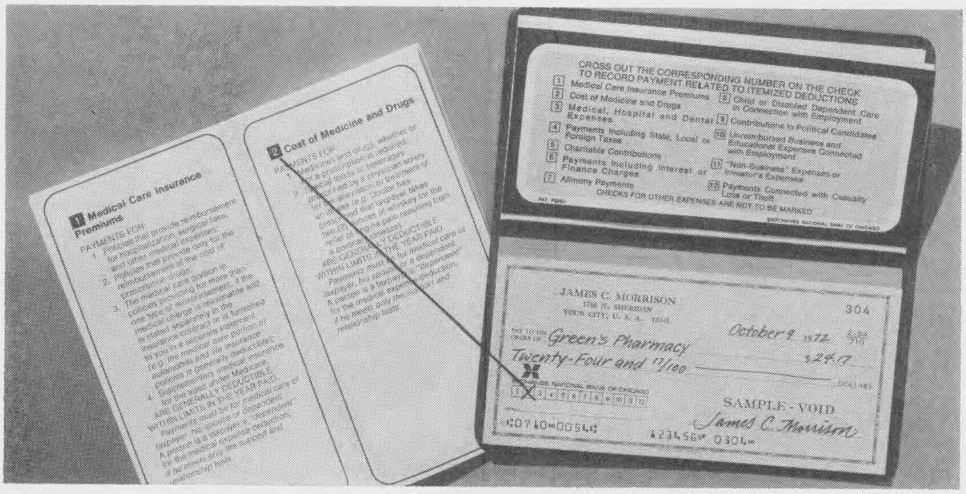
MGIC D&O insurance covers defense costs as well as settlements and judgments. Whether you settle or fight, with MGIC you're in the driver's seat in deciding how best to protect your financial interests . . . and your community standing.

Your management team serves you well. Protect them with Directors' and Officers' Liability from MGIC. See your MGIC representative. Or call Dennis Layne or Ed Walline in our home office. Dial toll-free 800-558-9900; in Wisconsin, 800-242-9275.

Money Protection. MGIC

MGIC Indemnity Corporation, a subsidiary company of MGIC Investment Corporation.



Exchange Nat'l's Tax Saver Checking System centers around customer's checks and check register. Each check carries 12 numbered boxes representing itemized tax deductible categories within IRS Form 1040. Key to boxes is contained in upper portion of checkbook carrier and pamphlet (at l.) explains deductions in more detail.

Check System That Pays Off at Tax Time Boosts Demand Deposits for Bank

By ARTHUR C. NORRIS
Contributing Editor

WHAT DO you think of a checking account marketing plan that produced more than 13,000 new accounts in a 12-month period—an increase of more than 140%—and boosted the bank's *demand* deposits more than $4,800,000?

That is what the Tax Saver Checking program did for Exchange National of Chicago. And Tax Saver checking has nothing to do with premiums. It is essentially a means of expanding the value that a checking account offers the customer.

Conceived and developed by Exchange National, Tax Saver is designed to meet the needs of millions of American taxpayers who itemize deductions and the millions who don't, but should. Tax Saver checks offer the taxpayer every opportunity to get back from the government through itemized deductions all the money that is rightfully coming to him. And they help eliminate the confusion faced by too many taxpayers at tax time.

The three keys to the Tax Saver Checking program—the keys that unlocked increased business for Exchange National—are the Tax Saver check itself which bears a specialized form, the Tax Saver Check Register and the Tax Saver Check Organizer, the latter simply a filing system. The key to Tax Saver checking is the check register which carries, in its front section, a simple explanation of what can and cannot be taken as itemized deductions.

In all except one respect the Tax Saver Check is like most other bank checks, but in the lower right hand corner under the bank's name is a series of 12 printed boxes occupying a space two inches wide by 3/16 inch deep. In each of the boxes is a number ranging from 1 to 12.

These numbers correspond to numbers on the Tax Saver Check Register and conform with the categories of deduction on Form 1040. Number 1, for example, is Medical Care Insurance Premiums. Number 12 is Payments Connected with Casualty Loss or Theft.

When an Exchange National customer using a Tax Saver Check writes a check for any one of the 12 standard deductions listed on the back of the Register, he refers to the Register and then checks the corresponding number on the Tax Saver check.

When it comes time to reconcile his bank statement, the Tax Saver customer files those checks which represent expenses deductible for tax purposes in the Tax Saver Check Register with his receipts. This Register is simply a specialized file box which permits the customer to separate his cancelled checks and file them under the various deductions as itemized on IRS Form 1040. Thus at tax preparation time the taxpayer already has all of his expenses itemized under the appropriate deductible areas.

Exchange National does not claim that the Tax Saver program is the solution to all tax preparation woes, because only portions of some checks pertain to itemized deductions and must be separated from the check totals. "However," said Samuel W. Sax, president, "it is a big step forward in helping the bank customer with his taxes through the medium of his checking account, in itself the best proof possible that the deduction claimed is a bona fide one."

Exchange National introduced its Tax Saver Checking program in October, 1972. Large display space was used in metropolitan newspapers as well as radio and television spot announcements. In addition, direct mail

called the new service to the attention of the bank's customers and in the vicinity of the LaSalle Street bank a teaser handout was distributed with free tax guides and brochures. The envelope of the handout read, "What's inside can save you money at tax time."

When the program got under way, the bank had about 8,500 active personal checking accounts. Continued promotion, plus word-of-mouth publicity on the Tax Saver Checking program, enabled the bank to *open* more than 13,000 NEW accounts as of year-end 1973. Added emphasis was placed on the value of the service just before income tax payment time in 1973 by mailing the Tax Saver account customers a free tax tip booklet and three Tax Saver Checking brochures. Customers were asked to give them to friends and relatives so they might also save money on their taxes in the coming year.

Examination of cancelled checks has shown that approximately 19% of Tax Saver account customers check the boxes on their checks *when* they write them, or at the end of the month when they receive their cancelled checks and statements. The above figure is an estimate, since there is no way to know for sure how many customers mark their checks *after* they have cleared the bank.

"This is the first checking account program within the memory of our bank officers that has actually offered the addition of a valuable service," said Alan B. Eirinberg, first vice president. "It has the advantage of being free—there is no additional charge for the Tax Saver feature. In addition it does something for the customer that needs doing and that no other checking account can now provide. The goodwill created by the Tax Saver program and its concomitant public relations can hardly be overemphasized. Underscoring its value is the fact that 19% of the people opening Tax Saver accounts never before had a checking account. In addition, the average balance has proved significant. It has averaged approximately $400, attesting to the fact that these are serious, concerned customers; the kind we wanted.

The Tax Saver Checking program did not spring full-blown from the head of an Exchange National executive. Once the idea was conceived, more than a year was required to develop it. During this period extensive consultations were held with attorneys, certified public accountants, other tax experts and the chairman of the graduate school of accounting, Roosevelt University, Chicago.

Study of the 1970 IRS Report on Individual Income Tax spotlighted how vitally important it is to the taxpayer to keep accurate records of itemized deductions. In 1970 more than 35 million—or 48%—of all federal taxpayers itemized their deductions. The figure has been rising every year since 1966. Equally important, the average refund made by IRS in 1971 was $340; up 14% from 1970.

"No one knows how much money is lost by the American taxpayer every year through carelessness in identifying checks drawn in payment of deductible expenses," Mr. Eirinberg pointed out. "Or for that matter by being unaware that certain payments relate to permissible deductions. Tax Saver checking helps the individual taxpayer reduce his share of these losses."

After a full 12 months of marketing in the Chicago metropolitan area, the Tax Saver Checking program was introduced to other banks at the 1973 ABA convention in Chicago. Since then, 25 banks in 18 states have taken advantage of Exchange National's copyrighted and trademarked program. Exchange National is offering the program to other banks on a correspendent balance or one-time fee basis. Banks can obtain the service on an exclusive basis for a fee of .005% of total deposits, or a negotiated correspondent balance.

Mr. Eirinberg says, "Banks want this service because it requires no operational changes and gives their checking account service a perceivable difference, an advantage that works effectively with a package of services, such as a free account or in a competitive situation that does not require free checking."

Exchange National has a history of identification with innovation. Its officers say the bank originated the first complete drive-in banking facility in the U. S.—Auto-Bank (1946). It is the only American or foreign bank in Israel. It was the first bank to introduce a microfilm emergency medical data card for its customers. In 1972 Exchange National was cited by ABA for its significant contribution to the cultural life of Chicago. It is the 200th largest bank in the U. S. and had a 45% increase in deposits over the last four years, combined with a 50% increase in resources for the same period.

Five Promotions at NBT

TULSA—National Bank of Tulsa has promoted Woodrow W. Foster Jr. from auditor to vice president, Don Cunningham from assistant vice president to vice president, Robert D. Pearson from assistant auditor to auditor, Tom Sanford from commercial banking officer to assistant vice president and J. Larry Goff from assistant trust officer to trust officer.

Ft. Worth Nat'l Bank and HC Announce Staff Changes

FORT WORTH—Promotions have been announced by Fort Worth National and its parent company, Fort Worth National Corp.

The bank advanced Harold M. Achziger and Bruce Petty from vice presidents and trust officers to senior vice presidents and trust officers, Gary L. Bowling from assistant vice president to vice president and Robert M. Lansford and Albert V. O'Neal from assistant vice presidents and trust officers to vice presidents and trust officers.

The HC promoted L. O. Brightbill III from vice president to senior vice president and L. David Harrison from vice president and treasurer to senior vice president-finance.


ACHZIGER


PETTY


BRIGHTBILL


HARRISON

St. Louis Fed Promotes Five

ST. LOUIS—The Federal Reserve Bank has announced several promotions and one retirement, that of John W. Menges, vice president in charge of the collection department. He was a 31-year veteran with the bank.

Promoted were James R. Kennedy and John F. Otting Jr. from assistant vice presidents to vice presidents and Albert E. Burger, Mrs. Carol B. Claypool and Edward R. Schott to assistant vice presidents.

1st of Mobile Makes Appointments

MOBILE—First National has promoted Dale W. Duncan to investment officer and named Albert E. Reynolds and C. E. Van Devender to its branch advisory board. Mr. Reynolds is a senior vice president at the bank and Mr. Van Devender is a vice president.

Miss Brown chats with elderly client of trust department of Mercantile Trust, St. Louis, in nursing home.

By ARTHUR C. NORRIS
Contributing Editor

Ever hear of a bank trust department with a social worker on its payroll? Well, you have now, for Mercantile Trust, St. Louis, has just that—in the person of Jane Brown.

Miss Brown performs no banking operations. She does not think of herself as a banker, although she is attending the AIB's banking fundamentals course in order to learn more about bank operations.

Her function is to call upon trust department clients who have no families and are bedridden, senile or otherwise handicapped. Her task is to make sure these customers are receiving the care their trusts are paying for.

Trained Social Worker Assumes 'Care' Burden From Trust Officers

YOURS is a bank with a large trust department. It has hundreds of trust account clients. The vast majority can be handled in a comparatively routine manner. But out of the hundreds of trusts, perhaps 50 have beneficiaries who have lost all kin and close friends. Many of the 50 are unable to leave their homes without assistance; others may even be senile or otherwise incompetent. They have no one to take a personal interest in their welfare.

No trust officer would deny that his trust department has a charitable obligation to such clients over and above the call of normal trust department duty. Until recently, no trust department—within the recall of MID-CONTINENT BANKER editors—had come up with a satisfactory answer to this nagging problem.

But just about a year ago, Mercantile Trust, St. Louis, had an answer virtually thrust upon it. And now, a year later, its trust officers are convinced that at last they have the correct answer.

To state the problem fully:

First, every trust department has clients who are aged, occasionally senile, who literally have no friends or relatives left to take an interest in them. To put it bluntly, these people simply have lived too long. They have outlived close kin and friends. They have outlived the environment to which they are accustomed.

Second, the so-called "retarded child" usually died at a comparatively early age. Various illnesses to which they are susceptible proved fatal. For example, mongoloids were subject to afflictions of the respiratory tract and rarely lived to maturity. Now medical science is able to keep the retarded child alive until the child is a retarded old man or old woman.

These people present a peculiar problem to the trust officer. Because they are left without friends or relatives, someone must make sure they receive the care and attention to which the payments made by the trust department entitle them. In its simplest terms, someone must make sure that the retarded person, if unable to care for himself, is kept clean and has his bed linen changed regularly, and that he receives the medical care he needs.

Third, not all trust funds last indefinitely. A trust set up in 1950, for example, may have been adequate to buy care and attention at 1950 prices. But what happens in the 1970s when the cost of such care and attention has more than doubled? The trust department cannot pay out funds it does not have in the trust. Sometimes people so straitened must obtain assistance through government and welfare agencies.

The problems presented by these groups of human beings technically are not the business of the bank and its trust officers. Their job is to administer the trust competently so that the beneficiary receives a satisfactory return on the investment involved and to pay the client's bills in cases where that is also the bank's obligation.

But trust officers are human beings,

Morgan Guaranty Trust Company

OF NEW YORK

Consolidated statement of condition December 31, 1973

Assets	
Cash and due from banks	$ 6,065,432,530
U. S. Treasury securities	459,043,678
Obligations of U. S. government agencies	63,958,468
Obligations of states and political subdivisions	831,552,224
Other investment securities	345,406,651
Trading account securities	781,268,818
Federal funds sold and securities purchased under agreements to resell	87,025,000
Loans	10,470,338,951
Premises and equipment	89,206,083
Customers' acceptance liability	252,613,807
Other assets	860,806,296
Total assets	$20,306,652,506
Liabilities	
Demand deposits	$ 5,763,937,626
Time deposits	3,111,308,348
Deposits in foreign offices	6,492,031,677
Total deposits	15,367,277,651
Federal funds purchased and securities sold under agreements to repurchase	1,568,882,490
Other liabilities for borrowed money	750,980,169
Accrued taxes and expenses	274,328,232
Liability on acceptances	254,112,021
Dividend payable	19,190,000
Convertible debentures of a subsidiary (4¼%, due 1987)	50,000,000
Mortgage payable	16,155,353
Other liabilities	619,248,831
Total liabilities	$18,920,174,747
Reserve	
For possible loan losses	$ 171,110,960
Capital accounts	
Capital notes (6⅜%, due 1978)	$ 100,000,000
Capital notes (5%, due 1992)	91,000,000
Stockholder's equity:	
Capital stock, $25 par value (9,500,000 shares)	$ 237,500,000
Surplus	427,085,000
Undivided profits	359,781,799
Total stockholder's equity	1,024,366,799
Total liabilities, reserve, and capital accounts	$20,306,652,506

Assets carried at $1,779,941,408 in the above statement were pledged as collateral for borrowings, to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member, Federal Reserve System, Federal Deposit Insurance Corporation

New York *23 Wall Street, 522 Fifth Avenue at 44th Street, 616 Madison Avenue at 58th Street, 40 Rockefeller Plaza at 50th Street, 299 Park Avenue at 48th Street*

West Coast *Morgan Guaranty International Bank of San Francisco, 400 Montgomery Street, San Francisco, Ca. 94104*

Southwest *Morgan Guaranty International Bank of Houston, 1100 Milam Street, Houston, Texas 77002*

Abroad *London, Paris, Brussels, Antwerp, Frankfurt, Düsseldorf, Munich, Zurich, Milan and Rome (Banca Morgan Vonwiller), Tokyo, Nassau; Representative offices in Madrid, Beirut, Sydney, Hong Kong, São Paulo, Caracas*

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too. They know these problems exist. Yet they lack the time, the expertise and the experience in dealing with elderly people necessary to handle the problem satisfactorily.

Most important, they lack the time. For example, removing an elderly client from an apartment to a retirement or nursing home may take one person's time for the better part of a week. The aged client has a lifetime's accumulation of treasures and mementoes. The client must decide which pieces of precious furniture will be taken to the new home. (Both retirement and nursing homes permit their residents to bring some of their own furniture.) But first of all, the client must be led gently, but firmly, to face up to the fact that he or she is no longer able to care for himself or herself and must abandon familiar surroundings in order to go into a home where the necessary care and attention are available.

All too frequently, no relatives or friends remain alive who can or will assume this burden. It remains a problem which the trust officer must solve, yet it is hardly a trust department function.

So what does the trust officer do about it? Probably in many cases he devotes his own time to the problem or enlists the aid of his mother, wife or a mature daughter. In other words, the problem is solved by simple human charity. Yet none of these solutions is the best one. The problem requires the attention of a person who has the necessary knowledge of the difficulties of the aged and the knack to deal with them expertly.

Mercantile Trust, St. Louis, is reasonably sure it has found the answer in the person of a trained and experienced social worker, Jane Brown.

Her name sounds like a pseudonym (like Betty Crocker), but Jane Brown is a truly genuine person expressing more than one person's share of warm humanity. She obtained her BA at St. Louis County's Maryville College (now at a different location) and a master's in social work from St. Louis University. At Maryville her major was—of all subjects—mathematics, which certainly helps when you try to explain a bank statement to a confused woman in her 90s.

For 16 years after obtaining her master's degree, Miss Brown was a social worker. She was employed at the Edgewood Children's Center and later, for a longer period, at the Jewish Center for the Aged, both in St. Louis. She was also an instructor in her specialty (social case work, not mathematics) at St. Louis University.

"Much of my past experience," Miss Brown explained, "has been with the poor where social and emotional problems are complicated by financial ones. However, I have discovered that having money or someone to pay the bills is no cure-all. For instance, the poor elderly person blessed with a loving and caring family or friend is better off emotionally than the most affluent trust customer who finds himself alone in the world. Then there's the constant worry of many older people who do have sufficient funds that there will be another 1929 'crash.' They don't feel all that secure."

"In dealing with older people, who are frequently very suspicious, especially where their money is concerned, the first thing I try to do is to establish a basis for friendship. They must learn to trust me; I must gain their confidence. I help them in little ways. Although the bank did not intend that I should take on such chores, I have shopped for groceries for a person confined to her home. I have defrosted another woman's refrigerator. I have read letters to them they were unable to decipher. As I gained experience, I learned how to interpret the communications from Mercantile's trust department in terms they could understand."

Nonetheless, Miss Brown's chief duties as an employee of Mercantile's trust department are to do just the sort of things pointed out earlier.

An elderly person has been living alone in an apartment or dwelling, but no longer is able to care for herself. Miss Brown has gained the counseling expertise through experience that enables her to convince this person that it is time to move into a home where she can be cared for.

Another person is unable to understand the statement of account the trust department sends him at regular intervals. Miss Brown takes the time to go over the statement with him item by item so that he understands how his money is being dispersed.

Occasionally a person who finds it

Banks Develop Creative Social Services

Recognizing that one bank's services are pretty much like every other bank's services, more and more banks are turning to what might be termed "creative marketing" as a means of making their services a little different. This trend has become particularly noticeable to editors of MID-CONTINENT BANKER in the field of social services.

The accompanying article about Mercantile Trust, St. Louis, and that bank's Jane Brown plus three other innovations recently introduced by banks as far apart as New York City; North Little Rock, Ark.; and San Francisco, underline the direction this trend is taking.

First National City, New York City, has retained Miss Bess Myerson, former Commissioner of Consumer Affairs for New York City, who was Miss America in 1945, as its consumer affairs adviser. She will advise Citibank senior officers responsible for the bank's broad program of consumer services, said William I. Spencer, president.

She is now planning and designing new consumer services for the bank and improving existing ones. She will also work to clarify customer communications and improve handling of customer problems and complaints.

Bank of America, San Francisco, named James F. Langton senior vice president and assistant to the president in charge of social services.

"Our commitment to social services has to start at the top," commented A. W. Clausen, president. "By placing the social policy function in the office of the president, we feel we will strengthen this activity."

Mr. Langton was formerly senior vice president for public relations. He was succeeded by Robert E. Nichols, vice president for public information and editorial services. With the bank for 14 years, Mr. Langton headed public relations for 11 years.

Twin City Bank, North Little Rock, has introduced Autumn Age Banking, to provide exceptional benefits to citizens 60 years old or more. Mrs. Adeline Barker, assistant cashier, is coordinating the program.

Because banking is difficult for many senior citizens, the bank charters a bus to take residents of three high-rise apartment projects for senior citizens to Twin City Bank's Levy Office. The bus service operates on the first and third days of each month—the dates most residents of the complex receive social security and retirement checks. When all passengers complete their banking transactions, the bus returns them to their apartments.

Other benefits available to senior citizens at Twin City Bank are no-service-charge checking accounts, free postpaid banking by mail, government and insurance checks deposited automatically, free money management counselling, no-service-charge money orders, free one-line-name checks and free handling of utility payments.

Consolidated Statement of Condition, December 31, 1973

DETROITBANK CORPORATION

ASSETS	
Cash and Due from Banks	$ 279,821,921
United States Treasury Securities	302,740,795
United States Government Agency Securities	40,408,047
State and Municipal Securities	415,252,683
Other Securities	9,259,447
Trading Securities	67,963,643
Total Securities	835,624,615
Federal Funds Sold and Securities Purchased Under Agreements to Resell	38,000,000
Commercial and Consumer Loans	1,027,195,579
Real Estate Mortgage Loans	665,414,808
Total Loans	1,692,610,387
Premises and Equipment	28,528,494
Accrued Income Receivable and Other Assets	34,090,096
TOTAL	$2,908,675,513

LIABILITIES	
Demand Deposits	$ 813,896,812
Savings and Personal Time Deposits	1,288,486,550
Other Time Deposits	237,537,604
Total Deposits	2,339,920,966
Funds Borrowed	300,330,840
Unearned Income	18,994,734
Accrued Expenses and Other Liabilities	41,425,107
Total Liabilities	2,700,671,647

RESERVE	
Reserve for Loan Losses	26,733,074

CAPITAL ACCOUNTS

	1973	1972	
Preferred Stock—No par value			—
Authorized	500,000	—	
Issued	—	—	
Common Stock—$10 par value			33,704,830
Authorized	4,500,000	3,064,170	
Issued	3,370,483	3,064,170	
Capital Surplus			125,000,000
Retained Earnings			26,165,079
			184,869,909
Less: Treasury Stock—93,668 shares at cost			3,599,117
Total Capital			181,270,792
TOTAL			$2,908,675,513

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Chrysler Corporation

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On December 31, 1973, securities having a par value of $125,632,000 were pledged where permitted or required by law to secure liabilities and public and other deposits totaling $106,864,649 including deposits of the State of Michigan of $5,534,399.

difficult to maintain her checking account accurately becomes afraid that her account is overdrawn and that the checks she has mailed as gifts will "bounce." Miss Brown provides the reassurance that makes the client realize the trust department is going to make certain her checks are honored.

A specific case was that of an elderly woman who finally realized that she must enter a nursing home, but insisted that the home be in Texas. Reason: She had relatives in Texas. Miss Brown conferred with two nieces; they made arrangements for their aunt to enter a nursing home there; and one of them came to St. Louis to escort the aunt south.

But principally, Miss Brown's work consists in going out to see the elderly clients of the bank to make sure they are reasonably comfortable and are receiving care of the quality to which they are entitled and for which their trusts are paying. In many cases, her visits are just to chat with them and to listen to their stories of the old days —and, of course, to their complaints. In other words, her objective is to show that someone does care.

How did the bank contact Miss Brown? It didn't. Miss Brown contacted the bank and succeeded in selling the idea to its trust department that she had a service to offer that the bank would do well to buy.

It came about because the Jewish Center for the Aged found itself pressed for operating funds. The center had to cut its social worker staff from three persons to one. The center wanted to keep Miss Brown, but its director wanted her to do administrative work.

"That was not for me," Miss Brown explained. "I like to work directly with people. Through my personal contacts with elderly people with some degree of means, I had come to see the problem they presented to the trust department of a bank. So I decided to find out if I could create a job for myself with a bank. I figured I might just as well start at the top, so I wrote Mercantile Trust (St. Louis' largest bank), was invited to come in for an interview and on March 1, 1973, I went to work."

During the period of close to a year, during which she has personified Mercantile Trust to the bank's elderly clients, Miss Brown has handled about 70 cases, of which 45 remain active. On occasion, the commercial banking department has used her services to untie some of its knotty problems with aged customers.

The most heart-rending—and at the same time the most heart-warming—of the cases Miss Brown handles are those of the retarded people who have outlived their close kin.

"I visited one retarded person, probably in her 50s, who had been in a nursing home for years. She was able to care for herself and had made friends in the home, but it had been years since anyone had come to visit her. My visit was a major event in her bleak life. What's more, she got a big bang out of the fact that the women who shared her quarters kept commenting to her and spreading the word around the home: 'Mary has a visitor; Mary has a visitor.' It made everyone who learned about the visit feel good because Mary was well liked and the absence of visitors had been talked about."

But a bank is not a charitable institution. Does the work Miss Brown performs pay off at the box office, as it were?

"The answer is a definite 'yes,'" said Jesse Bristow, administrative vice president in the trust department, to whom Miss Brown reports. "We are enthusiastic about what she has done for us. She has taken jobs off the hands of trust officers for which they were ill equipped. She has done work that we felt we should be doing, but knew we were either not doing or were doing inefficiently.

"For example, every trust department has elderly clients who make a practice of phoning the trust officer servicing their accounts at regular intervals, sometimes several times a day, for no real reason. The old man or woman just wants someone to talk to. Miss Brown has taken that burden off our trust officers' shoulders. She goes out and sees such people and visits with them.

"Tangible returns have been few, but I have no doubt that the program personified by Jane Brown makes for extremely good public relations. Well-to-do people—and in most cases these are the people who set up trusts—associate with well-to-do people. They are bound to spread the word that Mercantile Trust is doing something extra for its trust clients. Such publicity will certainly make friends for Mercantile, and probably create trust business."

Mr. Bristow offered one caution. To set up a program similar to that of Mercantile Trust's, a bank cannot go out and hire just any social worker.

"The bank must find a trained social worker who has had broad experience with the elderly, whether they have funds or not. To emphasize what I mean, Miss Brown knows every nursing home in the St. Louis area. She knows their rates, their standards of care and if they deliver on their prom-

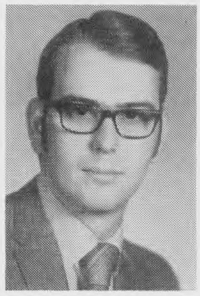
ises. She knows how to get every possible penny out of Medicare to assist a hospitalized client. When necessary, she knows where to go and how to get action from welfare agencies, both public and private."

Mercantile's Jane may have been born Miss Brown, but she is proving to be "Miss Gem"! • •

International City, New Orleans, Elects Two, Promotes Three

NEW ORLEANS—A. J. Hingle and Frederic Cantrelle have been elected vice presidents at International City Bank.

New assistant vice presidents include Mrs. Phyllis Toledano Martinez, Otis Durel and Lloyd C. Hoffman Jr.


HINGLE


CANTRELLE

New Real Estate Fund Formed by FNB, Chicago

CHICAGO—First National has announced the formation of a new real estate fund for pension and profit sharing trusts. Fund "F" consists of real estate assets wholly owned by the fund.

The fund owns $14.5 million in assets. Initial investments in the commingled fund have come from various corporate pension trusts, all clients of the bank, but any qualified pension or profit sharing trust may participate.

The immediate cash yield on developed properties purchased to date is in the 9½% to 10% range. In addition to a basic account charge, the cost to a pension trust is an annual fee of 1.2% applied only to the value of the fund's real estate assets.

Two Senior Vice Presidents Named at FNB, Little Rock

LITTLE ROCK—Larry Griffin and Bob Thomason have been promoted to senior vice presidents at First National. Both were formerly vice presidents.

Timothy A. Autrey, Joseph B. Ford and Stephen W. Plunkett were promoted to vice presidents and Dorothy S. Becton, Graham B. Dobbins, Todd Jurgens, Phyllis C. Perry, James D. Selman and Roy Sternhagen were named assistant vice presidents.

Banking Scene

(Continued from page 6)

17% to 20% of the amount of the loan would need to be amortized about once a year. However, since these loans are made at interest rates that are from 1%, 2%, 3% or even 4% higher than the bank's best loan rate, it is unlikely that the bank's earnings related to its dividends would be able to effect that type of an amortization schedule without extremely high and abnormal earnings.

Furthermore, the typical regional correspondent bank is reluctant to provide this service, except for its better correspondent country cousins. On the other hand, the city correspondent will typically be more amenable to purchasing capital notes and debentures of country respondent banks and this, in turn, has some pervasive arguments favoring it from the stockholder's point of view.

The bank regulatory agencies are less sympathetic to the idea, although the objection appears to be somewhat less from the Comptroller of the Currency's point of view than from that of some of the other federal regulatory bodies. Since capital notes may be amortized over a 10- to 15-year period, or from 10% to 7.5% annually, and the cost of the capital to the respondent bank is deductible before taxes, this plan certainly makes for a lower cost to the stockholders.

A Complex Situation

The whole question of capital needs and capital adequacy is made complex by the differing stances of the various regulatory agencies. The changing attitude of bankers toward infusion of debt capital, the diminished cushion of capital of banks—be it debt or equity related to the vast growth of their totals—all of these things point up the need for each bank to delegate to a senior officer the responsibility for staying on top of the problem. Too often it is only after a letter from a bank supervisor strongly suggesting increased capital, that a bank thinks of responding.

The purpose of this column is to suggest that the prudent bank take steps to examine all the alternatives and trade-offs in light of the bank's current position before such a letter is received. • •

James Jones Is Director Of Directors' Assembly

NEW ORLEANS—James H. Jones, chairman and CEO at First National Bank of Commerce here, has been named director of the 19th Assembly for Bank Directors, to be held in this city March 22-25 at the Fairmont-Roosevelt Hotel. Enrollment is limited to 250 participants.


JONES

Among the 42 faculty members of the Assembly who have not served previously are these from Louisiana: Arthur Broussard, chairman and president, Guaranty Bank, Lafayette, and president, Louisiana Bankers Association; Robert I. Didier Jr., executive vice president, Louisiana Bankers Association; Hugh J. Hansen, president, Pioneer Bank, Shreveport; J. Ed Pierson, president, City Bank, Natchitoches; and Warren H. Wild, president, First Guaranty Bank, Hammond.

Also new to the faculty are Robert Y. Empie, president, Stock Yards Bank, Oklahoma City, and Paul M. Horvitz, director of research, FDIC, Washington, D. C.

Acquisition of Bank in Memphis By Nashville HC OKd by Fed

NASHVILLE—The Fed has approved an application by First Amtenn Corp. to acquire City National, Memphis, a proposed new bank.

In its order granting approval, the Fed found that the proposed acquisition would not violate Tennessee's branch banking law. Two Memphis banks had objected to the proposal on these grounds

Opening of the new bank and its acquisition by the HC are still blocked by pending lawsuits filed by the two objecting Memphis banks. The lawsuits are presently expected to be tried in Chancery Court in Memphis in early April.

A suit is pending in Federal District Court against the Comptroller of the Currency seeking to block his issuance of a charter for the new bank. The Comptroller granted a preliminary charter last May, following a public hearing at the request of the two objecting banks.

Three Staff Changes Announced At Indiana National Bank & HC

INDIANAPOLIS—Indiana National and its parent, Indiana National Corp., have announced some staff changes, including the election of Frank J. Hurley as controller of the bank and treasurer of the HC. He had been vice president and auditor of the bank and auditor of the holding company.

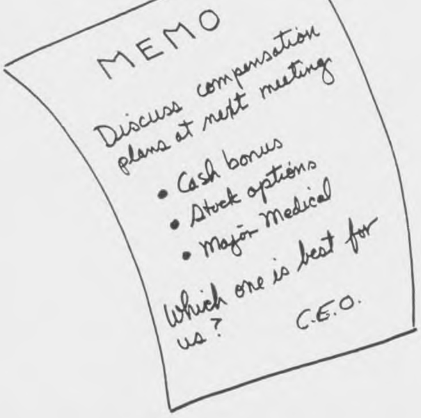

HURLEY

Robert H. Kohrs has joined the bank as vice president and head of the international division. He was vice president, Asia banking group, Chase Manhattan Bank, New York City.

Donald V. Gootee has been named an Indiana National Bank vice president and director of its Tower Advertising Agency. With the bank more than 18 years, Mr. Gootee had been assistant vice president and marketing director of Tower Advertising.

Bank Honors CLUs

First National, Fort Worth, honored new chartered life underwriters with a luncheon in its executive dining room, and a highlight was the presentation of caricatures of the honorees. Shown with a display of the drawings—done by Harold Maples, Fort Worth "Star-Telegram" artist—are Larry Willcoxon (l.), trust officer of the bank, and Luther Scarborough Jr., CLU. Mr. Maples presented the caricatures to each new CLU during the luncheon.



Executive Compensation Plans Abound: Which Is Best for Your Bank?

Banks can take their pick of compensation plans, from cold cash to stock options to country club memberships.

By JIM FABIAN
Associate Editor

WHAT IS the best way to reward key personnel? This is a question many bankers are thinking about at this time of year. There was a time when promotions and salary increases were adequate to keep top management staffs stable, but that concept went out years ago.

Following are a few of the most popular executive compensation plans currently enjoying popularity.

• Cash compensation is the trend-setter today. Money that is received with no strings attached can be spent or invested immediately. This form of compensation is preferred over stock option plans and deferred pay, the latter being eroded by inflation, the former suffering from the malaise that has the stock market in its grip.

There are limits, however, on how much cash an executive can receive, since the Cost of Living Council has placed top executives in a separate control group and called for a 5½% maximum on pay hikes. In order for one executive to receive more than 5½%, another must receive less than that figure.

• Year-end bonuses of from 30% to 50% of salaries are typically offered executives in cash or stock. Such bonuses rank second in favor after cold cash. At least 25% more large firms are offering this type of compensation today than did five years ago. The increase has been especially noticeable among banks and insurance firms.

These bonuses are taxed as though they were cash, even if the payment is in stock. The 50% maximum on earned income applies as far as tax is concerned.

• Nonqualified stock options are next in line in popularity. These options can be set at any price, but usually are pegged at the current market. The options can be exercised at any time during the following 10 years, as contrasted to five-year limits for qualified stock options. The shares can be sold after six months, compared with a three-year waiting period for qualified option plans. It is possible to exercise a new option while an old one is outstanding, regardless of price. This cannot be done with a qualified plan.

Despite today's weak stock market, the 10-year life and the ability to sell shares quickly makes this plan popular with executives. The principal drawback is that if an insider sells his shares in less than six months he forfeits all profit.

Paper profit when the option is exercised is taxed at the 50% maximum earned-income rate. The capital gains tax applies if the shares are held for longer than six months.

• Performance shares are another form of compensation. The firm sets a performance target to be reached during the term of the plan—up to five years. If the target is met, a payout of 50% in stock and 50% in cash is made. The recipient makes no investment.

These plans are not widespread yet, but are expected to become a popular method of compensation, especially if the Cost of Living Council is abolished this year, as predicted.

Taxwise, the 50% earned-income rate applies to performance shares, with the lower capital gains tax paid on any subsequent sale of paid-out shares.

• Major medical insurance has become popular due to zooming medical costs. The firm pays for coverage that

takes care of virtually everything medical, usually with a first-dollar payout and no deductible. There is no tax involved with this type of compensation.

- Prestige compensation takes in a company-paid auto, free garage parking, membership at a country club and an array of other fringe benefits. This type of compensation is designed to appeal to those desiring status more than money.

Variations of the above plans as well as completely original plans are abundant. A bank in Florida recently formulated an overall plan for employee compensation, consisting of four phases—some not yet implemented.

Phase one involves the payment of adequate and competitive salaries to all personnel. The bank depends on its officer staff to keep its salary schedule up to date.

A year-end profit-sharing bonus was developed as the second phase—and key point—in the plan. It consists of 5%, before taxes, of the bank's earnings which is distributed among all employees. Approximately 80% of the bonus goes to the officer staff, with 20% going to other employees. The amount of the earnings earmarked for this bonus is subject to review annually.

A long-term estate building stock option plan is being developed as the third phase that will encourage officers to remain with the bank throughout their working years. The options will be offered only to senior management and will, over the years, result in a substantial estate.

The fourth phase involves employee stock ownership. Plans are being made to offer employees limited amounts of stock at a 15% discount from the market price, including officers below the senior level. Employees must have two years of service with the bank and must purchase a minimum of 10 shares with a maximum limit of one share per $500 of annual salary.

Although the last two phases of this bank's compensation plan have not had time to prove themselves, the bank's management expects the entire plan to be extremely popular with its officers and employees.

Although qualified stock option plans seem to be taking a beating, they are by no means out of the picture. A bank in Missouri has just completed its second such plan, resulting in every bank employee holding stock in the bank.

Each time the five-year plans were opened, the bank allotted new stock sufficient to increase its capital 10%.

The plans were designed to attract and hold key personnel and they were extremely successful, according to a spokesman. Officers have been known to spurn attractive offers from other banks because of the increasing value of their stock holdings. They simply couldn't afford to switch banks, the spokesman said.

The plans are not without their problems, however. While bank stock is most desired by senior management, it is difficult to swing financially, the spokesman said. No one wants to borrow heavily to pay for his new stock, especially at the high interest rates currently being levied.

Also, as a stockholder builds his holdings, he begins to wonder what will happen to the stock when he dies. Will it be divided among his heirs—many of whom will be residing out of the bank's area—thus diluting the "home-owned" control of the bank?

The principal advantage of a qualified stock option plan is that it permits bank personnel to become involved in the bank through stock purchase. It is often difficult to buy one's way into a closely held bank. The stock option plan provides a means to bring newcomers into ownership ranks without forcing existing stockholders to give up any of their stock so it can be shared with the newcomers.

The Missouri bank is currently not

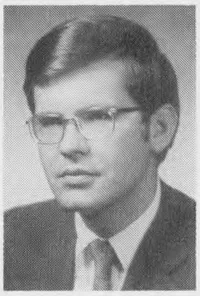
offering a stock option plan, primarily because all key personnel have become shareholders. Thus, until the bank decides to reopen its plan, it is searching for some other, less-restrictive, mode of offering executive compensation. A retained profit-sharing plan is expected to be formulated that will eliminate the need for employees to go into debt to build their estates, a factor that is considered extremely important in medium- and small-size banks.

The times are demanding that bankers come up with imaginative compensation plans that benefit all employees as well as a chosen few. Experience has proved that a well thought-out plan can be extremely effective in attracting and retaining key personnel. • •

Whitney National, New Orleans, Names Three Vice Presidents

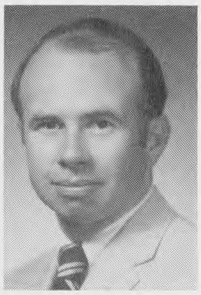
NEW ORLEANS—Paul Hogan III, Charles N. Monsted III and Franklin S. Pettingill have been named vice presidents by Whitney National.

New assistant cashiers include John E. Alexander Jr., Margaret K. Cummins, Harold W. Donnelly Jr., William H. Drumm III, James E. Ethridge, Carol E. Keith, Johnny L. Kidder, Claude A. Tucker Jr. and Claude L. Ward.



HOGAN

PETTINGILL

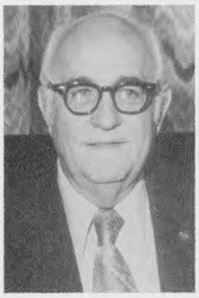


MONSTED

Mr. Hogan joined the bank in 1965, Mr. Monsted in 1969 and Mr. Pettingill in 1947. All three were formerly assistant vice presidents.

Crews Named Vice Chairman Of Frost National Bank

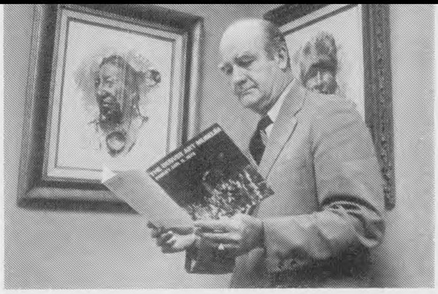
SAN ANTONIO—Clyde C. Crews has moved up from executive vice president to vice chairman, Frost National. R. E. Fawcett Jr., formerly senior vice president, was made executive vice president.



CREWS

FAWCETT

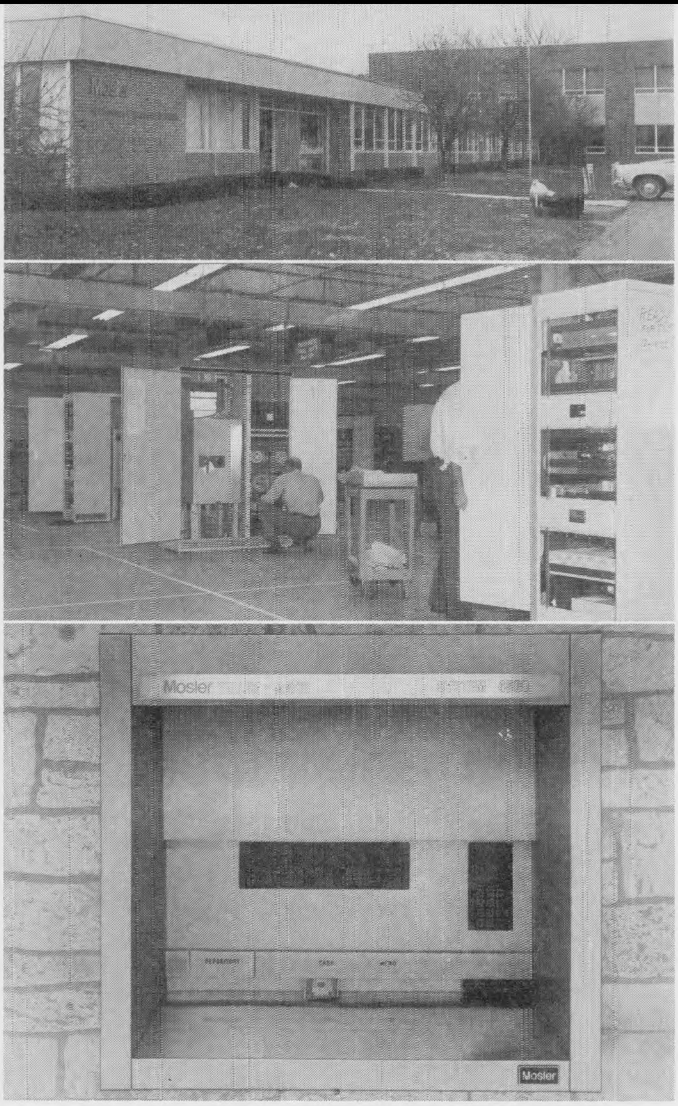
Mr. Crews, with the bank since 1957, is the third person to be the bank's vice chairman. He previously directed the bank's asset management group. Mr. Fawcett, also with the bank since 1957, was appointed to the management committee and head of the banking group in 1973.



Bank Co-Sponsors Art Show

"Picturesque Images From Taos and Santa Fe," an art exhibit covering trends from the turn of the century to 1960, is being presented at the Denver Art Museum in cooperation with First National, Denver. Above, Theodore D. Brown, bank president, reviews brochure of exhibit, with two works of art in background.

Automatic Teller Units Are Being Manufactured By New Mosler Division



TOP: Headquarters of Mosler's new Teller-Matic Systems Division in Milford, O., includes 55,000 square feet of manufacturing and high technology engineering and office space. MIDDLE: Production line of Mosler's Teller-Matic Systems Division facility. An output of 3,000 units per year is possible at the plant with no increase in floor space. BOTTOM: Mosler's Teller-Matic Model 4000, made at the new division, is described as an automatic self-service banking system that performs more than 90% of all banking transactions without the presence of a bank employee. Units are usually mounted on exterior walls of bank buildings and feature vandal guard panels that conceal keyboards when units are not in operation.

Lewis B. Mustain (r.), general manager of Mosler's Teller-Matic Systems Division, receives IR-100 award from Industrial Research Magazine Publisher Tim Burkholder. The award cited the Teller-Matic System as one of the 100 best technological developments of 1973.

A NEW division of Mosler has been formed that is responsible for the manufacture, sale and installation of automatic bank teller equipment and cash dispensers.

Known as the Teller-Matic Systems Division, the new operation is headquartered in existing Mosler facilities at Milford, O.

According to Lewis B. Mustain, general manager of the division, Mosler's Teller-Matic units enable bank customers to transact more than 90% of their bank business at any time of the day or night automatically.

Standard bank charge cards are the key to the Teller-Matic operation, Mr. Mustain said at the division's official opening last month. "With simple identification coding," he said, "the user inserts the card into the machine and within seconds can withdraw cash, make deposits or transfer funds from one account to another."

Teller-Matic units are usually installed on exterior walls of bank buildings or may be built as drive-in units remote from the bank, he said.

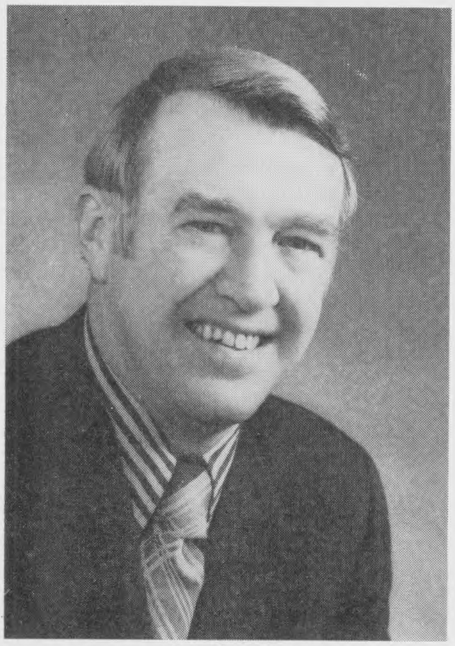
Tracing the original concept of cash dispensers to England in 1965, Mr. Mustain said the primary reason for the machine was to eliminate Saturday banking hours, thus reducing operating costs. Within two years, Saturday banking hours had been successfully eliminated in England.

About the same time the British were experimenting with the cash dispenser idea, Mosler was engaged in a study of what the U. S. market expected in the way of automatic banking, Mr. Mustain said. But by the time a cash dispensing unit had been prepared by Mosler, he said, bankers had changed their concepts and demanded a machine that would be capable of handling more transactions than just cash dispensing.

According to Mr. Mustain, Mosler responded to this "about face" and began development of its Teller-Matic 4000 machine. The first unit was exhibited along with a cash dispenser in September 1971.

In 1972 the Teller-Matic group was relocated from the firm's Research and Development Center in Fairfield, O., to Milford, where production models were produced.

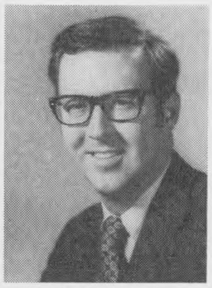
The new Teller-Matic Systems Division is one of several Mosler divisions. • •



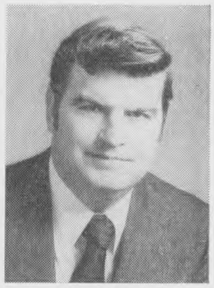
Don Thomason
Senior Vice President

E.L. Burch
Vice President

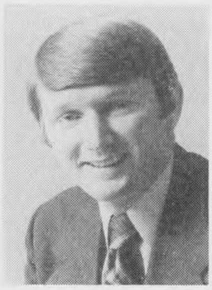
Jack Beets
Kansas



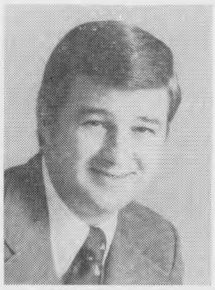
Ben Adams
Missouri



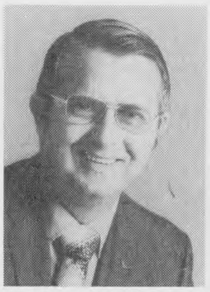
Jack House
Iowa



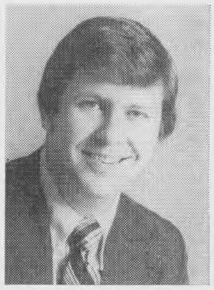
John Kreighbaum
Texas-Oklahoma



Paul Libbert
Missouri



Verne Schweder
Kansas City Metropolitan



Phil Straight
Nebraska-Colorado

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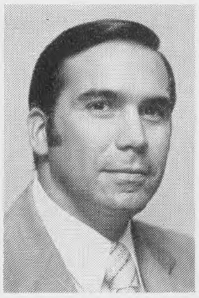
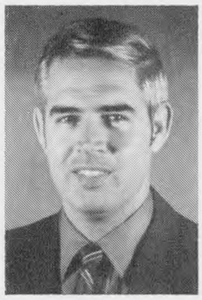
He can help you do wonders to improve your state of banking.

united missouri bank of kansas city, n.a.

Mississippi Junior Bankers To Hold Study Conference, Convention March 13-16

The 1974 Study Conference and Convention of the Junior Bankers Section of the Mississippi Bankers Association will convene March 13 and continue through March 16 at the University of Southern Mississippi campus at Hattiesburg and the Buena Vista Hotel in Biloxi.


MALLORY


ALEXANDER

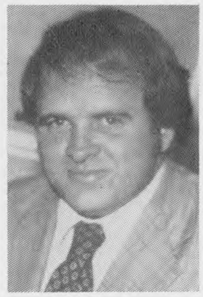
Study Conference topics include "Personnel Relations for Small Banks," "Bank Management for Small Banks," "Handling Credit Inquiries" and "Fundamentals of Establishing and Administering a Trust Department for Small Banks."

Workshops covering marketing, installment lending and bank operations will also be a part of the program.

Speakers include Leo W. Seal Jr., president, Mississippi Bankers Association, and president, Hancock Bank Gulfport; Eugene Leonard, first vice president, Federal Reserve Bank of St. Louis; Nat S. Rogers, president, First City National, Houston; and Evan Davis, executive vice president and trust officer, National Bank of Commerce, Jackson, Tenn.

Delegates will travel to Biloxi on Friday, March 15, for the convention portion of the meeting.


HARPER


BRYAN

Junior Bankers officers include Lewis F. Mallory, executive vice president and trust officer, Peoples Bank, Starkville—president; Robert Alexander, vice president, Commercial National, Greenville—vice president; Bobby Harper, vice president, National Bank of Commerce, Columbus—treasurer; and John Bryan, assistant vice president, Mississippi Bank, Jackson—secretary.

Mr. Mallory joined Peoples Bank, Starkville, in 1965 as a member of the bank's officer trainee program. He advanced through various offices to his present position. He serves on the bank's board and its executive committee.

Mr. Alexander joined Commercial National, Greenville, in 1962 as assistant cashier and became assistant vice president in 1966 and vice president in 1971.

Mr. Harper joined National Bank of Commerce, Columbus, in 1966 as assistant cashier and was promoted to vice president in 1968. He had previously been with Grenada Trust from 1964 to 1966.

Mr. Bryan is in the correspondent bank department of Mississippi Bank, Jackson. He was elected assistant vice president in 1969 after serving as assistant cashier. He joined the bank in 1966.

■ BIRMINGHAM TRUST NATIONAL has promoted Mrs. Elizabeth Eshelman and James Sutherland to vice presidents-trust officers and Charles Picard, Neal Welch, Sarah Adams, Jim Pearson, Morris Benners, Bill Morton and Agnes Myers to assistant cashiers.

Budding Picassos?

Banks Garner Attention With Art Contests For Local Students

School children in Houston, Chicago and Nashville are more conscious of banks in their neighborhoods (as are their teachers and parents), thanks to recent art contests sponsored by a bank in each of the cities.

Inwood Commerce Bank, Houston, sponsored a contest among young students, asking them to draw pictures of a friendly bank. The bank launched the contest in connection with its grand opening. Forms were furnished upon which children executed their impressions. The pictures were displayed in the bank during the opening.

More than 260 entries were submitted by children aged four to 12 and the grand prize winner received a $100 savings account. A special award was made to the artist who selected Inwood as the most friendly bank!

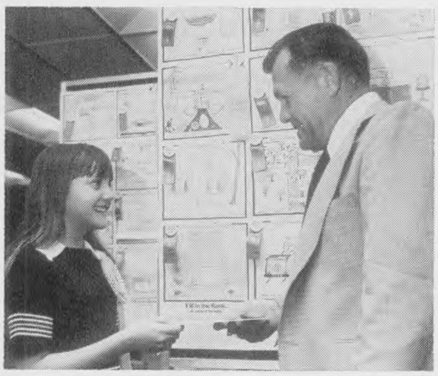
State Bank of Clearing, Chicago, held an art contest in connection with its 60th anniversary. Students from fifth through eighth grades of local elementary schools were asked to illustrate those things they liked most about their neighborhoods.

According to Paul Bere, chairman and president, contestants showed astuteness in recognizing those things about the community that have made it a good place to live. First prize was a $50 savings bond. The bank also awarded $25 gifts to all participating schools.

Christmas art decorated the walls of a branch of First American, Nashville, over the recent holidays. Since the branch was set for a post-holiday paint job, officials decided to ask high school art students to decorate the walls for the holidays. A squad of students, armed with ladders, brushes and lots of paint, transformed the drab building into a festive one.

The gay decor eliminated the need for traditional holiday decorating, so the bank didn't have to kill a single Christmas tree or burn a single Christmas light bulb.

Art students are shown at work decorating walls of branch of First American National, Nashville, prior to recent holidays. Somber walls were transformed, causing considerable comment. Walls were painted over in January.



Winner of art contest sponsored by Inwood Commerce Bank, Houston, receives $100 savings account from bank Chairman Richard G. Honea. In background is sample of 262 entries.

■ ROGER D. MOORE has been named vice president and chief accounting officer, Central Bancshares of the South, Inc., Birmingham. He was a supervisor for Peat, Marwick, Mitchell & Co. and a manager for Dent, Baker and McDowell in Birmingham.

Mrs. Mary Rotola, United Bank personal banking officer, listens to animated conversation of one of her customers. Such conversations often result in opportunities for selling additional bank services.

PERSONAL BANKING—
The Best Way to Serve a Customer's Total Needs

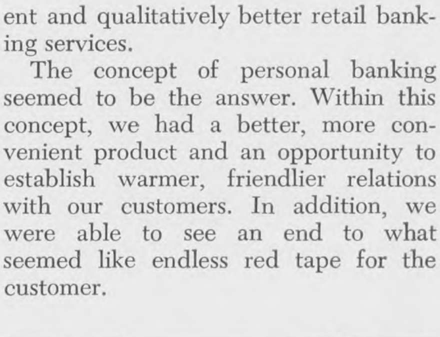
By RICHARD A. KIRK, Senior Vice President, United Bank of Denver

MORE THAN four years ago United Bank of Denver broke almost every rule known to bank organization.

While many banks were still "married" to the traditional departmental separation of checking, savings, installment loans, new accounts and special services, we decided in the early planning stages to forget product departments. Instead, we chose to organize ourselves around our customers. In 1969, we created "personal banking."

Through various marketing surveys we learned several important facts about our customers' banking habits and attitudes. First, banking is not a high point in the life of a customer. Second, bank relationships often are developed in much the same way as are relationships with service stations or barber shops. That is, most banks are felt to offer about the same thing. Further, we learned that banks are distinguished mainly by two factors—location and the degree of personal attention given the customer. It was clear to us that if we were to compete successfully with suburban banks we would have to offer significantly different and qualitatively better retail banking services.

The concept of personal banking seemed to be the answer. Within this concept, we had a better, more convenient product and an opportunity to establish warmer, friendlier relations with our customers. In addition, we were able to see an end to what seemed like endless red tape for the customer.



Discussing United Bank's personal banking concept are (from l.) Herbert I. Lee, v.p.; Richard A. Kirk, sr. v.p. and author of this article; and R. Haydn Silleck, personal banking officer and mgr., sales and product development for bank.

In essence, we set out to create a new breed of banker—one capable of handling all the retail services our bank offered. Our personal bankers were to have the ability to serve a customer professionally and totally from the moment he walked into the lobby to open an account.

It is the personal banker's responsibility to generate account relationships and maintain them from a profit and service standpoint. He must understand not only sales, but also deposit rules and regulations, credit, personal trust services, money management and budgeting. Because it is also his responsibility to resolve problems, he needs a thorough understanding of how his job interfaces with our operational and data processing staff.

With product departments discarded and personal banking in place—at least on a conceptual plane—we proceeded to trouble-shoot the concept. It sounded good but, as is the case with any new service, there were bound to be some difficult hurdles to overcome.

Needless to say, costs were an initial concern. How much was this dream

NATIONAL DETROIT CORPORATION

Parent Company of
NATIONAL BANK OF DETROIT

CONSOLIDATED BALANCE SHEET—December 31, 1973

ASSETS

Cash and Due from Banks (including Time Deposits of $747,550,237)		$2,003,159,218
Securities—At Amortized Cost:		
U.S. Treasury		516,073,889
States and Political Subdivisions		680,419,023
Other Securities		41,491,006
		1,237,983,918
Federal Funds Sold		17,150,000
Loans:		
Commercial and Consumer		2,471,488,459
Real Estate Mortgage		839,789,970
		3,311,278,429
Bank Premises and Equipment (at cost less accumulated depreciation of $29,537,777)		51,144,611
Other Assets		91,044,420
Total Assets		$6,711,760,596
LIABILITIES, RESERVE AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand		$1,901,897,859
Certified and Other Official Checks		385,305,775
Individual Savings and Time		1,776,164,755
Other Savings and Time		486,913,940
Foreign Offices		872,853,152
		5,423,135,481
Other Liabilities:		
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	$655,464,777	
Capital Notes (6⅞% due 1979)	50,000,000	
Convertible Capital Notes (5% due 1993)	50,000,000	
Unearned Income and Sundry Liabilities	114,157,417	869,622,194
Total Liabilities		6,292,757,675
Reserve for Possible Loan Losses		59,179,158
Shareholders' Equity:		
Preferred Stock—No Par Value	—	
No. of Shares: Authorized 1,000,000; Issued —		
Common Stock—Par Value $12.50	75,000,000	
No. of Shares: Authorized 10,000,000; Issued 6,000,000		
Capital Surplus	175,000,000	
Retained Earnings	112,141,106	
Less: Treasury Stock—51,404 Common Shares, at Cost	(2,317,343)	359,823,763
Total Liabilities, Reserve and Shareholders' Equity		$6,711,760,596

Assets carried at approximately $503,000,000 (including U.S. Treasury Securities carried at $21,000,000) were pledged at December 31, 1973, to secure public deposits (including deposits of $59,031,658 of the Treasurer, State of Michigan) and for other purposes required by law.

BOARD OF DIRECTORS

A. H. Aymond
Chairman and President—Consumers Power Company

Henry T. Bodman
Former Chairman—National Bank of Detroit

Ivor Bryn
Former Chairman—McLouth Steel Corporation

Harry B. Cunningham
Honorary Chairman and Member of the Executive and Finance Committees—S. S. Kresge Company

William M. Day
Former Chairman—The Michigan Bell Telephone Company

David K. Easlick
President—The Michigan Bell Telephone Company

Charles T. Fisher III
President

A. P. Fontaine
Director and Chairman of Finance and Executive Committees—The Bendix Corporation

Robert W. Hartwell
Executive Vice President—Finance—The Detroit Edison Company

Joseph L. Hudson, Jr.
Chairman—The J. L. Hudson Company
Vice Chairman—Dayton Hudson Corporation

Ralph T. McElvenny
Former Chairman—American Natural Gas Company

Don T. McKone
Executive Vice President—Libbey-Owens-Ford Company

Ellis B. Merry
Former Chairman—National Bank of Detroit

F. W. Misch
Former Vice President—Finance—Chrysler Corporation

Peter J. Monaghan
Monaghan, Campbell, LoPrete & McDonald

George E. Parker, Jr.
Former President—National Bank of Detroit

George Russell
Former Vice Chairman—General Motors Corporation

Robert B. Semple
Chairman—BASF Wyandotte Corporation

Nate S. Shapero
Honorary Chairman and Director and Chairman of Executive Committee—Cunningham Drug Stores, Inc.

Austin Smith, M.D.
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George A. Stinson
Chairman and President—National Steel Corporation

Peter W. Stroh
President—The Stroh Brewery Company

John C. Suerth
Chairman—Gerber Products Company

Robert M. Surdam
Chairman of the Board

Norman B. Weston
Vice Chairman of the Board

going to cost and where would the costs be incurred? Time was a great expense; planning time especially. It was only after the two-year planning phase for the service itself that we started the next order of business: facilities and human resource planning.

The immense expenditure of time for planning was nearly equalled by the expense of time and money necessary to train personal bankers and their support staff. Training itself was a departure from tradition.

Rather than simply train our personal bankers to handle the mechanics of more than 40 services, we introduced them instead to a new approach to selling services and trained them in the dynamics of interpersonal relations. Because the original concept would need continual improvement to bring it closer to its envisioned reality, training in the role of complete financial counselor was viewed from the beginning as a fixed expense for the lifetime of the program.

Another challenge we continually face with the program is the great necessity for patience and understanding. Personal banking, through its emphasis on the interpersonal aspects of customer relationships, requires a tolerance for human error. Additionally, because of the increased level of customer access, we must be highly attentive and responsive to criticism and customer feedback. No longer can we send a customer to a complaints desk. The personal banker must face his shortcomings, as well as his successes, head on.

Despite these obstacles, we have realized exciting opportunities through personal banking. Our opportunity for product cross-selling has reached a level which would have been impossible without the concept. We have also been able to enrich our personal bankers' jobs and most importantly, we have established an environment more conducive to a close, productive relationship with the customer.

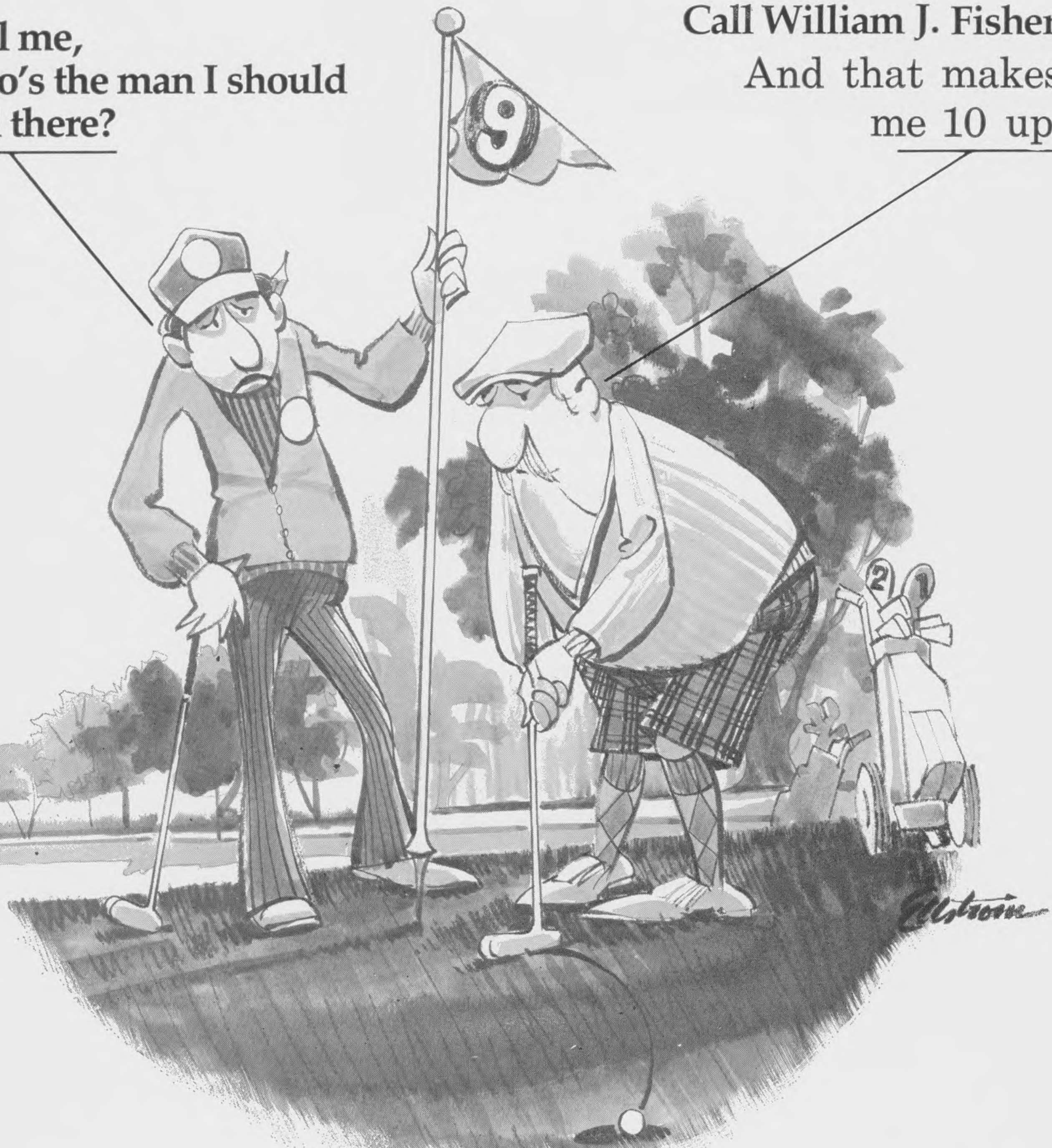
Now that we are well into our fourth year with personal banking, we assess this pioneer retail banking program as a worthwhile effort. We are deeply committed to its continuance and improvement. It will never be a perfect endeavor. We will always live with our original questions: Is personal banking significantly different from a marketing perspective? Is it qualitatively better from the customer's perspective?

One outgrowth of personal banking has been executive banking. Recognizing that the needs of executives and professionals may differ from those of the average customer, we established

J.B., I hear that the correspondent people at the First National Bank of Kansas City are first class. Your bank uses them, J.B.

Tell me, who's the man I should call there?

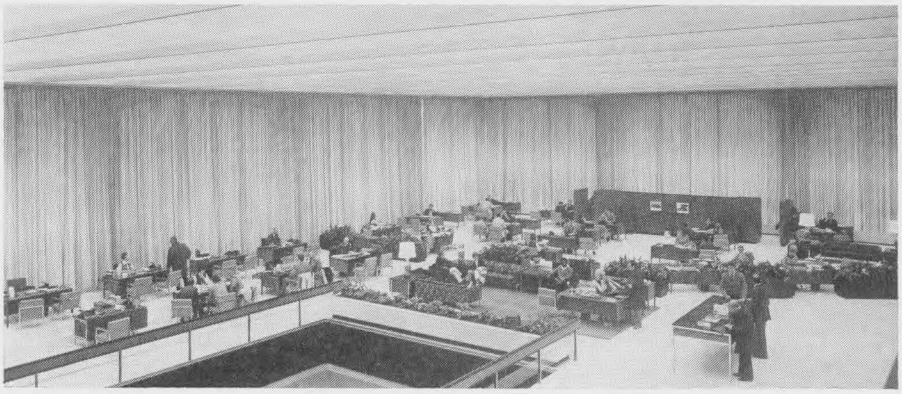
Call William J. Fisher. And that makes me 10 up.



FIRST NATIONAL BANK
of Kansas City, Missouri

Call William J. Fisher. (816) 221-2800
Correspondent Division, P. O. Box 38 Kansas City, Missouri 64141

Personal Banking Center at First of Dallas



Almost 30 personal bankers man the recently opened personal banking center at First National, Dallas. The center, located in the southeast portion of the main banking lobby, has been dubbed a "bank within a bank" because it eliminates the necessity of customers having to deal with several departments. Personal bankers assist in opening checking and savings accounts, purchasing CDs, securing personal loans, applying for charge cards and performing a variety of other personal banking services.

this group to deal specifically with that segment of the retail market. United Bank's executive customers can look to an executive banker for the guidance they require to manage larger assets or incomes than our typical retail customer might have.

We have also conducted four personal banking conferences for bankers who have come from all over the world to learn about the program. We attempt to share with our fellow bankers the tools and methods we use with our personal banking program. The conference participants also have the opportunity to see how personal banking is supported by marketing and operational staffs.

Finally, personal banking allows us at United Bank the flexibility we feel is necessary to live up to our obligations as a full-service bank. When a new service is suggested for implementation, we simply add it to our current "menu" of more than 40 services.

In this age of consumerism such a capability constitutes a definite competitive advantage and, more importantly, when the bank is able to realize advantages, its customers are benefited.

■ MELVIN E. LARSON has been named vice president and cashier, Merchants National, Topeka. He succeeded Roger McPhail, who retired January 1.

Customer Orientation Approach Taken by Arkansas Bank

IN A COMPLETE reorganization of its basic structure, First American National, North Little Rock, Ark., has dropped its traditional organization in favor of a new personal banking setup, according to President William R. Rice.

Calling it "a completely new approach to retail banking," Mr. Rice said the objective of First American National's personal banking setup is to "eliminate inconvenience, runaround and loss of customer identity."

According to Mr. Rice, the bank's entire approach has been changed from product orientation to customer orientation. Two customer contact divisions have been established—personal banking and business banking. All other functions are organized under the bank services division and trust division. The installment loan and new accounts departments have been eliminated as separate departments of the bank.

The heart of the concept is that every customer will have his own "personal banker"—an individual who is trained to handle most banking functions, including opening of accounts, analyzing and approving consumer loans, counseling in matters of personal finance and banking needs.

Heading the new personal banking division is Warren A. Mercer, vice president in charge of personal banking. According to Mr. Mercer, First American's personal bankers have knowledge of all areas of banking. "They all understand credit, deposit rules and regulations, sales, trust opportunities, budgeting and many other facets of financial requirements.

Advertising layout for personal banking introduction at First American National, North Little Rock, Ark., is reviewed by William R. Rice (l.) president, and Warren A. Mercer, vice president in charge of personal banking.

"Of course, they can't do it *all*—no one can. But they'll do 90% or more of the transactions needed. They will, at times, call in or personally introduce the customer to someone more expert in a particular area of banking operations," he said.

The change most apparent to a customer will be in the main bank lobby. Desks of some nine personal bankers will be located together in the personal banking area. Anyone desiring a new account or service will be referred to a personal banker. "From then on, whenever the customer wants assistance, counseling or other services, he can call on his personal banker," said Mr. Mercer.

The bank's full-service branch locations, too, are set up for personal banking. Each branch has two personal bankers assigned to it—each with the same extensive background and cross-training in customer service.

"The major advantage to the customer is that the new system cuts red tape," said Mr. Mercer. "He'll have a banker who knows him, understands his needs and can give him professional advice and action. And that will save the customer a *lot* of time and worry. It also stops the buck-passing, the shuffling of a customer from one department to another to find the service he needs," said Mr. Mercer.

The new organization doesn't do away with the function of the bank's tellers. According to President Rice, tellers will handle all routine transactions just as in the past. "What it does mean is that whenever a customer has a financial problem or need for another bank service, he'll get assistance from someone who knows him and won't treat him as simply another account number."

"We're not the first bank to change to this system," said Mr. Rice, "but we are the first in our area. Eventually I expect to see most banks converting to the personal banking system, simply because it solves the impersonalization that exists nearly everywhere today."

Bank Holding Companies

They have acquired a majority of nation's banking assets and are making inroads into nonbanking activities

FUNDAMENTAL changes in the structure of the nation's financial industry are being wrought as a result of the amendments to the Bank Holding Company Act of 1970.

Not only have bank holding companies acquired a majority of the nation's banking assets, they are making significant inroads into the consumer finance, mortgage banking, leasing and insurance industries.

As reported in MID-CONTINENT BANKER last month, bank holding companies had acquired or entered de novo into 1,057 nonbanking companies by mid-1973. Finance companies were the most numerous form of activity, with 300 of them owned by holding companies. The manner of entry was almost evenly balanced—148 by the de novo method and 152 by acquisition of established operations.

Mortgage banking was the second most numerous form of nonbanking activity for holding companies. The Federal Reserve Board reported 222 such companies owned by holding companies, with 173 established by the parent and 49 acquired.

Insurance activities of bank holding companies at mid-1973 totaled 175, of which 95 had been acquired and 80 established de novo. The Federal Reserve Board, in December, 1972, permitted acquisition of underwriters of credit life and credit accident and health insurance for credit extended by the holding company's subsidiaries. However, the board normally approves only those applications as being in the public interest if the insurance rates are reduced or policy benefits are increased.

By WILLIAM H. KESTER

Financial Editor
St. Louis *Post-Dispatch*

Other types of nonbanking activity, and the number of such companies owned by holding companies at mid-1973, were: Leasing, 136; advisory services, 95; data processing, 61; factoring, 26; trust, 17; community development, 14; other, 11.

The boundaries of permissible activities for holding companies are being pushed back by the Federal Reserve Board. It recently permitted bank holding companies to buy and sell gold and silver bullion and silver coins, to deal in exchange and silver futures and arbitrage gold and silver in the world markets.

ICB Corp., a New Orleans-based one-bank holding company, was permitted to increase its holdings of an oil and gas producing and drilling firm—Guernsey Petroleum Corp., Atlanta—to 23% from 5%.

In November, 1973, the Federal Reserve Board added courier services to the list of permissible activities for holding companies, but made no determination on armored car services. In allowing holding companies to acquire courier services, the board set requirements to eliminate or reduce to an insignificant degree any possibility of unfair competition by use of a courier service.

EDITOR'S NOTE—This is the second in a series of articles on the recent structural trends in bank holding companies. Guest Editor Kester is a keen student of banking. Prior to joining the St. Louis Post-Dispatch in 1961, he served the St. Louis Federal Reserve as a business economist.

The Federal Reserve Board is considering the possible addition of underwriting the deductible portion of bankers blanket bond insurance to activities permissible for bank holding companies. The case arose because Chase Manhattan Corp., New York, applied for permission to acquire Chase Manhattan Captive Insurance Co., Denver, which would insure the holding company and certain of its affiliates, including Chase Manhattan Bank, against losses arising from the deductible portion of its bankers blanket bond insurance.

Perhaps one of the most significant cases will be the decision on permitting holding companies to acquire savings and loan associations. American Fletcher Corp., Indianapolis, with assets of \$1.8 billion, including American Fletcher National, Indiana's largest bank, has applied for permission to acquire Southwest Savings & Loan Association, Phoenix.

The application forced the Federal Reserve Board to come to grips with the touchy question. In August, 1972, the board decided not to include S&Ls on its permissible list, but it did not find S&L operation to be an activity not closely related to banking.

Southwest Savings & Loan, with deposits of about \$132 million, is the third largest of four S&Ls in the Phoenix area. It also is far removed geographically from Indiana operations of the holding company or its present subsidiaries, removing antitrust considerations as a possible deterrent to approval of the merger.

But the case has caused a dispute between banking and S&L groups. The American Bankers Association favors

the acquisition, but the Independent Bankers Association of America opposes it. Joining the opposition to the expansion of bank holding companies to the savings and loan industry were the United States Savings and Loan League, the National League of Insured Savings and Loan Associations, the National Association of Realtors and the National Association of Mutual Savings Banks.

A novel expansion of bank holding companies into cattle feedlot financing is planned by Fort Worth (Tex.) National Corp. and Shawmut Association, Inc., of Boston. Subject to Federal Reserve Board approval, the holding companies would acquire American Cattle & Crop Services Corp., which is to be headquartered in Guymon, Okla. It would "provide cattle feedlot and the supporting agricultural industry with a flow of funds at reasonable rates on a consistent basis through tight and abundant money periods" the principals said in announcing their plans.

The advantages of the new freedom are being used by big and small organizations alike. The size of the bank desiring to engage in nonbanking activities through the holding company concept is not a major factor in determining whether it can compete effectively. The opportunity is available to a $10 million bank as well as the $10 billion institution.

How far holding companies will spread into nonbanking activities no one can tell at this time. But the ongoing evolution, with the extension of holding companies across state lines in nonbanking activities, could lead to an eventual erosion or elimination of the confinement of banks to one state.

Assuming holding companies are able to operate successful nonbanking activities in several states, they could also operate a nation-wide banking system. Thus, one of the most significant developments of the present holding company movement could be the creation of nation-wide banking organizations.

But such a development undoubtedly would run into opposition from many sides. Perhaps the biggest argument against the expansion of holding companies will be the possibility of undue concentration of economic power.

This point was made in a congressional hearing in 1969 by former Federal Reserve Board Chairman William McChesney Martin and emphasized the following year in another hearing on bank holding company legislation by Federal Reserve Board Chairman Arthur F. Burns by quotation of Mr. Martin's testimony. Mr. Martin said:

"To my mind, the greatest risk is in concentration of economic power. If a holding company combines a bank with a typical business firm, there is a strong possibility that the bank's credit will be more readily available to customers of the affiliated business than to customers of other businesses not so affiliated. Since credit has become increasingly essential to merchandising, the business firm that can offer an assured line of credit to finance its sales has a very real competitive advantage over one that cannot.

"In addition to favoring the business firm's customers, the bank might deny credit to competing firms or grant credit to other borrowers only on condition that they agree to do business with the affiliated firm. This is why I feel so strongly that if we allow the line between banking and commerce to be erased, we run the risk of cartelizing our economy. My concern is that just as we have seen the country's largest banks joining the new wave of one-bank holding companies, we could lat-

Holding Company Conference Set for April

Basic questions concerning bank holding company formation and operation will be taken up at the forthcoming Introductory Conference on the Bank Holding Company, April 7-9 in Dallas. The conference is sponsored by the Foundation of the Southwestern Graduate School of Banking at Southern Methodist University.

Included on the program will be sessions on the changing philosophy of financial regulation; a summary of the acts, regulations and recent actions of the Fed; do's and don'ts of acquisitions; structural and competitive objectives and definition of markets; procedures in application and organization; Justice Department standards; accounting and reporting for HCs and securities registration requirements; tax implications of HC classification, merger and acquisitions; valuation of banks and other acquisitions; acquisition and absorption procedures and management problems; and holding company performance.

Information concerning the conference can be obtained from Dr. Richard B. Johnson, Foundation of the Southwestern Graduate School of Banking, Southern Methodist University, Box 1319, Dallas, Tex. 75275.

THIRD NATIONAL CORPORATION

Consolidated Balance Sheet

Assets

	December 31 1973	December 31 1972
Cash and due from banks	$ 146,701,130	$ 150,538,127
Investment securities:		
U.S. Treasury securities	60,896,662	70,752,520
Securities of Federal agencies	21,343,947	12,255,375
Securities of states and political subdivisions	139,895,581	127,094,834
Other securities	9,615,418	3,079,166
Total Investment Securities	231,751,608	213,181,895
Federal funds sold and securities purchased under agreements to resell	39,500,000	85,055,655
Loans	708,071,104	525,640,614
Premises and equipment	20,684,754	19,880,514
Income earned — not collected	8,843,921	5,108,196
Other assets	7,270,683	2,375,232
	$1,162,823,200	$1,001,780,233

Liabilities and Stockholders' Equity

	1973	1972
Deposits:		
Demand	$ 388,631,017	$ 381,239,309
Time	518,235,128	414,737,095
Foreign	22,100,000	— 0 —
Total Deposits	928,966,145	795,976,404
Federal funds purchased and securities sold under agreements to repurchase	60,545,000	66,695,000
Income collected — not earned	25,637,019	13,544,860
Dividends declared — unpaid	596,567	485,960
Accrued interest and other liabilities	15,352,170	8,310,300
Federal and state income taxes	4,767,960	3,997,071
Borrowed funds	40,056,388	33,595,708
Reserve for possible loan losses	9,705,761	7,795,011
Capital funds:		
Capital notes — 4¾% due 1991	7,500,000	7,500,000
Stockholders' equity:		
Common stock, par value $10: Authorized 4,000,000 shares; issued 2,748,481 and 2,730,890 shares including treasury shares of 362,214 in 1973 and 353,300 in 1972	27,484,810	27,308,900
Capital surplus	25,374,090	25,300,000
Undivided profits	31,525,276	25,485,761
Less cost of treasury shares	(14,687,986)	(14,214,742)
Total Stockholders' Equity	69,696,190	63,879,919
	$1,162,823,200	$1,001,780,233

Consolidated Statement of Income

	Year ended December 31 1973	Year ended December 31 1972
Operating income	$81,172,332	$58,239,993
Operating expenses	69,425,239	46,926,457
Income before income taxes and net securities gains	11,747,093	11,313,536
Income taxes	2,808,280	2,877,666
Income before net securities gains	8,938,813	8,435,870
Net securities gains after related tax effect	4,576	237,316
Net income	$ 8,943,389	$ 8,673,186
Average number of shares	2,369,450	2,540,858
Per share of Common Stock:		
Income before net securities gains	$ 3.77	$ 3.32
Net income	3.77	3.41

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President, Third National Bank

John W. Clay
Chairman of the Executive Committee, Chairman, Third National Bank

Thad S. Cox
President, Bank of Knoxville

Warren P. Gray
Vice Chairman
Vice Chairman, Third National Bank

John A. Hill
Vice Chairman and Chairman of the Executive Committee, Hospital Corporation of America

Owen Howell
Consultant

Chase Moss
Chairman

***Robert C. Smith**
President, The Union Bank, Pulaski

George W. Thorogood
Chairman, Merchants Bank, Cleveland

William C. Weaver, Jr.
Chairman, The National Life and Accident Insurance Company, NLT Corporation, and WSM

B. A. Wright
Chairman, The First National Bank of Lawrenceburg

*Effective 1-10-74

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Chairman

John W. Clay
Chairman of the Executive Committee

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President

Warren P. Gray
Vice Chairman

Gene C. Hooper
Vice President

Charles G. Moore
Secretary and Treasurer

Roy Cox, Jr.
Assistant Secretary

R. Walter Hale, III
Assistant Treasurer

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Third National Bank in Nashville
Nashville, Tennessee

Bank of Knoxville
Knoxville, Tennessee

Merchants Bank
Cleveland, Tennessee

The First National Bank of Lawrenceburg
Lawrenceburg, Tennessee

The Union Bank
Pulaski, Tennessee

Mobilehome Guaranty Corporation
Miami, Florida

John W. Murphree Company
Mortgage Bankers
Nashville, Tennessee

Friendly Finance, Incorporated
Paducah, Kentucky

Security Third Leasing Corporation
Nashville, Tennessee

The Third's Small Business Investment Company
Nashville, Tennessee

THIRD NATIONAL CORPORATION

THIRD NATIONAL CORPORATION

THE CENTRAL SOUTH FINANCIAL SYSTEM

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er see the country's business firms clustering about banks in holding company systems in the belief that such an affiliation would be advantageous, or perhaps even necessary, to their survival."

As a result of congressional concerns, the 1970 amendments to the Bank Holding Company Act direct the Federal Reserve Board to consider, among other things, the adverse effects stemming from an undue concentration of resources in the acquisition of a nonbanking firm by a holding company.

This concern was the basis for the board's denial in December, 1973, of an application by First National City Corp., New York, to retain Advance Mortgage Corp., Southfield, Mich. The holding company, which has the nation's third largest bank, First National City Bank, as its lead bank, acquired Advance Mortgage in July, 1970, when it was a one-bank holding company and prior to the enactment of the new legislation on holding companies.

The Federal Reserve Board denied First National City Corp. permission to retain Advance Mortgage after 1980. Noting that Advance Mortgage was the fourth largest mortgage company in the United States in 1969 and is now the third largest, the board concluded that the public interest factors it is required to consider do not outweigh the probable adverse effects of the combined operation. "The dangers which Congress feared might arise from an undue concentration of financial resources would appear to be present through the combination of one of the country's largest banking organizations with one of its largest mortgage bankers," the majority statement, approved by five of the Federal Reserve Governors, said. Two members of the board dissented.

The majority held that there was no significant direct competition between the holding company and Advance Mortgage in the origination of one- to four-family residential mortgage loans, but that they did compete in the origination of construction loans and loans on income-producing properties in the national markets for such loans. The acquisition eliminated this competition and the board regarded such loss as an adverse factor weighing against approval of the application.

The board also claimed that First National City had sufficient resources to enter local markets for one- to four-family residential mortgages either de novo or by acquisition of a smaller firm than Advance Mortgage. "The loss of such probable future competition between a substantial potential entrant and a major competitor in various local markets as well as national markets for certain loans constitutes an adverse effect which weighs against approval of the application," the board also said.

Noting that First National City Bank's loans to Advance Mortgage increased 1,100% between 1970 and 1972 and exceeded those to any of Advance Mortgage's competitors, the board said the acquisition permitted Advance to improve its position in the industry. This required "the board to observe the congressional mandate to consider all reasonable ramifications of the concentration of resources in fulfilling its responsibilities."

The board also said that whatever public benefits flowed from the acquisition of Advance by First National City were "equally achievable by independent mortgage bankers in the country." The board denied that Advance Mortgage was able to originate a greater volume of mortgages during a period of tight money than it would have as an independent company.

Although denying the application, the board said First National City could refile without prejudice if it "believes more persuasive evidence is available which may tend to outweigh the anticompetitive effects of the proposal."

Small holding companies also have been turned down on plans to expand into nonbanking activities because of anticompetitive factors. For example, Tennessee National Bancshares, Inc., Maryville, Tenn., which owns two banks with deposits totalling $56 million at the end of 1972, was denied permission to acquire Maryville Savings and Loan Corp., an industrial loan and thrift company. The board found that the acquisition would increase the holding company's share of consumer loans in the Maryville area from approximately 12% to about 19%, remove an alternative source of consumer credit and eliminate direct competition for consumer loans between the holding company's lead bank and the loan company. The board said the public benefits from the acquisition did not outweigh the adverse competitive effects.

In a major case, the Federal Reserve Board imposed severe conditions before it approved the acquisition of GAC Finance, Inc., Allentown, Pa., by BankAmerica Corp., San Francisco, which owns Bank of America, the nation's largest.

The board originally turned down the acquisition on July 27, 1973, but, partly because of the critical need of the finance company for help, approved the deal on August 14, only 11 days after BankAmerica asked for reconsideration.

However, the board required GAC to sell in one year all of its consumer loan offices in 10 western states; half of its offices and receivables in Texas and Colorado; its Albuquerque, N. M., office; its rediscount business; a subsidiary called Trailer Industries; and its business finance and lease division. BankAmerica will keep only 317 of GAC's 445 offices.

Thus, BankAmerica will obtain only $296 million in net receivables out of the total of $575.7 million held by GAC at mid-1973. This dropped the assets acquired to 20th in national ranking of independent finance companies from 11th.

The board originally held that the acquisition would result in too large a concentration of resources and would eliminate BankAmerica as a potential entrant into the consumer lending field by the de novo method or by a foothold acquisition of a small finance company. The Justice Department opposed the merger as originally proposed with divestiture of GAC's California consumer loan offices, and as amended. It held that the merger involved potential adverse competitive and concentration of resources considerations and lacked significant public benefits.

However, the board pointed out that the Justice Department apparently was not fully aware of the immediate financial emergency confronting GAC and its possible consequences. The board also said the divestitures would significantly reduce the possible dangers of an undue concentration of resources and that the expected public benefits of the merger outweighed the possible adverse effects.

Independents Helped

The expansion of bank holding companies into nonbanking activities has led to an expansion of services for independent banks, For example, Mercantile Mortgage Co., a subsidiary of Mercantile Trust, St. Louis, has been able to help correspondent banks more than it has hurt them by competing, Donald E. Lasater, chairman of the bank, said in an interview. The correspondent banks are aided by Mercantile Mortgage's purchase of mortgage loans, servicing portfolios and in finding mortgage funds when large amounts are needed.

Data processing has long been a service offered by large banks to their correspondents. Leasing of equipment through subsidiaries of holding companies can also help improve the loan portfolios of correspondent banks.

But correspondent banks will find competition increasing for consumer loans, if holding companies expand finance subsidiaries into their markets.

Another problem facing holding companies that expand into nonbanking activities is that of management of unfamiliar activities and the retention of good managers. This was spelled out by Jeffrey M. Bucher, a member of the Federal Reserve Board, in a speech last June to the Florida Bankers Association.

"The management problem is not necessarily solved when you find a well-run company that you can bring into your bank holding company," he said. "Generally, the company will have been a medium-to-small organization, managed by men accustomed to making the final decisions, and accustomed to making those decisions upon the relatively narrow basis of the ins and outs of their particular business. As a subsidiary of a bank holding company, even given the maximum autonomy prudently permissible, they will no longer have the final say. Further, their decisions will have to be made in the broader context of the well-being of the entire holding company organization.

"For such reasons," he continued, "excellent management brought into a holding company by acquisition may soon exit because it cannot accommodate itself to the new environment. Or where a highly successful 'mom and pop' type company—bank or otherwise —is acquired, the former owners—having realized capital gains upon their years of hard labor developing the business—may relax in their hired-hand status in the holding company, and pay less and less attention to the business their personal efforts made successful," Mr. Bucher said.

He warned the bankers against the transfer of commercial loan officers from banks to manage nonbanking activities or the holding company itself. This deprives the bank of a needed skill and the loan officer may be untrained in

The Louisville Trust Company

STATEMENT OF CONDITION DECEMBER 31, 1973

ASSETS	
Cash and due from banks	$ 43,249,684
Investment securities:	
United States Treasury securities	17,866,260
Obligations of states and political subdivisions	19,781,582
Total investment securities	$ 37,647,842
Federal funds sold and securities purchased under agreements to resell	75,000,000
Loans, net of unearned discount	124,015,336
Stock of Federal Reserve Bank	450,000
Bank premises and equipment	3,535,150
Other assets	1,686,217
	$285,584,229
LIABILITIES, RESERVE AND CAPITAL ACCOUNTS	
Deposits:	
Demand	$148,685,500
Time	79,163,018
Total deposits	$227,848,518
Federal funds purchased and securities sold under agreements to repurchase	$ 35,935,000
Other liabilities	1,774,262
Total liabilities	$265,557,780
Reserve for possible loan losses	2,058,601
Capital accounts:	
Capital stock, par value $10 a share. Authorized and issued 800,000 shares	$ 8,000,000
Surplus	7,000,000
Undivided profits	2,967,848
Total capital accounts	17,967,848
	$285,584,229

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Mr. Bucher said that "the development of bank holding companies—individually and as a movement—should proceed on a go-slow basis that takes its speed limit from the time required to assure sound management, both of the banks and the nonbanks in the holding company system." • •

Einerson Elected Vice President Of Commerce Bank, Kansas City

EINERSON

KANSAS CITY—Commerce Bank has elected Hartley J. Einerson vice president. He is manager, installment loan department.

Mr. Einerson went to the bank last November from Commerce Bank, Excelsior Springs, where he was a senior loan officer and vice president. He was a branch manager, Associates Discount Corp., 1961-67.

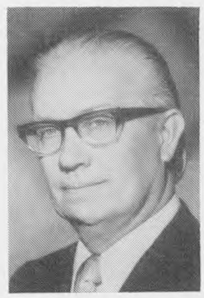
Staff Changes Are Announced At Ft. Worth Bank and HC

FORT WORTH—First National and its parent holding company, First United Bancorp., Inc., have announced some staff changes.

At the bank, Carroll F. Sullivan moved up from assistant vice president to vice president and Lonnie Hammonds and Melvin B. Wilde to assistant vice presidents. Trust Officer James P. Flores was named manager of the corporate trust department in the trust and investment services division.

At the HC, William H. Denman was elected vice president and secretary and Alan Q. Norwood Jr. assistant vice president and assistant secretary. Both men were previously officers of the bank, but were assigned to the HC when given their new posts.

SULLIVAN



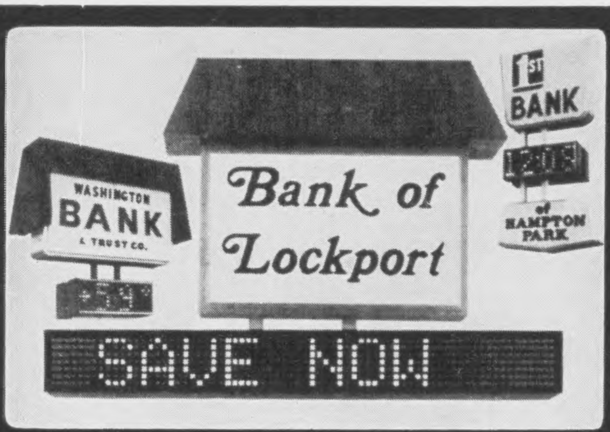
DENMAN

■ UNITED MISSOURI BANK of Blue Valley, Kansas City, has announced plans for a motor facility near the Harry S Truman Sports Complex at Blue Ridge Cutoff and Interstate 70. The facility will feature an unusual water and floral display at the entrance, with the main banking area to be filled with plants and lighted by a high clerestory on the east.

(An Advertising Page)

The Financial Buyer's Guide

PRODUCTS • SERVICES • IDEAS



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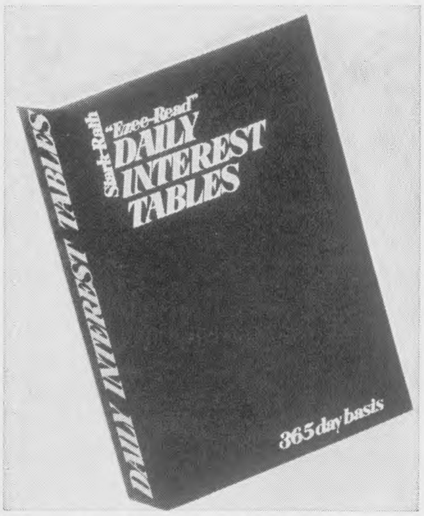
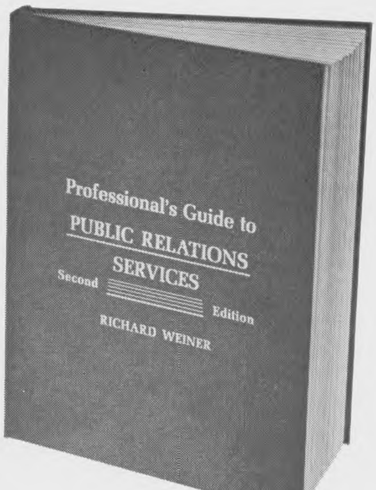
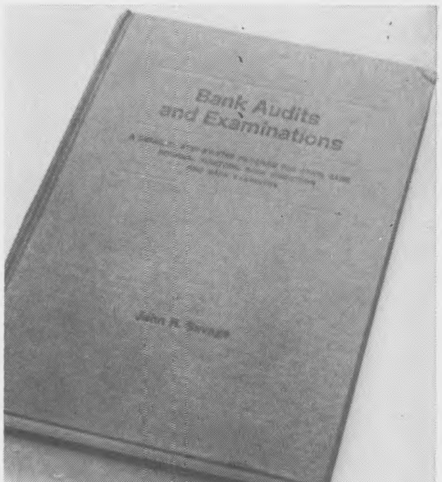
MINI-SCAN 500 will sell bank services for you wherever your customers queue up, as at teller windows. Mini-Scan can rotate automatically up to 140 35 mm. color slides featuring travel loans, auto or home repair loans, or home mortgages. Unit consists of high impact styrene cabinet with Arctic white finish to blend with any decor. Rear mounted projector provides brilliant images 15 x 18 inches. Overall dimensions are 27 x 22 x 20 inches. Use your own projector or we will provide one. Cabinet and base only, $199. For more details write RAPPAPORT EXHIBITS INC., 3608 Payne Avenue, Cleveland, OH 44114, or telephone (216) 431-4080.



EZEE-READ DAILY INTEREST TABLES. Book covers rates from 1% to 14¼%, from one day to 10 years, on both 360-day and 365-day basis. Visible thumb index makes for speed in locating desired rate. Book size: 6" x 9" . . . sturdy cover, pages lie flat when open. Complete instructions for use of tables. Each loan officer should have one. **$17.50** postpaid. Send check to MID-CONTINENT BANKER, 408 Olive, St. Louis, Mo. (In Missouri, add 3% sales tax.) Money-back guarantee.

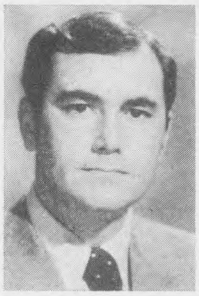


PROFESSIONAL'S GUIDE TO PUBLIC RELATIONS SERVICES. A handy new guide to 614 public relations services every P.R. man must use! Includes clipping bureaus, filmstrip companies, mailing services, fine art and photo sources, contest organizations, radio publicity, records, research . . . every kind of P.R. service you will ever need, described and evaluated in detail. **$25.00** postpaid. Send check to Commerce Publishing Co., 408 Olive, St. Louis, Mo. 63102. (Missouri banks add 3% sales tax.)



BANK AUDITS AND EXAMINATIONS. This book is designed to be helpful (1) to an independent accountant, (2) to an internal bank auditor who wishes to make his work more effective and (3) to a bank director who wishes to compare his bank's procedures with the modern methods outlined. **$32.00.** Send check to Commerce Publishing, 408 Olive, St. Louis. (In Missouri, add 3% sales tax.)

First National, Fort Worth, Names Cope Corres. Head

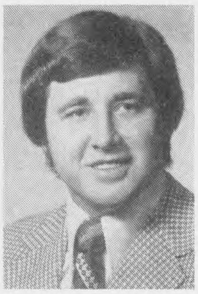


COPE

FORT WORTH—John Cope has been promoted from assistant vice president to vice president and manager of the correspondent banking department at First National.

Mr. Cope has been assigned to the commercial banking department since December, 1971. He joined the bank in 1968 as a trainee and worked in the installment loan department before being elected a commercial loan officer in 1971. He was promoted to assistant vice president in 1972.

New Correspondent Bank Officer Named at Comm'l Nat'l of KCK



McATEE

KANSAS CITY, KAN.—Farrell D. McAtee has been named correspondent bank officer at Commercial National. He is assisting Senior Vice President M. Max Dickerson and Vice President John Strube in correspondent bank activities.

Before joining Commercial National, Mr. McAtee was with Home State, LaCrosse, Kan., where he worked in agricultural and commercial loans and was active in operations and management areas. He owns and operates a 480-acre farm and cow-calf operation in Ellis County, Kan.

Nalty, Kafoed Get New Posts At Hibernia Bank and HC

NALTY

KAFOED

NEW ORLEANS—Donald J. Nalty has been named executive vice president, Hibernia Corp., holding company for Hibernia National. E. J. Kafoed has been elected executive vice president of the bank.

Mr. Nalty, with the bank since 1958, retains his posts as director and senior vice president of the bank. He also is vice chairman, First Guaranty Bank, Hammond, La.

Mr. Kafoed joined Hibernia National in 1935 and had been a senior vice president since 1968.

Continental Illinois National Announces 19 Promotions

CHICAGO—Continental Illinois National has announced the following promotions:

From vice presidents to senior vice presidents—John E. Jones, Gerard M. Keeley and William B. Plechaty; to vice presidents—Leonard W. Busse, William L. Gunlicks, Arthur P. Langendorff, Joel J. Crabtree, Lynwood J. Larson and Richard G. Walker; and to second vice presidents—Earl W. Joss Jr., William J. McGirr, Donald B. McInerney, Robert J. Schwenk, Alfred B. Clem, Gilmore C. Gulbranson, John C. Keane, Thomas J. O'Bryant, Irwin M. Javinsky and Anthony F. Hamen.

The bank also announced the retirement of Fred H. Remmert as vice president and cashier. He was in banking 46 years.

Springer Named Senior VP At Boatmen's, St. Louis

ST. LOUIS—William T. Springer and Richard J. Gudinas were elected senior vice presidents of Boatmen's National last month.

SPRINGER

GUDINAS

Mr. Springer, formerly a vice president, joined the bank in 1972 and is responsible for the bond and correspondent banking division. Mr. Gudinas, with Boatmen's since 1960, was vice president and cashier and is responsible for the operations division.

In other action, Boatmen's promoted Marvin W. Smith from auditor to vice president and controller, Milton A. Weis from assistant auditor to auditor and Jerome O. Klipsch from data processing officer to assistant vice president.

New Posts Announced For Harris Officers

CHICAGO—Harris Trust has announced organizational changes and reassignments in its banking department's groups.

Senior Vice President Henry S. Kahn was named head of business development for the domestic corporate banking groups. In the Chicago group, Vice President Ben T. Nelson succeeded Mr. Kahn as administrator of Division A. Vice President Hugh K. Brower was made administrator, corporate financial services division.

In the metropolitan group, Vice President Kenneth R. Keck was named ad-

How Banks Can Conserve Power

Banks, as well as other business firms, can conserve considerable electrical power. And, in so doing, they can earn "points" with the energy conserving public—as well as with legislators—that can be helpful for business.

Federal Sign & Signal Corp., Chicago, advises curbing exterior illumination and turning illuminated signs off after hours. These two actions are perhaps the most noticeable signs of cooperation business firms can make to insure the public that they are not wasting electricity.

Other ways of conserving power include turning off electric signs during the day; posting signs requesting personnel to turn off machines and lights when they are not in use (including flourescent lights); removing bulbs at intervals in ceiling lighting systems, especially in areas that do not need maximum illumination; checking for leaks in hot water systems; opening windows and doors for ventilation on mild days instead of turning on the air conditioning; using opaque shades to bar heat and cold from entering windows; installing weatherstripping around window and door frames; and using conventional incandescent light bulbs instead of energy wasting long-lasting bulbs.

ministrator of the business banking division that offers working capital loans, machinery and equipment financing and financial counseling for firms with up to $10 million in sales. Vice President Jessamine M. Durante was named administrator of the personal banking division that provides specialized personal services, financial counseling and personal loans. Assistant Vice President James C. Seyfarth was made administrator of the convenience banking division that serves checking and savings, personal, auto and home improvement loan, lin-o-credit and Master Charge customers.

Harris Bank also announced the election of William E. Ellingson as vice president and administrator of the new systems research division. He was with First National, Memphis, and Arthur Andersen & Co., Chicago.

In other action, Harris Bank elected the following: as vice presidents—William A. Crane, Anthony Falco, George D. Smith II, Jerry LaForgia, Mel J. Swanborn, Richard J. Egan, John W. Glenn Jr. and Harvey R. Untiedt; as assistant vice presidents—Arthur W. Berry, George E. Fischer, James J. Perner, Joseph A. Manning, Timothy K. Healy, Anders H. Person and Charles M. Rimkus.

R. Crosby Kemper Named to Board Of K.C. Southern Industries

KANSAS CITY—R. Crosby Kemper, chairman and chief executive officer, United Missouri Bancshares, Inc., and chairman, United Missouri Bank of Kansas City, has been elected a director of Kansas City Southern Industries, Inc.

KEMPER

The latter is a holding company that has as its principal subsidiaries a number of rail lines, a data processing service for mutual funds, several TV stations and two manufacturing firms.

Interest-Computing Service Debuts in N. Little Rock

NORTH LITTLE ROCK—A simplified method of computing interest on consumer loans, called "Money Miser," has been introduced at Twin City Bank. Interest under the new plan will be charged only on the daily outstanding principal balance.

Any time borrowers make prepayment on this plan, their principal balance and interest charges will immediately be reduced, permitting customers to pay interest only for the amount of money they use and for the length of time they use it.

Late charges will not be assessed, although interest will continue to accrue on the previous unpaid balance until it is reduced by payment.

■ EXCHANGE SECURITY BANK, Birmingham, now provides current temperatures and weather conditions and forecasts to residents in the city's toll-free telephone-dialing area. Called WeatherWatch, the service is provided through the Audichron Co. of Atlanta.

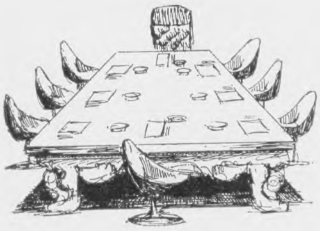
Happy Old Year!

Final '73 Baby Honored As Farewell to Old Year

It isn't often that it pays to be last!

Central Bank, Lexington, Ky., switched the usual procedure of honoring the first baby born in a new year with gifts by presenting the parents of the last baby to be born in Lexington in 1973 with a $50 passbook savings account as a "fond farewell to '73."

Winner of the account was Eric Len Perkins, the eighth child in a family of boys to be born to Mr. and Mrs. Kenneth Perkins. The presentation was made at bedside by Stephanie Sekhon, business development executive and head of the bank's women's division.



BOARD ROOM NEWS

Promotions • Staff Changes

New Appointments, Assignments Made at First Nat'l, Chicago, New Real Estate Group Formed

CHICAGO—First Chicago Corp. has announced new assignments for three vice chairmen. A. Robert Abboud, previously vice chairman of the First National, has been named vice chairman of the HC. Chauncey E. Schmidt has assumed new responsibilities for the trust, bond, personal banking and executive departments of the bank. Richard L. Thomas, previously vice chairman of the HC, has assumed new duties in the commercial and international banking departments as vice chairman of the bank.

ABBOUD

THOMAS

SCHMIDT

Eight new assignments were made in the commercial and international departments of the bank.

Robert K. Wilmouth, bank executive vice president, has been named head of the commercial banking department. William J. McDonough has been promoted to senior vice president and has succeeded Mr. Wilmouth as head of the international department. J. Hallam Dawson, vice president, has been named deputy head of the international department. James A. Cassin, vice president, has been named to succeed Mr. McDonough in London as area head of international banking activities in Europe, the Middle East and Africa.

James Y. Robertson, vice president, has been named to succeed Mr. Dawson as head of loan division K. Robert G. Donnelley, vice president, has been named successor to Mr. Robertson as general manager of the Singapore Branch. Arthur J. Massolo has been promoted to vice president and succeeds Mr. Cassin as general manager of international banking activities in Italy. Larry R. Perkins, assistant manager in international banking, has been named representative in the Jakarta representative office, succeeding Mr. Massolo.

A new real estate group has been formed in the bank's commercial banking department. Richard E. Willer was promoted to senior vice president and head of the group. Named to head the central U. S. and Canada division of the new group was Joel L. Handelman, vice president.

Charles H. Montgomery and Donald J. Yellon were promoted to senior vice presidents by the bank. Mr. Montgomery heads the control division and Mr. Yellon heads the law division.

Top-Management Changes Made at Detroit Bank

DETROIT—C. Boyd Stockmeyer became chairman, DetroitBank Corp., and its principal subsidiary, Detroit Bank, January 1, and Rodkey Craighead was named president and chief administrative officer. Raymond T. Perring, who was chairman of both firms, retired January 1.

STOCKMEYER

PERRING

CRAIGHEAD

Mr. Stockmeyer, who continues as CEO, had been president of the bank since 1966 and CEO since 1971. Mr. Craighead had been an executive vice president since 1969.

Mr. Perring ended a 45-year career at Detroit Bank, but continues as a member of its board and committees.

In other action, Detroit Bank elected two new executive vice presidents—Jerome R. Heyer and Donald R. Mandich. Mr. Heyer has charge of operational services. Mr. Mandich has assumed new executive responsibilities for all bank loan activities, including the international banking department, which he has headed since 1963.

W. T. Cothran Retires From Birmingham Trust

BIRMINGHAM—W. T. Cothran has retired from active management of Birmingham Trust National. He will continue as chairman, as a director of the bank and a director of Alabama Financial Group.

COTHRAN

Mr. Cothran began his banking career in 1925 with National City Bank, Rome, Ga. After World War II, he joined Bank for Savings & Trust and was elected president in 1959. Shortly after the bank merged with Birmingham Trust, he was elected president, a post he held until being elected chairman in 1969.

Mr. Cothran is a past president of the Alabama Bankers Association, a member of the Association of Reserve City Bankers and a member of the ABA's administrative committee and government relations council.

First of Tulsa Promotes Nine

TULSA—First National has named E. Ray Shelton vice president and senior trust investment officer, George R. Bean, D. Sentell Fox and J. C. Walker vice presidents and Orvis Crowson, Mrs. Margaret Ewing, Mrs. Bennie Jo Newkirk, Tom Scroggin and George W. Snedden Jr. assistant vice presidents.

'73 was good...'74 looks good
for both New Orleans and the Bank of New Orleans...

The figures tell the story

COMPARATIVE STATEMENT OF CONDITION

ASSETS	Dec. 31, 1973	Dec. 31, 1972
Cash and Due from Banks	$ 57,164,938	$ 47,080,827
U. S. Treasury Securities	19,084,163	25,659,624
Securities of Other U. S. Government Agencies	13,038,858	17,140,541
State and Municipal Bonds	49,460,558	41,677,871
Stock in Federal Reserve Bank	453,750	306,150
Loans Outstanding	213,542,315	174,372,151
Federal Funds Sold and Securities Purchased Under Agreements to Resell	16,500,000	7,650,000
Furniture, Fixtures and Equipment	2,853,049	2,741,726
Interest Earned but Not Collected	3,332,275	2,384,234
Customers' Liability on Acceptances	341,987	385,851
Other Assets	900,612	432,791
TOTAL ASSETS	$376,672,505	$319,831,766
LIABILITIES		
Demand Deposits	$120,072,212	$128,601,877
Savings Deposits	33,901,830	31,862,407
Time Deposits	141,614,215	106,212,203
TOTAL DEPOSITS	$295,588,257	$266,676,487
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	$ 44,805,000	$ 26,563,000
Accrued Taxes and Interest	3,824,782	1,948,083
Unearned Interest and Income Collected	5,038,442	3,870,552
Quarterly Dividend Payable	141,329	116,640
Liability on Acceptances	341,987	385,851
Other Liabilities	686,225	193,426
TOTAL LIABILITIES	$350,426,022	$299,754,039
RESERVES		
Provision for Possible Loan Losses	$ 3,475,000	$ 2,350,000
CAPITAL		
Capital Notes	$ 4,250,000	$ 4,250,000
Common Stock, $12.50 Par Value, 400,000 Shares Authorized, 250,000 Shares Issued and Outstanding	3,125,000	2,684,500
Surplus	12,875,000	8,190,500
Undivided Profits	2,521,483	2,602,727
TOTAL CAPITAL	$ 22,771,483	$ 17,727,727
TOTAL LIABILITIES, RESERVES AND CAPITAL	$376,672,505	$319,831,766

Contingent Liability on Letters of Credit Issued but Not Drawn Against — 12/31/73 — $15,539,589
12/31/72 — $ 4,729,829

BNO THE BANK OF NEW ORLEANS
AND TRUST COMPANY

HEAD OFFICE: BNO Building, Common & O'Keefe

Member FDIC

Frank, Grayheck Are Exec. VPs At Chicago's American Nat'l

CHICAGO—American National has named Ira Frank Jr. and Ronald J. Grayheck executive vice presidents. Both were formerly administrative vice presidents.

Norman R. Bobins, C. James Herring, Thomas M. Howard, John N. Humm, Edward D. Matz Jr. and Stanley J. Nawrocki were named vice presidents.

Mr. Frank joined the bank in 1948 and Mr. Grayheck has been with American National since 1960.

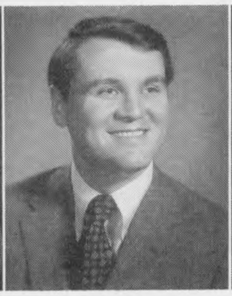
Senior Vice Presidents Named At Liberty of Louisville

LOUISVILLE—Liberty National has named Oscar S. Bryant Jr. secretary to the board. Messrs. R. K. Guillaume, Phillip R. Hayes and Robert G. Scherer were named senior vice presidents. Mr. Hayes is in the correspondent bank department.

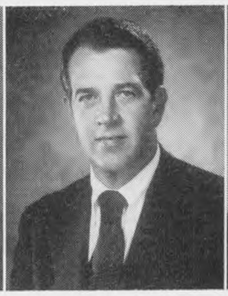
New vice presidents include Martin P. Duffy in the trust department, William J. Bremner in the money management department, Ray Green in the consumer credit department, and Murphy G. Brock and Sam T. Adams in the correspondent bank department.

Mr. Bryant joined Liberty in 1964, Mr. Guillaume and Mr. Hayes in 1965.

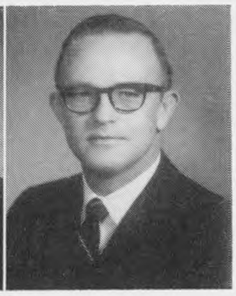
HAYES



GUILLAUME



SCHERER

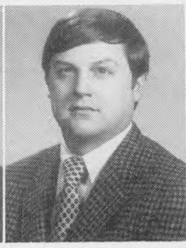


BRYANT

DUFFY

BREMNER

GREEN

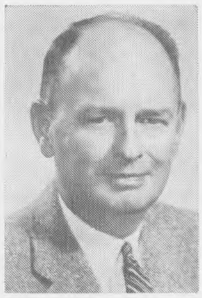


ADAMS

BROCK

Gathright, Miles Promoted At First Kentucky Trust

LOUISVILLE—First Kentucky Trust has promoted Joseph R. Gathright from president to vice chairman and A. Stevens Miles to president and director. Mr. Miles is also president, First National, Louisville, an affiliate of First Kentucky Trust.



GATHRIGHT

MILES

Mr. Gathright joined First Kentucky Trust in 1938 and has been president since 1971. Mr. Miles joined First National in 1954 and was named president of the bank in 1972.

Donald F. Kohler, executive vice president, was named director of the business and institutional financial management group and George W. Schroeder, executive vice president, was appointed director of the personal financial management group.

Mr. Kohler joined the firm in 1956 and also serves as president of First Kentucky Co., investment affiliate of First Kentucky Trust.

Mr. Schroeder joined First Kentucky Trust in 1963.

Gray Named to HC Post

GRAY

NASHVILLE—Warren P. Gray, vice chairman of Third National Bank, has been elected vice chairman of Third National Corp., parent firm of the bank. Mr. Gray has been with Third National since 1934 and was made vice chairman of the bank last year.

Third National Bank has elected James E. Poole to its board. He is chairman and president of Marquette Cement Manufacturing Co.

AlabamaBancorp., Birmingham, Elects Six New Board Members

BIRMINGHAM—Three bankers are among six new board members at AlabamaBancorp.

Elected were W. A. Cottingham, chairman, Alabama National, Montgomery; L. H. Moore, president, same bank; and Richard E. Oliver, president, American National, Huntsville.

Also elected were William R. Bond, chairman, Asbestos Products Co.; Charles W. Ireland, chairman, Vulcan Materials Co.; and John H. Schuler, chairman, Anderson Electric Corp. All three are directors of First National, Birmingham.

We grew $83 million in a single year!

This time, it took us only three years to pass another hundred-million-dollar mark, and we exceeded it by more than $62 million at that! Last time, it took nearly a decade; before that, 18 years; and the very first hundred million dollars took more than half a century.

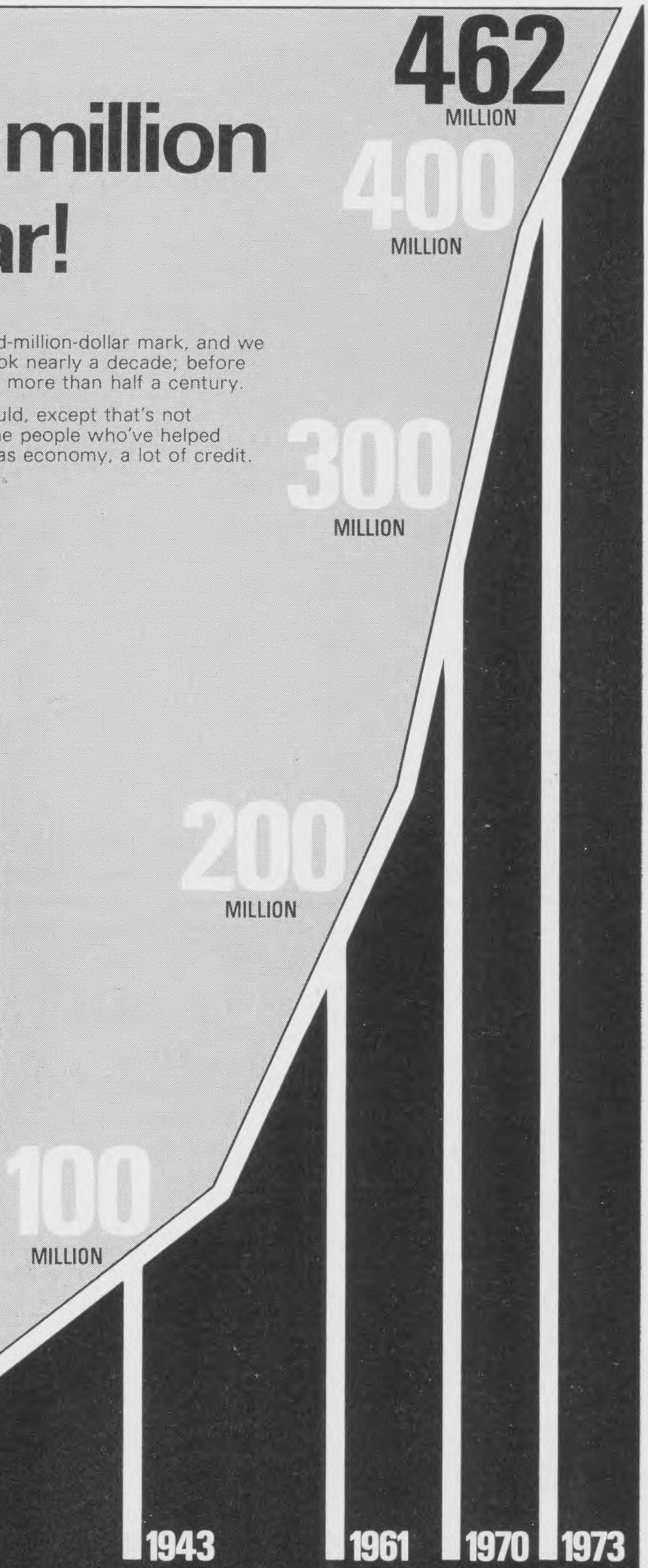
Are we pleased and proud? We'd hope to shout! And we would, except that's not exactly the banker's dignified way to say "thank you" to all the people who've helped us grow. We give every correspondent banker, and the Kansas economy, a lot of credit.

Thank you, bankers.

STATEMENT OF CONDITION

	DECEMBER 31 1973	1972
ASSETS		
Cash and Due From Banks	$ 91,070,737.34	$ 75,858,315.53
U.S. Government Securities	20,735,265.16	19,274,035.44
Municipal Securities	38,546,049.74	39,123,092.29
Trading Account and Other Securities	19,488,459.63	5,922,154.52
Federal Funds Sold	28,000,000.00	-0-
Securities Purchased Under Agreements to Resell	37,000,000.00	25,000,000.00
Loans, Less Unearned Income of $4,301,724.62 - 1973; $3,175,714.59 - 1972	205,640,955.09	201,756,391.96
Bank Premises and Equipment	19,170,255.09	9,977,596.04
Other Assets	3,092,815.84	2,563,908.10
Total Assets	$462,744,537.89	$379,475,493.88
LIABILITIES		
Demand Deposits	$217,094,725.14	$200,348,912.59
Time Deposits	129,345,491.48	117,744,212.03
Total Deposits	$346,440,216.62	$318,093,124.62
Federal Funds Purchased	22,675,000.00	4,925,000.00
Securities Sold Under Agreements to Repurchase	44,408,844.47	20,725,620.00
Accrued Taxes, Interest, and Other Expenses	2,693,215.78	1,911,552.88
Total Liabilities	$416,217,276.87	$345,655,297.50
RESERVES		
Reserve for Loan Losses	$ 3,385,978.83	$ 2,777,702.91
CAPITAL FUNDS		
Capital Note, Due 1981*	$ 10,000,000.00	$ -0-
Stockholders' Equity:		
Common Stock—$5.00 Par Value, 2,500,000 Shares Authorized, 2,200,000 Shares Issued	$ 11,000,000.00	$ 11,000,000.00
Surplus	12,000,000.00	12,000,000.00
Undivided Profits	10,141,282.19	8,042,493.47
Total Stockholders' Equity	$ 33,141,282.19	$ 31,042,493.47
Total Capital Funds	$ 43,141,282.19	$ 31,042,493.47
Total Liabilities, Reserves, and Capital Funds	$462,744,537.89	$379,475,493.88

*Interest rate fluctuating from 110-120% of lender's prime rate to a maximum effective rate of 7½% on funds borrowed for the full term of the note.



FOURTH NATIONAL BANK & TRUST CO. / WICHITA, KANSAS 67202 / MEMBER FDIC

TheFourth

New Top-Management Posts Announced at First NBC And HC in New Orleans

NEW ORLEANS—James H. Jones has been made chairman and chief executive officer, First National Bank of Commerce, and Thomas S. Davidson was made president. Mr. Jones was president and CEO. Mr. Davidson was an executive vice president and chairman of the executive committee.

JONES

DAVIDSON

STUART

Mr. Davidson also was appointed vice chairman of the bank's parent holding company, First Commerce Corp., and Walter B. Stuart III was named president and a director of the HC. Mr. Stuart also was an executive vice president of the bank. Mr. Jones continues as chairman and CEO of the HC.

At the same time, E. Ward Faulk Jr., formerly senior vice president, was named executive vice president of First NBC with primary responsibilities in loan administration. In other parent company changes, Billy E. Mitchum, who was vice president, was made senior vice president and treasurer, and John H. Palmer was named senior vice president, secretary and manager, financial planning and control division. The latter recently joined First NBC, coming from Kidder, Peabody & Co., Inc., where he was vice president and national individual sales director.

Also at the bank, Samuel B. Hughes, manager, national accounts division, was appointed senior vice president. C. Fred Clark, a senior vice president, was appointed manager, metropolitan division.

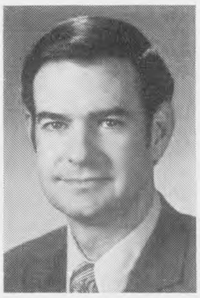
■ GEORGE H. KILPATRICK has moved up from executive vice president and chief operating officer to president, Houston Citizens Bank. Before joining the bank in January, 1973, Mr. Kilpatrick was a senior vice president in charge of five banking divisions at First National, Dallas.

Advisory Directors Named, Laird Succeeds Alexander At First National, Jackson

JACKSON—Frank R. Day and Alvis T. Hunt have been elected to the advisory board of First National. Mr. Hunt has also been named executive vice president of the bank. He was formerly a senior vice president. Mr. Day remains a senior vice president.

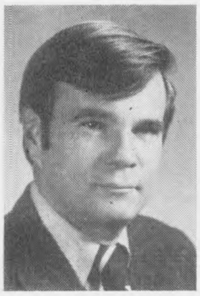
Mr. Day joined the bank in 1958. He also serves as chairman of Smith County Bank, Taylorsville. Mr. Hunt joined First National in 1941.

Chalmers W. Alexander, vice president and senior trust officer, retired December 31 and has been succeeded by E. E. Laird Jr., vice president and trust officer.


LAIRD


ALEXANDER

Mr. Alexander, who joined the bank in 1957, will continue as a full-time trust consultant and will maintain quarters in the bank's main office.


DAY


HUNT

Three Retire at Fidelity

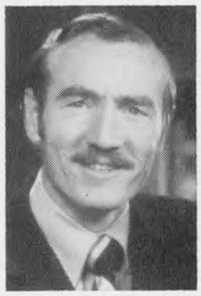
OKLAHOMA CITY—Allan D. Williams has retired as vice president of Fidelity Bank after 36 years' service. He joined the bank in 1932 as a messenger and had been a vice president since 1965.

Retiring from the bank's board were J. R. Symcox, chairman, City National, Norman, and C. W. Cameron, chairman, American Fidelity Assurance Co. Both had been on the board since 1961.

New Assignments Announced For Five Houston Bankers

HOUSTON—Bank of the Southwest has named Robert G. Fenton vice president and trust officer and Joe M. Okonski vice president. In addition, Mr. Fenton, trust officer and manager, trust operations department since 1971, was made manager, corporate trust department. Mr. Okonski is manager, lobby services department.

The bank also named E. C. Edens Jr., vice president and trust officer, as manager of its new estate department and R. Sells Neuhaus, vice president and trust officer, as manager of the new personal trust and agency department. L. Randy Fluitt, manager, data processing operations, was made an assistant vice president.


FENTON


OKONSKI

National Boulevard Bank of Chicago and Subsidiary Consolidated Statement of Condition December 31, 1973.

Wrigley Building • 400-410 N. Michigan Avenue • 467-4100

Resources

Cash and Due from Banks	$ 54,280,767
Securities:	
United States Treasury Securities	54,675,893
State and Municipal Securities	32,593,757
Other Securities	14,000,722
Total Securities	101,270,372
Loans:	
Commercial Loans	104,110,525
Consumer Credit Loans	24,265,457
Real Estate Loans	69,882,765
Total Loans	198,258,747
Federal Funds Sold and Securities Purchased Under Agreements to Resell	45,300,000
Bank Premises and Equipment	1,426,267
Customers' Acceptance Liability	781
Other Resources	4,332,102
Total Resources	$404,869,036

Liabilities

Demand Deposits	$172,743,140
Time and Savings Deposits	165,988,583
Total Deposits	338,731,723
Federal Funds Purchased and Other Borrowed Funds	34,721,157
Acceptances Outstanding	781
Other Liabilities	4,034,748
Total Liabilities	377,488,409

Valuation Reserve

Reserve for Possible Loan Losses	3,484,962

Capital Accounts

8¼% Capital Notes (Subordinated)	7,500,000
Shareholders' Equity:	
Capital Stock (200,000 shares par value $20.00)	4,000,000
Surplus	8,500,000
Undivided Profits	3,895,665
Total Shareholders' Equity	16,395,665
Total Capital Accounts	23,895,665
Total Liabilities, Valuation Reserves and Capital Accounts	$404,869,036

Member Federal Deposit Insurance Corporation

Board of Directors

MYRON F. RATCLIFFE
President, Miami Corporation
Chairman

ROBERT C. BARTLETT
President, Commerce Clearing House

ROBERT H. BURNSIDE
Group Vice President and Director—Retired,
International Harvester Company

JAMES E. FLETCHER
President,
Field Enterprises Educational Corp.

HENRY K. GARDNER
President

ROBERT L. GROVER
President, Snap-on Tools Corporation

JOHN E. GUTH, JR.
Regional Vice President,
International Business Machines Corporation

CARL A. KROCH
President, Kroch's & Brentano's, Inc.

M. JOSEPH LAMBERT
Senior Vice President and Chief Financial
Officer, Kraftco Corporation

W. W. McCALLUM
President, W. W. McCallum & Assoc.

JAMES L. O'KEEFE
O'Keefe, Ashenden, O'Brien, Hanson & Lyons

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Chairman, Pullman Incorporated

FRANK C. OSMENT
President, Amoco International Oil Company

THOMAS H. PEARCE
Chairman, National-Standard Company

CHARLES E. SCHROEDER
Vice President, Miami Corporation

IRVING SEAMAN, JR.
Chairman Executive Committee,
Chief Executive Officer

WILLIAM L. SEARLE
Chairman, G. D. Searle & Co.

JOHN W. SHELDON
President, Chas. A. Stevens & Co.

O. EVERETT SWAIN
President, Kraft Foods

HENRY G. VAN DER EB
President, Chief Executive Officer,
Container Corporation of America

J. W. VAN GORKOM
President, Trans Union Corporation

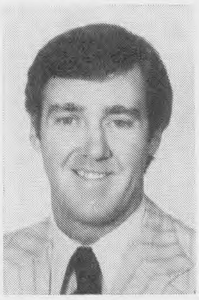
MAX E. WILDMAN
Wildman, Harrold, Allen and Dixon

WILLIAM WRIGLEY
President, Wm. Wrigley Jr. Company

Nlb NATIONAL BOULEVARD BANK OF CHICAGO
400-410 N. MICHIGAN AVE., 237 E. GRAND AVE.,
PHONE (312) 467-4100 • MEMBER FDIC

Correspondent Duties Are Given S. B. Sledge at Frost National

SAN ANTONIO, TEX.—S. Bradford Sledge has been elected correspondent banking officer, Frost National. He joined the bank in 1972 as a trainee and last May was assigned to the credit department as credit analyst. His duties now are in the correspondent banking department.


SLEDGE

In other action, Frost National promoted Dennis Sigmon from assistant vice president to vice president, J. W. Keyes from assistant vice president and auditor to vice president and auditor, Mrs. Alicia De La Fosse, Robert H. Hotaling, Dan S. Mitchell and Clarence G. Sobeczek to assistant vice presidents. Mrs. De La Fosse was international banking officer and Messrs. Hotaling, Mitchell and Sobeczek administrative officers.

Management Transition Complete At Nashville City Bank

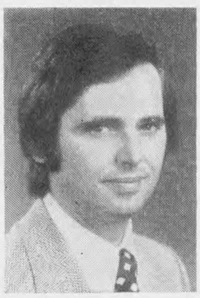
NASHVILLE—Joe T. Howell Jr. has retired as chairman of Nashville City Bank. He has been succeeded by James A. Webb Jr., former president. Alford C. Sinclair is the new president and director. He was formerly executive vice president.

The move completes a transition that has resulted in a new management group for the bank. Mr. Webb came to the bank last August to assume the presidency when Mr. Howell took over the chairmanship. Mr. Sinclair joined the bank last November as executive vice president.

Mr. Howell joined the bank in 1968.

Promotions and Retirement At Nat'l Boulevard, Chicago

CHICAGO—Edward G. Griffiths has been promoted to vice president at National Boulevard Bank.


GRIFFITHS

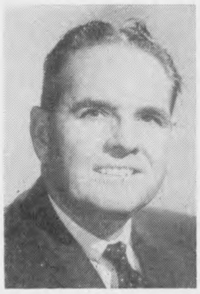
Other promotions included Roger L. Clifford, William C. Demas, Dennis W. Fiala and Kenneth E. Fuesz to assistant vice presidents; Thomas L. Dockweiler to assistant cashier; Nicholas M. McBride to trust investment officer; Joan C. Jaramillo to operations officer; Richard C. Petersen to bond officer; and Kathleen A. Oelhafen and Gerald Gwizdalski to personal banking officers.

David J. Faron joined the bank's commercial department as an assistant vice president. He has seen service with two other Chicago banks.

Hugh J. Copeland has retired after 45 years service. He joined the bank in 1928, seven years after the bank began operations. His final title was vice president.

Ft. Worth Nat'l Reorganizes Commercial Banking Division

FORT WORTH—Fort Worth National has given four officers new responsibilities in a major reorganization of the commercial banking division. Under the reorganization, which became effective December 3, the commercial loan department was divided into two groups; an agriculture and livestock loan department was created, and a credit administration group was formed within the commercial banking division.


LOBINGIER


HYDE


YOUNG

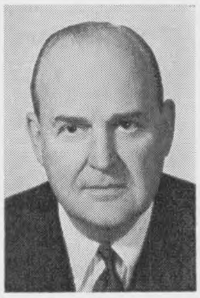

BAKER

V. W. Young Jr. and David E. Baker, vice presidents and commercial loan officers, have each been named managers of a commercial loan group. Jack G. Lobingier, vice president, has been named manager of the new agriculture and livestock loan department. He retains his title and duties as manager of the correspondent banking department. C. Brodie Hyde, vice president and commercial loan officer, has been named manager of the new credit administration group. In his new post, Mr. Hyde has responsibility for the loan and discount, credit and loan recovery departments. He retains his commercial lending responsibilities.

The bank also named Charles W. Spencer assistant vice president and trust officer and Mrs. Ann Quinn women's services officer. Both joined the bank in November. Mr. Spencer was a trust officer, First National, Garland. Mrs. Quinn was hospitality coordinator for the opening of the Dallas-Fort Worth Airport.

Webb Named President Of Union Planters

MEMPHIS—George C. Webb has been elected president, Union Planters National. He succeeds Ben Harrison, chairman, who had held the additional duties of president since James C. Merkle resigned that post in November.


WEBB

Mr. Webb, vice chairman since 1972, joined the bank in 1948 and was elected a director in 1955. The vice chairman's post will be vacant temporarily.

Union Planters also named Jesse A. Barr executive vice president and the following senior vice presidents: J. William Flowers, Rudolph H. Holmes III, Forrest N. Jenkins and James F. Springfield.

First Nat'l Promotes Five

ST. LOUIS—First National has announced five promotions, including those of David M. Culver and Donald C. Temme to vice presidents. Mr. Culver, formerly assistant vice president, joined the bank in 1967. Mr. Temme joined the international department last December.

Also advanced were Donald L. Deters and Gary S. Pratte from commercial banking officers to assistant vice presidents and Wingo F. Smith Jr. to personal banking officer.

Six Promotions Announced At Chicago's Northern Trust

CHICAGO—Robert A. Williams Jr. has been named a senior vice president in the trust department at Northern Trust.

Thomas E. Burchfield and Milford T. English were promoted to vice presidents in the trust department and Mary Longbrake was promoted to vice president in the banking department.

Werner E. Diehl and Charles W. Graham III were named vice presidents in the international banking department.

CULLEN CENTER BANK & TRUST STATEMENT OF CONDITION DECEMBER 31, 1973

Smith and Jefferson, Houston, Texas (713) 224-0778
Member F.D.I.C.

Resources	December 31, 1973	December 31, 1972
Cash and Due From Banks	$ 28,190,647.74	$ 24,420,519.79
Federal Funds Sold	21,000,000.00	7,200,000.00
U.S. Govt. and Federal Agency Obligations	28,642,184.59	30,914,190.68
U.S. Govt. Guaranteed Municipal Bonds and Notes	4,252,820.81	250,486.53
Other Municipal Bonds	19,129,521.49	20,554,352.80
Trading Accounts	2,512,983.60	-0-
Loans and Discounts	105,061,243.43	86,043,517.07
Leasehold Improvements	1,358,137.78	1,203,965.63
Furniture and Fixtures	729,162.62	581,262.86
Other Assets	3,793,006.94	2,847,084.49
Customer Liability—Letters of Credit	2,692,247.66	1,719,785.95
Total Resources	$217,361,956.66	$175,735,165.80

Liabilities		
Capital Stock	$ 3,250,000.00	$ 2,750,000.00
Surplus	3,750,000.00	3,250,000.00
Undivided Profits	3,081,395.46	1,917,257.40
Provision for Possible Loan Loss	1,236,147.00	779,839.69
Other Liabilities	3,515,943.57	2,404,537.68
Federal Funds Purchased	4,995,000.00	2,200,000.00
Deposits	194,841,222.97	160,713,745.08
Liability on Letters of Credit	2,692,247.66	1,719,785.95
Total Liabilities	$217,361,956.66	$175,735,165.80

Opened For Business July 1, 1969

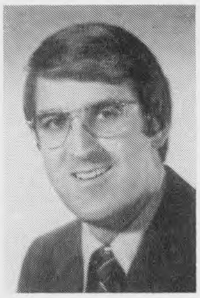
BNO Promotes 10 Officers Plauche Named Asst. VP

NEW ORLEANS—Ten promotions have been announced by Bank of New Orleans, including two to vice president. They are Joseph W. Berey and Charles S. Stortz Jr.

PLAUCHE

New assistant vice presidents are

STORTZ



BEREY

Roy F. Baas, August H. Beniger Jr., James H. Bradshaw Jr., Thomas A. Davenport, Kenneth A. Langguth, E. James Pemberton, Rodney J. Plauche and C. Fenton Rutledge.

Mr. Berey joined the bank in 1966 and Mr. Stortz in 1970. Mr. Plauche is in the correspondent bank department.

Two Make VP, Four Retire At Worthen Bank, Little Rock

LITTLE ROCK—Two new vice presidents and four retirements have been announced by Worthen Bank.

Dan Bearden and Jerry Straessle are the new vice presidents. Both were formerly assistant vice presidents. Mr. Bearden joined Worthen in 1953 and Mr. Straessle has been with the bank since 1968.

WORTHEN

BEARDEN

STRAESSLE

Heading the list of retirements is Booker Worthen, who was a senior vice president and is a grandson of the bank's founder and first president, W. B. Worthen. He had been with the bank for 44 years.

Also retiring were Erwin Johnston, Melvin Diffee and Wilbur Armbrust, all vice presidents. They joined the bank in 1935, 1930 and 1940, respectively.

Top-Level Changes Announced For Bank of New York

NEW YORK—Elliott Averett has been elected chairman and CEO of Bank of New York Co., effective July 1, succeeding Samuel H. Woolley, who will retire from the HC and its subsidiary, Bank of New York, in June. Mr. Averett, presently president and CEO of the bank, will become chairman of the

AVERETT

BACOT

WOOLLEY

bank and continue as CEO when Mr. Woolley retires.

J. Carter Bacot, senior vice president in charge of investment research for the bank, will succeed Mr. Averett as president on July 1.

Mr. Averett has been with the bank since 1940, Mr. Bacot since 1960.

Kansas City's Mercantile Bank Promotes and Elects Officers

KANSAS CITY—Mercantile Bank has advanced Roland Petering from senior vice president and senior trust officer to senior vice president and executive trust officer, Buell L. Hoyt from assistant vice president to vice president and Dorothy B. Van Horn from secretary to assistant vice president and secretary.

Newly elected officers include Jon F. Mallard and Leonard J. Saale to assistant vice presidents; Michael Zuk Jr. to assistant trust officer; Anthony C. Gagliano to EDP officer; Shirley Harber, Anna L. Lawless, Bernice M. Mock and Dorothy L. Smith to administrative officers.

Robert Saner Elected President Of Springfield Marine Bank

SPRINGFIELD, ILL.—Robert J. Saner was advanced from senior vice president to president, Springfield Marine Bank, at the annual stockholders' meeting January 14. He succeeded Willard Bunn Jr., who became chairman and chief executive officer.

SANER

Two new directors were elected—George W. Bunn III, vice president of the bank, and George R. Bunn, president, Bunn-o-Matic Corp.

Five other officers were promoted—Clifford E. Search from assistant vice president to vice president, Don G. McNeely and John F. Sullivan from loan officers to assistant vice presidents, John M. Tallman Jr. from assistant cashier to comptroller and Dale D. Hedrick to trust officer.

Loose Heads Correspondent Dept. At First National of Denver

DENVER—Ronald A. Loose, vice president, First National, has been named head of the correspondent bank department. He succeeded Senior Vice President J. Rodney Uhrich, who has been reassigned to report directly to President Theodore D. Brown on special assignments.

LOOSE

Mr. Loose went from Bank of America, San Francisco, to First of Denver in 1963 and was named vice president, correspondent bank department, in 1971.

Mr. Uhrich, with the bank since 1956, had headed the correspondent bank department since 1971.

■ BANK OF NEW MEXICO, Albuquerque, has reassigned Leslie J. Croughan, vice president, from the Main Office to the marketing division and William M. Hayden Jr., assistant vice president, to the post of commercial loan officer, Main Office, from his former post as manager, credit and research department.

■ MRS. ISABELLE SLAYDEN has been named assistant cashier at National Bank, North Kansas City. She has been with the bank 11 years.

Promotions, Director Retirement Announced at 4th of Wichita

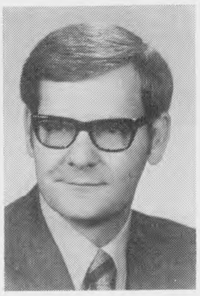
WICHITA—Fourth National has announced several promotions and the retirement of a director.


STOUT

Promoted to vice presidents were Joseph H. Stout, of the correspondent banking division, Leland F. Cox, who also is controller, and Donald L. Ambrose, supervisor of internal operations, operations and control division.

Named assistant vice presidents were Paul D. Stephenson, commercial loans; Richard L. Strecker, consumer loans, and Gary Gamm, investments. T. V. Campbell and Ida Crouch were named trust officers and Patrick C. Woodward trust operations officer.


AMBROSE


COX

Dwight Ferguson retired from the board after having served since 1937 and was appointed honorary director. As a director, he succeeded his father, William M. Ferguson, a Kansas rancher and banker. The younger Mr. Ferguson entered banking in 1930 at Bank of Woodward, Okla., where he now is president and chief executive officer.

Costakis, Darr Take Top Jobs At LaSalle National, Chicago

CHICAGO—Frank G. Price has retired as president of LaSalle National. James G. Costakis has been named chairman of the executive committee and Milton F. Darr Jr. has become president.


DARR

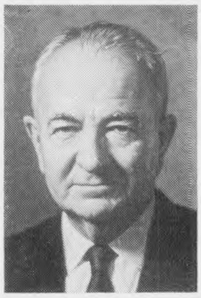
Mr. Darr had previously served as chairman and prior to that as president. Mr. Costakis, along with Harrison I. Steans, has announced plans to purchase control of the bank.


COSTAKIS


STEANS

Reno Odlin to Retire

Former ABA President Reno Odlin retires this month as chairman of Puget Sound National, Tacoma, Wash. He has been with the bank more than 37 years and was ABA president in 1964-65.


ODLIN

Upon retirement, Mr. Odlin will be named honorary chairman and a member of the advisory board of retired directors. He will retain an office in the bank and be available for consultation.

Andrew Beck Promoted to VP At Central of Cincinnati

CINCINNATI—Central Trust has announced two promotions, including that of Andrew G. Beck as vice president.

BECK

Mr. Beck travels for the bank in the south and western division. He joined the bank in 1927 and had been assistant vice president since 1958.

In other action, Central Trust promoted Robert A. Ries from vice president and comptroller to senior vice president and comptroller.

American National, Mobile, Promotes Seven Officers

MOBILE—American National has promoted James M. Hirs to executive vice president and Vincent P. Schiavoni to senior vice president and cashier.

Other promotions include A. Mitchell Cobb Jr., Richard O. Rowan and B. A. Wood III to vice presidents; Carl Williams to assistant vice president and Charles S. Jones to assistant cashier.

FNB, Oklahoma City, Elects 3

OKLAHOMA CITY—Frank W. Rollow has been elected vice president of First National. Pearce Blake and David J. Montgomery were elected assistant vice presidents.

Mr. Rollow joined the bank in 1965, Mr. Blake in 1969 and Mr. Montgomery in 1971.

Connelly Named Vice President At Bank of the Southwest

HOUSTON—David A. "Tony" Connelly, senior loan officer in the national department, Bank of the Southwest, has been made a vice president.

CONNELLY

A banker 12 years, Mr. Connelly joined Bank of the Southwest last November 5, coming from American Bank, Odessa, Tex., where he was president. During his career, he has been a vice president with another downtown Houston bank.

In 1972-73, he was a counselor at the Southwestern Graduate School of Banking, Southern Methodist University, Dallas.

10 Officers Receive Promotions At Cullen Center Bank, Houston

HOUSTON—Cullen Center Bank has promoted 10 officers, including five department heads.

BLACK

J. Donald Squibb Jr. was promoted to executive vice president of the trust department. He is chairman of the trust committee.

Named senior vice presidents were Milton E. Black, correspondent banking and marketing; W. Allen Gage, administration; Edward H. LaMair, construction and real estate loans; and J. Gordon Muir Jr., commercial loans.

Bill S. Graham was promoted to assistant vice president and Rhett Beavers, Walt Manly, Craig Pemberton and Mark Stubblefield were named assistant cashiers. Mr. Pemberton is in the correspondent banking and marketing department.

■ CENTRAL BANK, Birmingham, has named Jess R. Mitchell vice president and assistant manager, commercial loan department. He was a commercial loan officer.

Illinois News

A Medallion for Chicagoan

Irving Seaman Jr. (l.), chief executive officer, Nat'l Boulevard Bank, Chicago, receives a silver medallion from Robert J. Leckrone, chairman, Louis Joliet Bank, Joliet, in commemoration of the 300th anniversary of the Joliet-Marquette exploration of Illinois. The medallion was presented—in front of National Boulevard's staff—in appreciation and gratefulness for the warm relationship between the two banks. During his expedition, Louis Joliet passed both sites—those of National Boulevard and Louis Joliet banks. Only a limited number of the medallions were minted.

■ ROBERT N. SHULT has been named assistant vice president and security officer, Citizens National, Macomb. He was auditor. Mr. Shult now is responsible for all facets of the bank's customer-contact policies and operations in the general banking division. The entire security program, including protection from hold-up and robbery, also is under his control.

Donald Cason Named CEO Of First of Mattoon

CASON

MATTOON—Donald S. Cason, president, First National, assumed the additional duties of chief executive officer February 1.

Mr. Cason, who became the bank's president early last year, joined the bank in 1968, coming from First National, Centralia. He was first vice president before being elected president.

■ PIONEER BANK, Chicago, has elected two new executive vice presidents—Wesley W. Rink, financial and operations group, and Rausey W. Mason, loan administration. Both were senior vice presidents.

■ FIRST NATIONAL, Evanston, has elected the following assistant cashiers: Lorenzo Dawson, Peter F. Meder, William T. Schmitt, Kathleen Johnson and Mary Jo Weissenberg.

New Motor Bank Facility

This is the new motor bank facility recently opened by Capitol Bank, Springfield. The facility has a time-saver window, which is opened at 7:30 each morning, Monday through Saturday. Diebold, Inc., Canton, O., installed the equipment. The building is constructed in a contemporary mansard style accented by a subtle range of dark brown distressed brick and arched bronze glass windows.

■ DuQUOIN STATE has elected two new assistant cashiers—Delores Bryant, bookkeeping department, and George Edward Watson, loan department. The bank also reported that cash dividends paid shareholders last year totaled $80,000, based on $4 per share within the general guidelines laid down by the Committee on Interest and Dividends.

Illinois Death

GEORGE F. THIES, 77, senior vice president, First National, Harvey, on January 3. He was one of the founders of Cook County Trust, Homewood, which later became First of Harvey. He went into semi-retirement in 1964, but remained active in the bank as senior vice president and a member of the consultant board.

Indiana News

Frank McKinney Sr. Dies; Retired Indiana Banker

INDIANAPOLIS—Frank E. McKinney Sr., 69, honorary chairman, American Fletcher National, died January 9. He also was chairman of the executive committee of the bank's parent holding company, American Fletcher Corp.

McKINNEY

Mr. McKinney entered banking in 1918 and held controlling interest in and was chairman and president of Fidelity Bank here when it was merged in 1959 with American National and Fletcher Trust to form the present bank. At that time, he was elected the merged bank's chairman. He retired as chairman and CEO of the bank in 1968 and of the HC in 1970. His son, Frank E. McKinney Jr., now is president, chairman and chief executive officer of the bank.

The elder Mr. McKinney was Democratic Party chairman, 1951-52. He also was nominated by President Lyndon Johnson in 1968 to be ambassador to Spain, but had to decline because of health reasons.

■ TERRE HAUTE FIRST NATIONAL has announced the following appointments—Jerry L. Williams, installment loan officer and manager, BankAmericard department; Stanley V. Hart, assistant vice president and branch administrator; Kenneth D. Doades, assistant cashier and branch manager; Larry W. Howard, assistant cashier and assistant branch manager; Marc Besson, assistant cashier, bank services; William H. Jeffries, operations manager, bookkeeping, proof and savings; Keith L. Myers, assistant auditor; Mrs. Jerri Redman, assistant cashier, and John D. Evans, assistant manager, data center.

Centennial Gift for Bank

In honor of the 100th anniversary of Northern Indiana Bank, Valparaiso, Chicago's Northern Trust presented the centennial bank with a Bollenback barometer. The inscription read, "Congratulations on your first 100 years—1973. We at Northern Trust have enjoyed a correspondent relationship with you for the past 31 of those 100 years." Shown making the presentation is Spencer LeManager (3rd from l.), v.p., Northern Trust, and accepting it is Joseph W. Bibler (c.), pres., Northern Indiana Bank. Also pictured are: Stephen W. Lind (l.), comm'l banking off., and Curtis E. Skinner (2nd from l.), v.p., both of Northern Trust; James W. Chester (3rd from r.), ch., Robert B. Coolman (2nd fom r.), vice ch., and Leslie E. Robinson, exec. v.p., all of Northern Indiana Bank.

Our correspondent banks make money on accounts receivable financing.

Accounts receivable financing is like money in the bank . . . if the bank knows how to handle it. And we do. For ourselves and for our correspondent banks.

For over 25 years, we've recognized accounts receivable financing as a sound, viable way of providing the cash flow that businesses need to grow and prosper. Most importantly, our large staff has the knowledge and experience to make accounts receivable financing a profitable venture for you.

We have a separate division that specializes in accounts receivable financing. This division is the reason our correspondent banks do so well. Our specialists handle the complicated part of the business, and our correspondent banks participate in the profits.

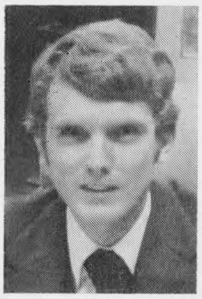
To get an indication of the profits you can reasonably expect from our accounts receivable financing program, call Ed Delaney or Lew Hanson of our Correspondent Banking Division. When it comes to making money on accounts receivable financing . . . we're on your side.

Exchange National Bank of Chicago

LaSalle & Adams • Chicago, Illinois 60690 • Phone 312/332-5000 • Member FDIC

Kentucky News

Ward Heads International Dept. At 1st Security Nat'l, Lexington



WARD

LEXINGTON—David P. Ward has been appointed assistant cashier at First Security National. He will head the bank's newly formed international finance department.

Mr. Ward was formerly a foreign trade specialist at a bank in Louisville. He has trained at the Export-Import Bank and attended the School of Foreign Credit Insurance Association.

The new department will provide foreign currency, letters of credit, travelers cheques, export-import financing and foreign remittances, drafts and collections.

■ MRS. MARJORY M. BURNAW, assistant cashier, First National, Carlisle, was recently honored at a 25th anniversary surprise party. She joined the bank in 1948.

First National Bank Trustees Plan to Change Corporate Form

LOUISVILLE—First National Bank Trustees, a registered HC that has operated as a business trust since 1925, will change its form from a trust to a corporation, subject to favorable regulatory agency approvals.

No changes will be made in management structure, according to a spokesman. The move will permit the firm to compete more efficiently with other corporate HCs, he said.

First National Bank Trustees owns First National, First Kentucky Trust and First Kentucky Co., all of Louisville.

■ MOUNT STERLING NATIONAL has named Arthur G. Stevens and John T. Petro senior vice presidents and Charles G. Vice vice president. They joined the bank in 1959, 1950 and 1968, respectively.

Citizens Fidelity Corp. HC Begins Operations in Louisville

LOUISVILLE—The organization of a one-bank HC, called Citizens Fidelity Corp., has been approved by shareholders of Citizens Fidelity Bank. The bank is now a wholly owned subsidiary of the HC.

Maurice D. S. Johnson is chairman and CEO of both organizations; bank Vice Chairman J. David Grissom is president of the HC; and Donald R. Jackson, the bank's executive vice president-finance, holds similar duties with the HC in addition to being its secretary-treasurer.

■ PEOPLES COMMERCIAL, Winchester, has elected Thomas D. Richardson to its board. He is with Rockwell International.

■ CITIZENS NATIONAL, Bowling Green, has promoted Martha S. McGuirk, Juanita Milton and John T. Perkins to vice presidents, and Loraine Dunn and Wilma J. Stringfield to assistant vice presidents. New assistant cashiers include Bill Napier, Jim Driver, Vergie Hazel, Nancy Yates, Virginia Moore and Bill Reynolds.

Tennessee News

Barnette, Lowery Are Sr. VPs at American Nat'l, Chattanooga

CHATTANOOGA—DeArnold R. Barnette and Donald E. Lowery have been promoted to senior vice presidents at American National. Mr. Barnette joined the bank in 1970 and serves as director of marketing. Mr. Lowery has been with the bank since 1954 and heads the properties department.

BARNETTE

Ralph M. Killebrew has been promoted to executive vice president of Ancorp Bancshares, Inc., HC controlling American National. He had been vice president and chief implementation officer since 1972, prior to which time he had been vice president and senior trust officer at American National.

KILLEBREW

LOWERY

Hamilton Nat'l Bank and HC Announce New Promotions

CHATTANOOGA—Hamilton National has promoted James E. Bartlett, Walter W. Stack and Eugene B. White to assistant vice presidents, named Charles A. Ruff assistant data processing officer and elected Moses Lebovitz to its board. Mr. Lebovitz is in the real estate and theater business.

Larry Walker was named auditor.

Hamilton Bancshares, Inc., has elected Donald R. Carr senior loan review officer and promoted Joseph R. Lourey to comptroller, Rod White to auditor and Don Kerr to assistant auditor.

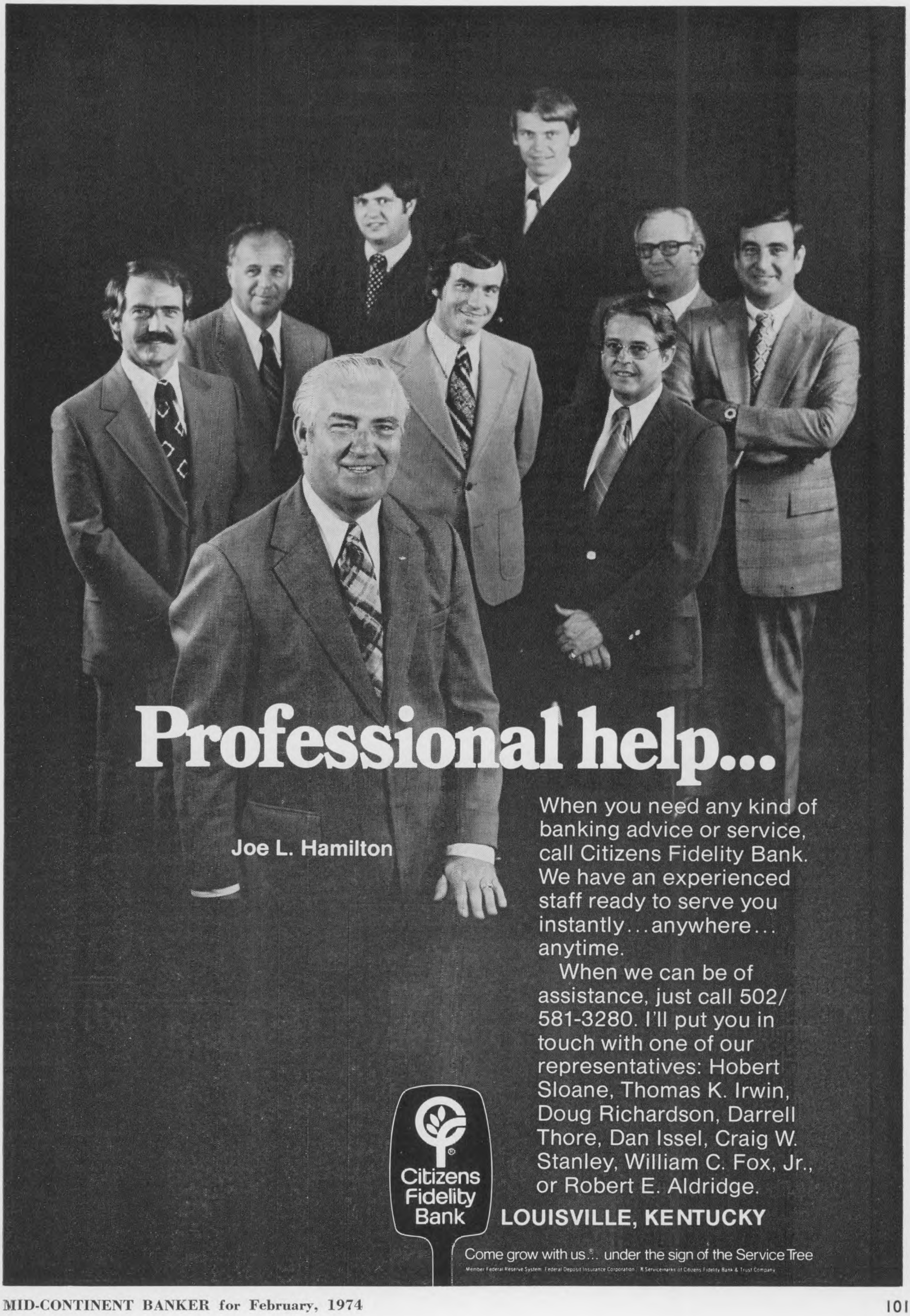
■ HAMILTON BANCSHARES, Inc., Chattanooga, has signed agreements in principal to acquire First American Bank, Memphis, and Peoples Bank, Woodbury.

■ FIRST TENNESSEE NATIONAL CORP., Memphis-based HC, and Cleveland Bank have agreed to affiliate. Affiliations have been completed between the HC and Jackson State; Sumner County Bank, Gallatin; and Mosheim Bank.

■ HAMILTON BANK of Johnson City has received approval from regulatory authorities for construction of its seventh branch. The Jonesboro Branch will be located on Highway 11-E and Boones Creek Road in the Old Towne Square, Jonesboro.

■ WILLIAM A. HOWELL has been elected president of First National, Livingston, succeeding Travis Anderson, who resigned his post as president but remains as chairman. Mr. Howell retains his title as cashier. Ronald H. Hyder was promoted to vice president and Earl L. Carwile was named assistant vice president. New officers are James E. Elder, executive vice president; and Betty Parrott and Charlovene Winton, assistant cashiers.

■ FARMERS EXCHANGE BANK Union City, has promoted Marlene Ring to loan administration officer and Ken Garrigan and Bobbie Bennett to assistant cashiers.



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Alabama News

■ COVINGTON COUNTY BANK, Andalusia, has promoted Ariel M. Walker to assistant vice president and Rex Helms and J. T. Raley to assistant cashiers. All three are in the loan department.

■ CITY BANK, Roanoke, has promoted Mrs. Irma M. Borders from cashier to vice president and cashier, Mrs. Pauline M. Huey from assistant cashier to assistant vice president, Ted Roberts from loan officer to assistant vice president and Mrs. Carolyn S. Hendon from teller to assistant cashier. Two officers were honored for serving 25 years plus—Mrs. Huey and Assistant Cashier Dorris Handley. They received watches.

■ CITIZENS BANK, Wetumpka, has named Walter Urquhart vice president and manager, Millbrook Branch. A banker seven years, he has been with First National, Montgomery, and the Ozark Branch of Fort Rucker National.

■ FIRST NATIONAL, Birmingham, has opened its new Gardendale Branch building. The building, constructed of enameled metal panels with glass and aluminum trim, is decorated in warm green tones with wood trim. The ribbon that was cut to open the building contained $200, which was given to the Gardendale High School band. The latter entertained before and after opening ceremonies.

■ FIRST NATIONAL, Decatur, promoted Joe Perrin from cashier to vice president and cashier and Mike Callahan and Ronnie Dukes to assistant cashiers. Mr. Callahan is in the installment loan department, Downtown Office, and Mr. Dukes is manager, Austin Branch.

■ CENTRAL BANK of Alabama, Birmingham, has completed its newest branch in Huntsville. The structure is basically four sided with four wings, one projecting from each of the four sides. The exterior is made of brick and natural wood. There are three covered drive-up windows. Carlos Melville, assistant loan officer, is manager.

■ HAROLD S. MUSK JR., president, First National, Anniston, has been elected to the board of Alabama Financial Group, Inc., Birmingham.

■ CITY NATIONAL, Tuscaloosa, has officially become a member of First Alabama Bancshares, Inc., Montgomery.

■ ALABAMA BANCORP., Birmingham, has named Maria B. Campbell secretary and counsel. She was associated with a Birmingham law firm. She received her law degree from the University of Georgia Law School, where she was executive editor of the Georgia Law Review.

■ CHARLES MARTIN has advanced from executive vice president to president at Birmingham's National Bank of Commerce. He joined NBC in 1970 as vice president, commercial loans and marketing, was elected secretary to the board in 1971 and executive vice president and then a director in 1972. Mr. Martin is the first NBC president who has moved up through successive posts within the bank rather than having been brought in from another bank. Before joining NBC, he was assistant vice president, First National, Huntsville.

Mississippi News

Ribbon Cutting in Clarksdale

First National, Clarksdale, held its formal ribbon cutting at its new U. S. 61 Branch recently. Shown cutting the ribbon is Mississippi Lieutenant Governor William Winter. Others include (from l.) Mayor Joe Nosef; David Califf, bank president and CEO; Governor Winter; Tommy Garmon, senior vice president and city commissioner; Wayne Winter, executive vice president; and Branch Manager Austin Adkins.

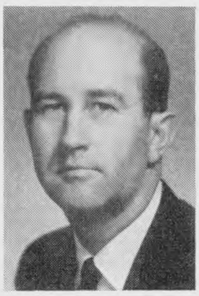
■ HANCOCK BANK, Gulfport, has promoted Mrs. Margie Johnson from trust officer to assistant vice president and trust officer; Mrs. Imogene Stiedle from savings officer to assistant vice president; Salvador S. Domino from loan officer to assistant vice president; Charles L. Eastland from assistant trust officer to trust officer; and Douglas T. Luce Jr., from manager of the correspondent banking department to correspondent banking officer.

Three Vice Presidents Named At Deposit Guaranty Nat'l

JACKSON, MISS.—Deposit Guaranty National has promoted Henry P. Caldwell from assistant vice president to vice president, Joe G. Hilton from comptroller to vice president and comptroller, Grover C. McDonald from auditor to vice president and general auditor, James L. Kimbrell from installment loan officer to assistant vice president and Robert G. Barnett from assistant vice president to assistant general counsel. John B. Neville was elected assistant vice president.

CALDWELL

HILTON



McDONALD

Mr. Caldwell went to the bank in 1955, Mr. Hilton in 1968, Mr. McDonald in 1948, Mr. Kimbrell in 1967 and Mr. Barnett in 1970. Mr. Neville, a former investment officer, recently rejoined Deposit Guaranty to head the government bond department.

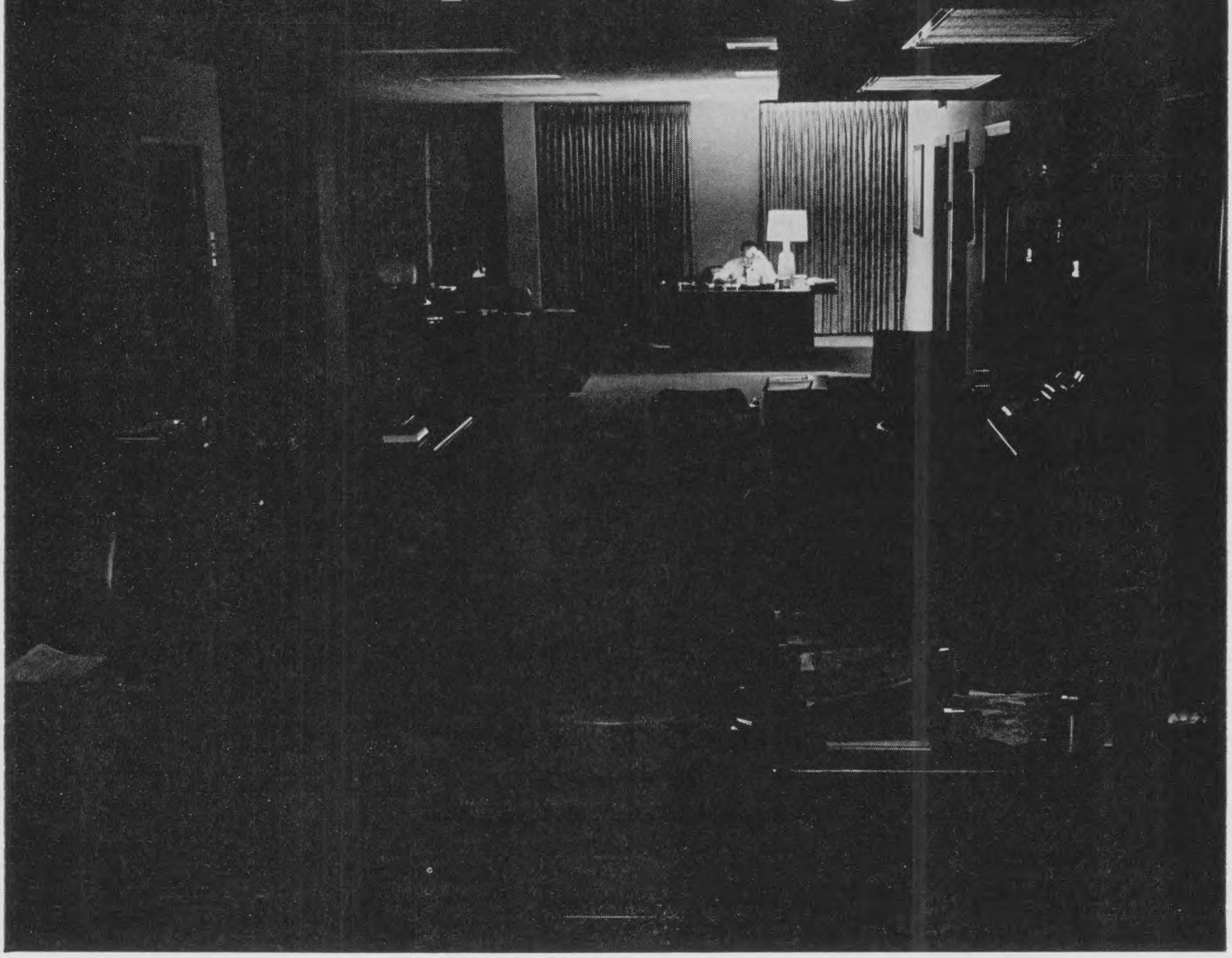
Canton Exchange Bank Promotes and Expands

CANTON—Canton Exchange Bank has promoted James M. Chandler from assistant vice president to vice president and Jimmy M. James from assistant cashier to assistant vice president. Mr. James is manager of the East Branch.

Edwin A. Lofton was named assistant vice president and manager of the Ridgeland Branch, Mrs. Jane Henderson was named assistant cashier and manager of the Madison Branch and Mrs. Selena Oakley was named assistant cashier.

The bank has doubled its square footage at the Main Office by incorporating an adjacent building and adding an annex to the existing building. The adjacent structure contains executive offices, a conference room, directors room, lounge and transit department.

Your banking problems don't keep banking hours.



It would be great if your banking problems ended when your last customer walked out the door. But they don't. Banking problems last through the night. They can occur any time. Over the weekend. During holidays. That's why you need someone you can rely on for help — for as long as you need it. At First American, the men in our Correspondent Bank Division will work to solve your problems 7 days a week for as long as you need them. Whether you need assistance in servicing a large loan, portfolio analysis, data processing, industrial development, international banking, leasing, or help in designing your new bank building.

We don't keep banking hours — so you can.

First American. We have what you need when you need it.

First American National Bank Nashville, Tennessee 37237
1-800-342-8392 (Tennessee) 1-800-251-8514 (Bordering States)

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Louisiana News

Four Promoted, Eight Elected At Guaranty Bank, Alexandria

ALEXANDRIA—Four officers have been promoted and eight elected at Guaranty Bank.

HUDSON

Promoted were Cameron Hudson to vice president; and Joseph R. Cicardo, John W. Melder and Jerry P. Wood to assistant vice presidents. Mr. Hudson has been on the staff since 1959 and is manager of the Pineville East Branch. Mr. Cicardo and Mr. Melder joined the bank in 1969 and Mr. Wood in 1970.

New officers include Robert E. Baugh, data processing officer; Herbert Boydstun and Marlon D. McKinney, loan officers; and Pauline B. Brown, Miriam B. Cantrell, Gloria J. Dyess, Bertie D. Nichols and Ethel R. Ryder, administrative assistants.

■ JOSEPH V. BROCATO has been named president of Jefferson Bank, Metairie. He was formerly executive vice president, Manufacturers & Traders Trust, Buffalo, N. Y.

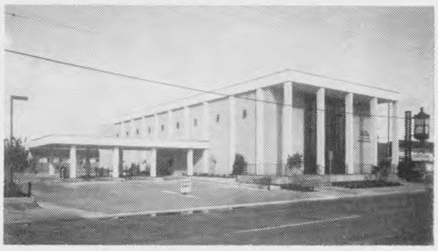
■ ST. LANDRY BANK, Opelousas, has named Dr. Daniel H. Buller and Clarence Harmon Jr. to its board. Dr. Buller is a local surgeon and Mr. Harmon is president of the Opelousas Production Credit Association.

■ EDWIN G. JEWETT JR., senior vice president, First National Bank of Commerce, New Orleans, has been named to the executive committee and board of trustees of the Council of the Americas, New York and Washington, D. C. He was also named area vice chairman for the Gulf South.

■ COMMERCIAL NATIONAL, Shreveport, has promoted H. D. Timms to vice president and named W. T. Gleason, O. A. Griffey III, S. M. Morehead Jr. and B. J. Phares assistant vice presidents. Mrs. Nina R. Franklin was elected assistant cashier.

■ H. VERNON MYERS JR. has been named senior vice president at First National, Houma. He was formerly a stock broker and investments counselor.

Whitney Opens Branch



Whitney National, New Orleans, has opened this full-service Harrison Branch on Harrison Avenue and Marshal Foch Street. The facility includes four drive-up lanes, offstreet parking, a safe deposit department and teller facilities. The branch contains 9,000 square feet of interior space.

Louisiana Nat'l, Baton Rouge, Announces Officer Promotions

BATON ROUGE—New vice presidents and assistant vice presidents have been named at Louisiana National.

The vice presidents are John S. Adkins, Kenneth A. Bailey, Russell J. Gauthier, J. Roland Livingston, Norman L. Phillips, Joseph M. Sullivan Jr. and Jerry D. Turk.

Named assistant vice presidents were Thomas A. Boone, William F. Hardin, Jonathan E. Parker, William S. Spann Jr., E. Cole Thorton and William H. Whitaker.

Arkansas News

Wayne Stone Retires as Banker, Opens Consulting Office

PINE BLUFF—Wayne A. Stone, a former president of the Arkansas Bankers Association, retired December 31 as chairman and chief executive officer of Simmons First National. He continues as a director and has been named honorary chairman. Mr. Stone has opened an office in the bank building and is available as a financial consultant to banks and other financial institutions, HCs and corporations.

Louis L. Ramsay Jr. continues as president of Simmons First National and also has been named CEO.

■ FIRST NATIONAL, Dermott, has promoted George T. Harris from executive vice president to president and Miss Mary K. Tucker from vice president to executive vice president. Mr. Harris joined the bank in 1972 and Miss Tucker when the bank was organized in 1962.

■ GARLAND HURT retired December 31 as chairman, First National, Camden, after a 43-year banking career. He was cashier of the bank when it opened in 1930 as Citizens Bank, became president in 1948 and chairman in 1965.

Penick Portrait Completed

LITTLE ROCK—A portrait of Edward M. Penick, president and chief executive officer, Worthen Bank, has been presented to the bank by its board. The portrait was done by Little Rock artist Betty Dortch Russell and is her latest major work. The portrait in oil shows Mr. Penick standing near a window in the Capital Club atop the Worthen Bank Building. The background scene looks west over Little Rock along the Arkansas River.

New Bank Opens in McGehee

McGEHEE—The new First National opened for business January 2, with capital of $300,000, surplus of $300,000 and undivided profits of $150,000.

Officers are: chairman, Henry Anthony Sr.; president, William Fred Denton; vice president and cashier, Ray F. Smith, and secretary, Kenneth M. Hollis Sr.

■ COLE MARTIN has been elected president and chief executive officer, Stephens Security Bank. Charles T. Reveley, who was president, now is chairman. Mr. Martin, at 32, is one of the state's youngest bank presidents. He joined the bank in 1972 and was executive vice president and cashier prior to being elected president. Before going to the bank, he was a correspondent bank officer at Little Rock's Worthen Bank. Mr. Reveley had been president of the bank since founding it in 1946.

■ TWIN CITY BANK, North Little Rock, has elected Aubrey J. "Jack" Bonner commercial business development officer. He comes from Little Rock's Commercial National, where he was assistant vice president, marketing.

■ MERCHANTS & PLANTERS BANK, Arkadelphia, has promoted Miss Catherine Condray and Mrs. Barbara Evans from assistant cashiers to assistant vice presidents and Mrs. Ann Massey to assistant cashier. Miss Condray is head teller; Mrs. Evans, manager, note department; and Mrs. Massey, head of the bookkeeping department.

	DEC. 31 1973	DEC. 31 1972
ASSETS		
Cash and Due From Banks	$ 16,075,753	$ 15,303,829
Investment Securities:		
U. S. Government Securities	4,371,245	6,426,418
Public Housing Authority Bonds	35,920	116,043
State and Political Subdivision Bonds	14,847,238	15,201,524
Other Securities	2,197,970	3,200,077
Total Investment Securities	21,452,373	24,944,062
Loans and Discounts	75,469,764	24,944,062
Loans and Discounts	75,469,764	69,242,137
Federal Funds Sold	3,500,000	—0—
Bank Premises & Equipment (Less Depreciation)	1,676,133	1,020,395
Real Estate Owned Other Than Bank Premises	658,743	844,304
Customer Liability on Letters of Credit	882,534	1,208,645
Interest Earned—Not Collected	945,973	949,962
Other Assets	562,442	247,264
TOTAL ASSETS	$121,223,715	$113,760,598
LIABILITIES		
Deposits:		
Demand	$ 38,970,390	$ 39,299,636
Time	56,222,657	52,675,560
Total Deposits	95,193,047	91,975,196
Interest Collected—Not Earned	2,192,893	1,383,194
Discount Collected—Mortgage Loans	167,636	130,669
Liability on Customers Letters of Credit	882,534	1,208,645
Accrued Taxes and Other Expenses	855,980	684,090
Securities Sold Under Agreement to Repurchase	977,275	—0—
Other Liabilities—Borrowed Money	10,388,848	9,600,953
Dividends Payable	129,000	130,438
TOTAL LIABILITIES	110,787,213	105,113,185
RESERVE ON LOANS		
Reserve for Possible Loan Losses	1,221,914	972,612
CAPITAL ACCOUNTS		
Capital Debentures	2,250,000	2,250,000
Common Stock	1,500,000	1,331,000
Surplus	3,495,000	2,650,000
Undivided Profits	1,969,588	1,443,801
TOTAL CAPITAL ACCOUNTS	9,214,588	7,674,801
TOTAL LIABILITIES, RESERVE AND CAPITAL ACCOUNTS	$121,223,715	$113,760,598

Bossier Bank
& TRUST COMPANY
Member FDIC

New Mexico News

Lieutenant Governor's Post Sought by Duke City Banker

ALBUQUERQUE—State Representative Fred Chavez, assistant vice president, Bank of New Mexico, has announced he will seek the Democratic nomination for lieutenant governor.

Representative Chavez, a member of the House Appropriations and Finance Committee, was elected to the House first in 1968 and has been re-elected twice.

New Post for Livingston

ALBUQUERQUE—David G. Livingston, chairman of First National, also has been elected president. He succeeded Cale W. Carson Jr., who resigned. Mr. Livingston joined the bank in 1970. He once was with United California Bank, San Francisco. Mr. Carson gave no reason for resigning.

■ BANK OF NEW MEXICO, Albuquerque, has elected Jerry D. Geist to its board. He is executive vice president, Public Service Co. of New Mexico.

■ FIRST NATIONAL of Dona Ana County, Las Cruces, has announced these promotions: Ben H. Haines, cashier, John A. Papen III, head of the loan division, and Thomas N. Mobley Jr., head of the trust and investments division, all to senior vice presidents; Dwain Bradshaw, in charge of installment loans; Rodney A. Chamness, trust officer, and Herbert H. Lett, manager, Anthony Branch, all to vice presidents and R. Steve Bell from assistant operations officer to assistant vice president.

■ ALBUQUERQUE NATIONAL has elected Charles L. Jansen and Keith G. Barnhouse assistant vice presidents. Mr. Jansen is manager, Winrock Office, and Mr. Barnhouse is assistant manager, East Central Office.

■ PAUL L. FOLLMER has been elected vice president and head of the dealer section at Albuquerque's First National. He succeeded Eugene M. Huffstutler, who died recently. Mr. Follmer joined the bank in 1971.

■ ROSWELL STATE has announced expansion plans that will extend its present quarters 60 feet south, complete a second story to the building and more than double square footage. In addition, the bank will make $160,000 worth of improvements.

■ JAMES F. ZIMMERMAN retired January 1 as executive vice president and trust officer, Carlsbad National, but remains as a consultant to the trust department and as a bank director. He joined the bank 42 years ago.

■ FIRST NATIONAL, Roswell, has made its Dexter Branch a full-service office and named J. E. Thompson manager. He is an assistant vice president and was marketing officer at the bank, which he joined 26 years ago.

■ HOT SPRINGS NATIONAL, Truth or Consequences, has opened its Williamsburg Branch and is planning a branch in Hillsboro.

■ JERRY N. JONES has been elected president, American Bank, Carlsbad. He was executive vice president. Ralph Gardner has joined the bank as senior vice president, coming from First National, Roswell, where he was vice president. American Bank elected two new directors—Jack White Jr., vice president, White's City, Inc., and Collin Gerrells Jr., a partner in Collin Gerrells, a retail men's clothing store.

■ ALBERT ARMIJO has resigned as president, Citizens Bank, Las Cruces, to go into the land development business with Mrs. Armijo. Mr. Armijo had been the bank's president since it opened in 1970.

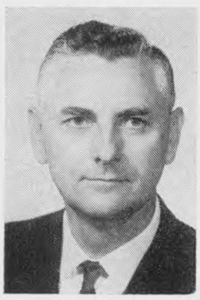
Oklahoma News

Fourth National, Tulsa, Makes Eight Promotions

TULSA—Fourth National has made eight promotions, including three senior vice presidents: Charles G. Meckfessel (also controller), Richard E. Minshall (also trust officer) and Charles A. Vier.

MECKFESSEL

MINSHALL



VIER

Promoted to vice presidents were Garland Hill and George A. Shannon. Mary Butler and Nadine Coonfield were named assistant vice presidents. Karren Darrough was named assistant cashier. Mr. Shannon is also a trust officer.

Mr. Meckfessel is a CPA and a native of Kansas. Mr. Minshall holds a law degree from the University of Virginia and is also a graduate of the University of Oklahoma. Mr. Vier has been in banking since 1948.

■ CITIZENS SECURITY, Bixby, recently celebrated its 50th anniversary. O. W. Brown, one of the original stockholders, is still active.

Fidelity Acquired by HC

OKLAHOMA CITY—Fidelity Bank has become a wholly owned subsidiary of Fidelity Corp. of Oklahoma, a newly formed bank HC. Bank stockholders will exchange their stock on a share-for-share basis for HC stock.

■ EARL J. NEWLIN has joined Citizens National, Oklahoma City, as a vice president. He had been with First National, Clinton.

■ GEORGE W. CARLTON has been elected vice president of Citizens Bank, Drumright. He was formerly associated with First State Bank, Oilton, and National Bank of Tulsa.

■ LESTER SMITH has joined First National, Stillwater, as vice president in charge of agricultural services. Mr. Smith has a background of 28 years in extension work.

■ FIRST NATIONAL, Bartlesville, has named Dennis O. Cubbage Jr., Robert C. Beard, John Spangenburg Jr. and Charles Brannan assistant vice presidents and Glenroy Billbe assistant cashier.

■ MISS RONNYE PERRY has been named marketing representative, United Bank, Tulsa. She had been BankAmericard sales representative, First National, Oklahoma City, the past three years.

TBA's District One Meeting Planned for March 2

HOUSTON—District One of the Texas Bankers Association will hold its annual meeting March 2 at the Shamrock Hilton Hotel. The meeting will begin with a 12:30 luncheon, to be followed by a business session. A 6:30 cocktail party will precede a 7:45 dinner. Afterward, there will be entertainment and dancing.

H. G. Symonds Jr., president, Houston National, is general chairman. His committee chairmen are: *registration,* Kenneth H. Steffy, vice president, Houston National; *entertainment,* Grant Hollingsworth, vice president, First City National, and *refreshments,* H. Michael Tyson, senior vice president, Texas Commerce Bank.

■ ELSA STATE is erecting new quarters, which will be a combination of one-and two-story levels with exterior walls of double brick and glass. The structure—of contemporary Spanish design—will have four two-story areas, with the roof level dropping back to one story for the lobby and open work areas. Brick screens and tropical plantings will beautify the site. The vault, security alarm system and teller equipment will be provided by Mosler Co.

■ GLENN LANDY has joined First Bank, Bryan, as trust officer. He was vice president and trust officer, First National, Corsicana, and has been in banking 13 years.

■ LAKEWOOD BANK, Dallas, has promoted Hudson D. Mead and Loyd R. Swope from vice presidents to senior vice presidents. They are in charge of installment lending and real estate loans, respectively. Senior Vice President Roy Gene Evans, who formerly headed the real estate department, has been named head of the commercial loan department. The bank also appointed John W. Doyal senior vice

Texas News

president in charge of the mortgage banking department. He came from Lufkin National, where he was senior vice president.

■ AMERICAN NATIONAL, Beaumont, has named Ben S. Woodhead Jr. vice president and trust officer, David G. Holstead and Phil M. Newman vice presidents, Steven Thomas Gibbs credit officer and Patricia Temple Lawrence assistant cashier. Mr. Woodhead was trust officer, Messrs. Holstead and Newman assistant vice presidents, Mr. Gibbs assistant credit manager and Miss Lawrence manager of customer services-collection and exchange.

Texas Bank Joins HC

Texas Bank, Dallas, became affiliated with First City Bancorp. of Texas, Inc., Houston, January 1. Management of Texas Bank remains under the direction of Chairman Oscar C. Lindemann and President Charles G. Young Jr. Texas Bank now is the principal unit of the HC, whose other banks include First City National, Houston.

In other action, the HC has received Fed approval to buy First National, San Angelo, and First National, Paris.

■ MRS. ANNA BELLE COLLIER retired last month as vice president, Park Cities Bank, Dallas, which she joined 15 years ago. She has been a Dallas banker 25 years.

■ WALTER E. JOHNSON has been named president, Continental-Bank of Texas, Houston, replacing Gerald H. Smith. The latter was named chairman of the executive committee and continues as chief executive officer of Allied Bancshares, Inc., the bank's parent company. Mr. Johnson also is on the boards of the HC and bank.

■ MEDICAL CENTER NATIONAL, Houston, has named Donald W. Neuenschwander co-chairman, president and chief executive officer. He also is president, Pasadena National, and chairman and CEO, Rosenberg Trust.

Fed Approves New Victoria HC

VICTORIA—Victoria Bankshares, Inc., has received Fed approval to become a bank holding company through acquisitions of Victoria Bank; Farmers State, Cuero; First National, Nordheim; Home State, Westhoff; Community State, Runge, and Smiley State.

In action at Victoria Bank, D. H. Braman Jr. was named vice chairman and Ralph R. Gilster Jr. executive vice president-investment consultant. Dr. Charles L. Borchers, M.D., was elected to the bank's board. Mr. Braman, also a director of the new HC, has cattle and oil interests. Mr. Gilster joined the bank in 1966.

■ MERCHANTS & PLANTERS NATIONAL, Sherman, has announced three top-management changes and the reaching of a preliminary agreement to become a wholly owned subsidiary of First City Bancorp. of Texas, Inc., Houston. Purchase price of the Sherman bank was announced as $14 million. Fred Holland was elected chairman of M&P National, but remains president. Wendell K. Francis, vice president and cashier, was promoted to executive vice president and cashier and named a director. Harold Hudspeth was elevated from vice president to senior vice president. William W. Collins Jr., who retired last year as special assistant to the Secretary of Housing & Urban Development, Washington, D. C., was elected an M&P National director.

THE FORT WORTH NATIONAL BANK

Member FDIC — Fort Worth, Texas

Statement of Condition

Assets

	December 31 1973	December 31 1972
Cash and due from banks	$218,750,134	$138,319,168
Investment securities:		
United States Government	70,393,947	60,340,084
State, county and municipal	117,918,939	131,266,456
Other investment securities	3,329,975	9,908,711
Trading account securities	4,013,553	1,407,144
Federal funds sold	18,750,000	33,300,000
Loans and discounts	439,321,046	368,696,104
Land, buildings and equipment—undepreciated balance	31,340,684	19,182,463
Customers' liability under acceptances and letters of credit	9,450,277	10,159,124
Income receivable and other assets	8,806,777	6,929,578
	$922,075,332	$779,508,832

Liabilities and Capital Funds

	1973	1972
Demand deposits	$302,067,503	$301,378,011
Time deposits	369,701,567	302,894,985
TOTAL DEPOSITS	671,769,070	604,272,996
Federal funds purchased and securities sold under repurchase agreement	150,689,047	87,781,466
Acceptances and letters of credit	9,450,277	10,159,124
Unearned income and other liabilities	28,700,143	18,397,912
TOTAL LIABILITIES	860,608,537	720,611,498
Reserve for loan losses	7,613,685	6,300,030
Capital funds:		
5⅝% Capital Notes due 1992	9,250,000	9,625,000
Stockholder's equity:		
Common Stock, par value $10 a share, 1,267,112 shares authorized and outstanding	12,671,120	12,671,120
Capital surplus	17,568,880	17,568,880
Retained earnings	14,363,110	12,732,304
TOTAL STOCKHOLDER'S EQUITY	44,603,110	42,972,304
TOTAL CAPITAL FUNDS	53,853,110	52,597,304
	$922,075,332	$779,508,832

DIRECTORS
and Advisory Directors*

VERNON BAIRD
President, Mrs. Baird's Bakeries, Inc.

W. HOYT BAIRD*
Chairman of the Executive Committee, Mrs. Baird's Bakeries, Inc.

SID R. BASS
President, Bass Brothers Enterprises, Inc.

J. JON BRUMLEY*
President, Southland Royalty Company

LEWIS H. BOND
Chairman of the Board and Chief Executive Officer

DR. COLEMAN CARTER, JR.*
Investments

LESTER CLARK
Chairman of the Board, Petroleum Corporation of Texas

WILLIAM C. CONNER
Chairman of the Board, Alcon Laboratories, Inc.

CULLEN DAVIS
President, Stratoflex, Inc.

E. F. FREEMAN*
Investments

BAYARD H. FRIEDMAN
President

W. M. FULLER
Oil and Ranching

H. B. FUQUA*
Honorary Chairman of the Board

JAMES S. GARVEY
Chairman of the Board, Garvey Elevators, Inc.

RAYMOND C. GEE*
Advisory Chairman of the Board

GASTON HALLAM
President, Ben E. Keith Co.

JOE B. HOGSETT*
Investments

JOHN S. JUSTIN, JR.
Chairman of the Board, Justin Industries, Inc.

B. J. KELLENBERGER
Chairman of the Board and President, Shenandoah Oil Corporation

PAUL LEONARD
Investments

LOUIS J. LEVY, M. D.
Surgeon

WEB MADDOX*
President, Maddox Properties

JACK W. MELCHER
Vice President, Corporate Long Range Planning, Lennox Industries Inc.

ORAN F. NEEDHAM
Chairman of the Board, The Millers Mutual Fire Insurance Company of Texas

J. C. PACE, JR.
Investments

L. F. PETERSON
Petroleum Consultant

W. H. PETERSON
Executive Vice President, Retired

GUY PRICE*
Ranching

A. L. SCOTT
President, Kimbell, Inc.

ROBERT F. SNAKARD
Law, Snakard, Brown & Gambill, Attorneys

O. ROY STEVENSON
President, The Fort Worth National Corporation

GLEN TURBEVILLE
Chairman of the Board, Morrison Supply Company

SAM P. WOODSON, JR.
President, Fort Worth Coca-Cola Bottling Company

GEORGE M. YOUNG
Oil

Kansas News

Seminar on UCCC Held By Comm'l of KCK

KANSAS CITY—Commercial National was host to about 183 correspondent bankers at a special seminar on the Uniform Consumer Credit Code in December.

Harold Stones, director of research, Kansas Bankers Association, detailed the UCCC, which became effective in the state January 1, and presented an informative case-history discussion. Stanley Lind, counsel, Kansas Association of Finance Companies, discussed the basic legal aspects of the UCCC. Wanda Hiebert, assistant secretary-treasurer, Life Insurance Co. of Kansas, described how changes in the UCCC would affect credit life insurance. John French, CNB vice president, talked about the UCCC and ramifications of automation. The seminar was concluded with an informative and active question-and-answer session, followed by refreshments.

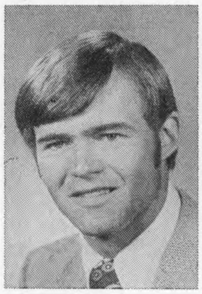
Pictured at Commercial National of Kansas City's seminar on Uniform Commercial Credit Code are (l. to r.): John Strube, a.v.p., and Max Dickerson, sr. v.p. of bank; Harold Stones, director of research, KBA; Stanley Lind, counsel, Kansas Assn. of Finance Companies, and Bernard Ruysser, pres. of bank.

J. Ward Martin Sr. Dies

KANSAS CITY—J. Ward Martin Sr., 79, died December 21. He retired in 1969 as senior vice president, Commercial National, but remained a banking consultant until his death.

Mr. Martin joined the bank as a messenger in 1916. He was a former president of the KCK Clearing House Association.

B. Kent Moffet Leaves Wichita For Post at First of Larned



MOFFET

LARNED—B. Kent Moffet has joined First National as assistant vice president with primary responsibilities in the loan and administrative departments.

He was formerly assistant cashier in the correspondent department at Wichita's First National, which he joined in 1971. He holds a degree in banking economics and business administration from Wichita State University.

Mr. Moffet is the son of Stanley N. Moffet, chairman of First of Larned.

■ ROELAND PARK STATE, Shawnee Mission, is constructing a three-level addition to its main bank building. The new structure will add 11,000 square feet of space to the bank. The street or main level will include five, high-speed drive-up lanes with kiosk-type equipment. There will be off-street storage for more than 20 cars in the drive-up facility. A new walk-in lobby will be added and will have parking space available at the door. The second-floor level will be built over the drive-up lanes and will provide office space for future bank expansion. The entire project is scheduled for completion this summer.

■ SOUTHGATE STATE, Prairie Village, has announced five promotions: Robert E. Atteberry from vice president to senior vice president and trust officer; Charles R. Godwin, cashier, from assistant vice president to vice president; Gary D. Hale from assistant trust officer to trust officer and William F. Bartels and Alan R. Brown to installment loan officers.

Promotions, New Directors Announced at Topeka State

HOPKINS

TOPEKA—Topeka State has promoted John Hopkins from vice president to senior vice president, Don Crites to assistant vice president and Mrs. Kathryn Martin to manager of the new Brookwood facility in the Brookwood Shopping Center. Mr. Crites calls on Topeka State's correspondent banks throughout Kansas.

In other action, the bank elected Mrs. Joan Guy and J. R. Krieger to its board.

GUY

CRITES

Mrs. Guy is vice president of the bank, and Mr. Krieger is with J. R. Krieger & Co.

Topeka State describes the new Brookwood facility as a family banking center. It has drive-up and walk-up windows. Its manager, Mrs. Martin, was formerly with Lawrence National.

■ DENISON STATE, Holton, has named Dean Tuley assistant cashier and agricultural representative. He was formerly with the McCook, Neb., Co-Op.

■ CENTRAL STATE, Wichita, has made Roger Shields data processing officer. He has completed setting up the bank's new computer division, which became operational January 1. Mr. Shields was previously with Security Bank, Ponca City, Okla., and Insurance Data Systems, Wichita.

THE TRUE MEASURE OF GROWTH IS IN OUR CAPITAL ACCOUNT

STATEMENT OF CONDITION as of December 31, 1973

RESOURCES

Cash and Due from Banks	$ 30,702,684.02
U.S. Government Obligations	19,575,035.64
State and Municipal Bonds	19,037,047.05
U.S. Government Agencies: Bonds	1,141,791.29
Other High Grade Bonds and Securities	1,339,085.72
Loans and Discounts	66,616,953.46
Federal Funds Sold	3,343,000.00
Stock in Federal Reserve Bank	345,000.00
Bank Building, Leasehold Improvements, Furniture and Fixtures	821,882.44
Customers Liability L/C	287,123.06
Overdrafts	5,168.80
Other Resources	1,111,353.48
	$144,326,124.96
Federal Funds Sold and Securities Purchased under Agreements to Resell	7,000,000.00
TOTAL RESOURCES	$151,326,124.96

LIABILITIES

Capital	$5,500,000.00	
Surplus	6,000,000.00	
Undivided Profits	7,966,813.56	
Capital Reserve	1,039,176.11	$ 20,505,989.67
Reserve for Interest, Taxes, etc.		452,189.38
Unearned Discount		1,656,083.16
Bank's Liability L/C		287,123.06
Deposits		113,804,739.69
Federal Funds Purchased		7,620,000.00
		$144,326,124.96
Federal Funds Purchased and Securities Sold under Agreements to Repurchase		7,000,000.00
TOTAL LIABILITIES		$151,326,124.96

CAPITAL ACCOUNT GROWTH

1971 — $16,540,017

1972 — $17,889,468

1973 — $20,505,989

Security's correspondent customers get a service combination of experience with age and eagerness to serve of youth, backed by expertise of career bankers.

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Seventh and Minn.—Kansas City, Kansas 66117

Dial Direct-913-281-3165 Member F.D.I.C.

ST. LOUIS COUNTY NATIONAL BANK

CLAYTON, MISSOURI

Statement of Condition

DECEMBER 31, 1973

RESOURCES

Cash and Due from Banks	$ 30,739,618.64
Federal Funds Sold	17,900,000.00
United States Government Securities	27,037,687.00
Municipal Securities	50,420,757.37
Federal Reserve Bank Stock	360,000.00
Loans and Discounts	108,476,682.23
Equipment Acquired for Lease	2,127,562.81
Bank Premises, Vaults and Equipment	1,703,810.26
Accrued Income Receivable	2,192,767.57
Other Resources	2,614,866.30
	$243,573,752.18

LIABILITIES

Demand Deposits	$116,887,584.03	
Time Deposits	104,954,126.50	
Total Deposits		$221,841,710.53
Federal Funds Purchased		460,000.00
Reserve for Losses on Loans		1,877,689.58
Reserve for Interest, Taxes, Etc.		1,296,336.19
Income Collected, Not Earned		730,555.92
Other Liabilities		112,000.00
CAPITAL ACCOUNTS:		
Common Stock	$ 4,000,000.00	
Surplus	8,000,000.00	
Undivided Profits	5,255,459.96	17,255,459.96
		$243,573,752.18

OFFICERS

EDWARD H. SCHMIDT
Chairman of the Board and Chief Executive Officer

MERLE M. SANGUINET
President

COMMERCIAL BANKING

RODNEY F. HILL
Vice President

C. U. IMBODEN
Assistant Vice President

LESTER O. WAGNER
Assistant Vice President

DONALD A. WIBBENMEYER
Assistant Vice President

INSTALLMENT CREDIT

ROY J. PANCHOT
Assistant Vice President

THERESA S. KRONER
Installment Credit Officer

MORTGAGE LOANS

THOMAS M. NOONAN
Vice President

PATRICK H. STEVENSON
Mortgage Loan Officer

OPERATIONS

RAYMOND N. GRELLNER
Senior Vice President

WALTER E. BECKER
Assistant Vice President

GILBERT E. FARRELL
Assistant Vice President

PAUL L. GIBBONS
Cashier

RICHARD A. MATT
Assistant Cashier

GERALD P. FAGIN
Data Processing Officer

MARGIE M. KING
Personnel Officer

CUSTOMERS SERVICES

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Vice President

WILLIAM E. CARROLL
Assistant Cashier

RAYMOND F. ERKER, JR.
Assistant Cashier

NORINNE HOBBS
Assistant Cashier

HARRIS E. WILLIAMS
Assistant Cashier

MARKETING

CURTIS L. GILES
Assistant Vice President

DAVID A. JORDAN
Marketing Officer

COMPTROLLER

LAWRENCE D. ABELN
Comptroller

E. W. DICKMANN
Assistant Comptroller

AUDITING

LEO J. NIEMEYER
Auditor

RUSSELL E. ALBRECHT
Assistant Auditor

TRUST DEPARTMENT

RICHARD J. KEMPLAND
Vice President and Trust Officer

JAC E. GRISWOLD
Trust Officer

WILSON F. HUNT
Trust Officer

CARL ENLOE
Trust Investment Officer

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Chairman of the Board
American Investment Company

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JACK R. HENNESSEY
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Missouri News

American Nat'l of St. Joseph Realigns Top-Management Team

ST. JOSEPH—American National has announced a realignment in top management. Gerald R. Sprong was named president, succeeding Benton M. Calkins Jr., who retired December 31 as an active officer, but remains on the board.

Elected chairman was Robert F. Keatley, who succeeded Milton Tootle in that post. Mr. Tootle was named vice chairman. They also hold the same titles at the bank's parent holding company, Ameribanc, Inc. Rounding out the bank's executive-management team are William F. Enright Jr. and Charles K. Richmond, executive vice presidents, and James R. Bocell, senior vice president and senior trust officer.

Mr. Sprong continues as president of the HC, which he joined last November 1. Previously, he was a partner in Peat, Marwick & Mitchell, Kansas City.

In other action, the bank promoted Terry L. Gardner to vice president/data processing; Beverly Pitts Jr. to assistant vice president and Michael Swymeler to assistant vice president and personnel officer. Named assistant trust officers were Sharon Evers and Ronald L. Shreve. Larry Morrow and Ed McWilliams were elected assistant cashiers.

Executive-management team at St. Joseph's American National are (l. to r.): Robert F. Keatley, ch.; James R. Bocell, sr. v.p. & sr. tr. off.; Charles K. Richmond, exec. v.p.; Gerald R. Sprong, pres.; William F. Enright Jr., exec. v.p., and Milton Tootle, v. ch.

Harold Keller Dies

ST. LOUIS—Harold Keller, longtime St. Louis banker, died in December at the age of 82. He had been in banking 57 years prior to his retirement in 1967.

He began his career with the former American Trust, St. Louis, one of the predecessors of First National. He joined Mound City Trust in 1937 and served that bank as president and chairman prior to his retirement from that institution in 1960.

He joined the former First Security, Kirkwood, Mo., in 1960 and served as president there until his final retirement in 1967.

■ CITY BANK, St. Louis, plans to acquire Central West End Bank, also in St. Louis, subject to regulatory authority approval. Central West End banking quarters will be operated as a City Bank facility.

■ BOONE COUNTY NATIONAL, Columbia, will be acquired by Central Bancompany upon regulatory authority approval. The HC also controls Central Trust, Jefferson City, and First National, Clayton.

■ FIRST NATIONAL, Joplin, plans to establish a facility at Ninth Street and Maiden Lane in Joplin. The facility is expected to be open by September. It will be the bank's second facility.

■ URBAN G. WISE has joined American National, St. Joseph, as vice president and comptroller. He was formerly a tax manager at Arthur Andersen & Co., Kansas City.

■ LAUREL BANK, Raytown, has elected C. A. Ruisinger Jr. president, succeeding R. J. Meuli, who has been named chairman. Clark G. McCorkle is vice chairman. Walter B. Keeter and Graham G. Giblin were promoted to vice presidents and Stephen C. McCorkle and Randy A. Sears were named assistant vice presidents. Jodi Snodgrass and Wade A. Brotherson were elected assistant cashiers.

■ EDWIN R. SCHERTZER, senior vice president, Tower Grove Bank, St. Louis, has retired after more than 50 years in banking. He began his career in 1923 with the St. Louis Fed, joining Tower Grove in 1936.

Brookhart Named President At Peoples Bank, Branson

BRANSON—Smith W. Brookhart III has been elected president and chief operating officer of Peoples Bank. Mr. Brookhart succeeds Ben A. Parnell Jr., immediate past president of the Missouri Bankers Association, who was named chairman. Mr. Parnell remains as CEO.

Arthur R. Cahill, a retired business executive, was elected chairman of the executive committee and vice chairman of the board. Mr. Cahill was formerly chairman.

PARNELL

BROOKHART

■ FLORISSANT BANK has promoted Cyril A. Niehoff from vice president and cashier to executive vice president and cashier, Norbert W. Lohe from vice president to senior vice president, Eugene J. Meyer from assistant cashier to assistant vice president, Mrs. Dorothy R. Jasper from operations officer to assistant vice president and Mrs. Rosa N. Smith from installment loan officer to assistant vice president. Mr. Lohe also was elected a director, succeeding William F. Albers, a retired businessman, who retired from the bank's board.

Governor Receives Book

Missouri Governor Christopher S. Bond (c.) receives first copy of book entitled "Missouri," which was published by First Union, Inc., St. Louis-based HC. Presenting book is Clarence C. Barksdale (r.), president, First National, St. Louis, lead bank in HC. At left is Eugene F. Williams, president, St. Louis Union Trust, a First Union affiliate. Copies of the book have been distributed to business leaders throughout the U. S. urging them to consider a Missouri location in their expansion plans.

Top-Level Changes Made At Webster Groves Trust

WEBSTER GROVES—Top-level changes were made recently at Webster Groves Trust.

Melvin G. Hall was elected honorary chairman. He was formerly chairman. M. Leon Hall, formerly president, was elected chairman. He continues as CEO.

Warren Druschky was promoted to president from executive vice president. He continues as chief administrative officer.

Antoinette Kost was named secretary. She was previously assistant secretary.

LEON HALL

DRUSCHKY

■ WILLIAM L. HAYSE has been elected president of United Missouri Bank, Kirkwood. He succeeds John R. Kirk Jr., who was elected chairman. Mr. Hayse was formerly a vice president at United Missouri Bank, Kansas City.

■ FIRST NATIONAL, Neosho, has promoted Bill Sims to cashier and Eldon L. Morgan to vice president and trust officer.

■ MERCANTILE TRUST, St. Louis, has announced the following promotions: John P. Rogers from assistant auditor to assistant vice president; Richard E. Drummond, trust officer; Thomas S. Lombardo, operations officer; Marjorie A. Longo and Curtis E. Underwood, communications officers; Karen Lynne Vasileff, marketing officer, and Chester C. Patton, assistant trust officer.

■ LEMAY BANK, St. Louis, has elected Lowell Alexander a vice president, Alvin Coleman auditor and comptroller, Tom O'Hara and Richard Groeneman assistant cashiers and Robert Lehman assistant auditor.

Missouri Death

W. PAUL HARPER, 66, retired vice president, Boatmen's National, St. Louis, on January 19 after a long illness. Before retiring 1½ years ago, Mr. Harper had been an officer of Boatmen's National 36 years, including 15 years as vice president in charge of investments.

Meyer Named President Of Butler State Bank

BUTLER—W. Darrell Meyer has advanced from executive vice president to president, Butler State. Charles W. Babcock, who was chairman and president, continues as chairman.

MEYER

Mr. Meyer, a banker since 1959, when he joined Arizona Bank, Phoenix, joined First National, Kansas City, in 1962 and was a vice president in the correspondent bank division when he joined Butler State. Both banks are affiliates of First Charter Corp., Kansas City-based multi-bank holding company.

■ BANK OF ST. ANN has promoted David T. Fairchild to assistant vice president and Bobbie Nash to auditor. Mr. Fairchild joined the bank in 1970, Miss Nash in 1963.

■ TOWER GROVE BANK, St. Louis, has promoted Robert E. Heidbreder from commercial banking officer to vice president.

St. Louis' Cass Bank Moves To Downtown Spot

ST. LOUIS—A grand opening is planned soon for Cass Bank's new headquarters in the Syndicate Trust Building at 10th and Olive streets, downtown St. Louis.

The bank is remodeling 13,000 square feet on the first floor. The new quarters will more than double the space the bank had at its former headquarters at Cass and 13th Street, occupied for the past 44 years. The former headquarters will be operated as a facility.

Architect's rendering of new downtown headquarters for Cass Bank, St. Louis.

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What Is Liberty?

A condensation of a presentation made by J. W. McLean, chairman, Liberty National Corp., Oklahoma City, at a Christmas Breakfast for employees of the HC.

ABOUT six weeks ago, one of our busiest officers came to me to say that he had frankly reached a point of deep concern about many of our national problems—which, in the past, hadn't particularly disturbed him. But now, he said he found himself occasionally all but demoralized by the events of the day—the incredible things going on around us.

Wars continue; the Watergate; the Vice President resigns; the White House tapes; a new prosecutor and new attorney general appointed; the impeachment proceedings; rising unemployment; and, all the while inflation continues with an energy crisis growing more serious with every mile per gallon traveled and every light switch or appliance turned on.

"What's happening to us?" he said. "Where are we headed? More importantly, where is our national leadership? And what can we do about it?"

I must admit, that in my nearly 30 years of business life, I, too, have never been more moved to reappraise the world around me in terms of just what I personally might do about it. After all, these last six years so much of our time and energy has been devoted to building Liberty within, that I fear too little personal effort has been committed to the support of liberty generally—I mean in the broader sense, like freedom, justice and the principles we believe in. And so, I began to think a great deal about what liberty is and what I might do to protect it.

But, liberty, I finally decided, is really a very simple thing.

Certainly, true liberty means freedom from despotic government; it of course means freedom from foreign rule; but it also means freedom to think and speak; yes, and to criticize, too, doesn't it? But doesn't it also mean freedom to defend one's self from criticism and injustice? And, shouldn't we listen just as carefully to the defender as we do to the critics? That doesn't mean we must agree, but shouldn't we at least listen more carefully? As a matter of fact, failure to do so would ignore the responsibility that goes with freedom. And freedom without responsibility would be a terribly dangerous thing.

I think perhaps it's time to reinforce publicly our Pledge of Allegiance to the Flag with three more related pledges for 1974:

First, I would like to pledge allegiance to our economic system and to do my part in reducing the myths and misunderstandings about it. And, yes, to be honest with ourselves about its faults.

Second, I renew my pledge to the obligations of good citizenship—taking the time to familiarize myself with political issues so that I might cast an intelligent vote for those who will represent me from the courthouse to the White House. This is what good government is about.

Third, and finally, I rededicate and pledge myself to improving the lot of those less fortunate than I, by devoting more of my time to social involvement. This is what the brotherhood of man is about.

I'll take these additional pledges for 1974—if you will. After all, each of us is responsible for making the system work. It is only when we lose faith in ourselves and each other that the system falters, because it really isn't the system itself that is being challenged, but rather individuals—ordinary men—who for a time have been charged with administering it. Whatever their fate—the nation and this thing called liberty will go on. • •

Convention Calendar

March

March 4-6: BMA Midwest Regional Conference, Camelot Inn, Little Rock.
March 13-15: ABA National Credit and Commercial Lending Conference, Chicago, Palmer House Hotel.
March 18-20: ABA National Marketing Conference, Bal Harbour, Fla., Americana Hotel.
March 20-24: Independent Bankers Association Annual Convention, Dallas, Fairmont Hotel.
March 25-27: ABA National Installment Credit Conference, San Francisco, San Francisco Hilton Hotel.
March 31-April 3: ABA Trust Operations & Automation Workshop, Chicago.

April

April 9-10: Young Bankers of Tennessee Annual Convention, Memphis, Holiday Inn Rivermont.
April 10-12: ABA Southern Trust Conference, Arlington Hotel, Hot Springs, Ark.
April 21-26: Robert Morris Associates Loan Management Seminar, Bloomington, Ind., Indiana University.
April 27-30: Louisiana Bankers Association Annual Convention, New Orleans, Fairmont Roosevelt Hotel.

May

May 5-7: Texas Bankers Association Annual Convention, Ft. Worth.
May 5-8: Arkansas Bankers Association Annual Convention, Hot Springs, Arlington Hotel.
May 6-8: ABA National Mortgage Conference, Atlanta, Marriott Motor Hotel.
May 7-9: Oklahoma Bankers Association Annual Convention, Oklahoma City.
May 8-10: Alabama Bankers Association Annual Convention, Mobile, Municipal Auditorium.
May 8-10: Kansas Bankers Association Annual Convention, Kansas City, Kan., Ramada Inn Center City.
May 12-14: Missouri Bankers Association Annual Convention, St. Louis, Stouffer's Riverfront Inn.
May 12-14: Tennessee Bankers Association Annual Convention, Knoxville, Hyatt-Regency Hotel.
May 18-21: Mississippi Bankers Association Annual Convention, Biloxi, Buena Vista Hotel.
May 19-21: Illinois Bankers Association Annual Convention, Peoria, Peoria Hilton Hotel.
May 19-22: ABA National Operations & Automation Conference, San Francisco.
May 27-29: AIB Convention, Baltimore, Baltimore Hilton Hotel.

June

June 3-8: ABA International Monetary Conference, Williamsburg, Va.
June 12-13: Indiana Bankers Association Annual Convention, French Lick, French Lick-Sheraton Hotel.
June 13-15: New Mexico Bankers Association Annual Convention, Albuquerque, Hilton Inn.

July

July 11-14: ABA Central States Conference, Mackinac Island, Mich., Grand Hotel.

September

Sept. 15-18: ABA Personnel Conference, Minneapolis, Hotel Radisson.
Sept. 22-25: ABA Charge Account Bankers Division Convention, Chicago, Palmer House Hotel.

October

Oct. 17-18: Association of Registered Bank Holding Companies Fall Meeting, Honolulu, Kahala Hilton Hotel.
Oct. 19-23: American Bankers Association Convention, Honolulu, Hawaii.

November

Nov. 10-13: ABA National Agricultural and Rural Affairs Conference, St. Louis, Chase-Park Plaza Hotel.

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And they know their bank.

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Fast.

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Fast action on overline loans . . . even if your bank is not yet a First correspondent.

Computer services second to none. Years of experience in all forms of EDP. Our computer marketers and technicians will be happy to visit and talk with you.

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Bond Department services, including fast computerized portfolio analysis. Our investment experts are in constant contact with bond dealers nationwide.

Personal and Corporate Trust services through St. Louis Union Trust. Largest trust company in Missouri. Over $4 billion in assets.

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