

MID-CONTINENT BANKER

(ISSN 0026-296X)

SOUTHERN EDITION

AUGUST, 1984

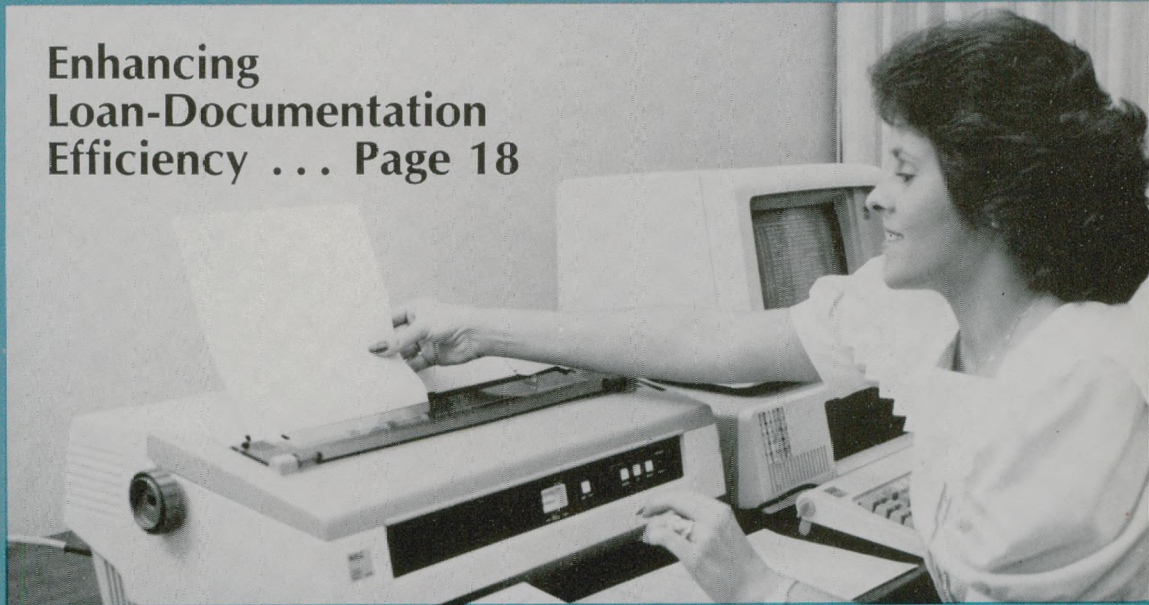
ASSET/LIABILITY MANAGEMENT

COMMERCIAL LOAN ISSUE

**Asset/Liability Management:
Where Can Bankers Go for Help? Page 30**

**Asset/Liability-Management Software:
Is It Providing Answers Banks Need? Page 37**

**Enhancing
Loan-Documentation
Efficiency . . . Page 18**



**Regulators Analyze Problems
Facing Commercial Lenders Pages 8, 9, 21**

**Deregulation Prompts Query:
'What's My Bank Worth?'**
Page 27

Introducing



Banks of Mid-America

A strong new name in banking.

You are cordially invited to become well acquainted with this STRONG new banking company. It signifies a potent new partnership, rising to meet the growing financial needs of Middle America and Mid-Americans.

HOW STRONG?...

On July 17, Liberty National Corporation of Oklahoma City and First Tulsa Bancorporation, Inc. of Tulsa officially became BANKS OF MID-AMERICA and formed the strongest possible banking axis between Oklahoma's two great metropolitan areas with (as of March 31, 1984):

- more than 40% greater deposits
- more than 15% greater loans
- more than 20% greater resources
- more than 15% greater capital funds
- and a more than 20% greater combined bank loan limit than our nearest competitor in each

category...but we could not have a greater desire to lend our strength to you.

WHY THE SYMBOL?...

The face of the Statue of Liberty was chosen because it is our country's singular monument to freedom and opportunity. And where but in Mid-America do freedom of economic enterprise and opportunity flourish more abundantly? We believe the region is on the threshold of quantum growth over the years immediately ahead.

MEANWHILE...

Respectfully, we invite you to discover the new depth and breadth of the superior customer services which our two anchor banks can now provide. The strongest in Oklahoma, Banks of Mid-America has more for you. At the core of our corporate philosophy, you will always find the cherished ideals upon which America – and both banks – were founded.



Liberty
A Bank of Mid-America

Liberty National Bank and Trust Company
Post Office Box 25848, Oklahoma City, Oklahoma 73125/Member FDIC



First Tulsa
A Bank of Mid-America

The First National Bank and Trust Company
Post Office Box One, Tulsa, Oklahoma 74193/Member FDIC



**WHITNEY NATIONAL BANK OF NEW ORLEANS
CONDENSED STATEMENT OF CONDITION**

AS OF JUNE 30, 1984

RESOURCES

Cash and Due from Financial Institutions	\$ 280,986,247.39
U. S. Treasury Securities	680,225,799.59
Obligations of States and Political Subdivisions	73,004,392.18
Federal Reserve and Corporate Stock	1,503,776.87
Federal Funds Sold and Securities Purchased Under Agreements to Resell.	21,700,000.00
Loans and Leases	986,112,869.45
Less: Reserve For Possible Loan Losses	<u>11,007,160.79</u>
	\$ 975,105,708.66
Bank Premises and Equipment	18,513,011.37
Other Real Estate	6,112,672.98
Customers' Acceptance Liability	209,394.58
Accrued Income Receivable	34,837,410.40
Other Assets	<u>5,051,394.50</u>
TOTAL	<u>\$ 2,097,249,808.52</u>

LIABILITIES

Deposits	\$ 1,606,198,197.27
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	244,625,000.00
Acceptances Outstanding	209,394.58
Dividend Payable July 2, 1984	4,050,784.80
Special Dividends Payable.	1,145,976.94
Accrued Taxes, Interest and Expenses	<u>23,061,800.92</u>
TOTAL LIABILITIES.	<u>\$ 1,879,291,154.51</u>

CAPITAL ACCOUNTS

Capital Stock	\$ 2,800,000.00
Surplus	47,200,000.00
Undivided Profits.	167,095,653.06
Securities Reserve	<u>863,000.95</u>
TOTAL CAPITAL ACCOUNTS	<u>\$ 217,958,654.01</u>
TOTAL	<u>\$ 2,097,249,808.52</u>



Whitney
NATIONAL BANK
OF NEW ORLEANS

CONVENTION CALENDAR

- Aug. 19-22:** Independent Bankers Association of America Seminar/Workshop on the One-Bank HC, Colorado Springs, Colo., the Broadmoor.
- Aug. 19-24:** Independent Bankers Association of America Senior Bank Officer Seminar, Boston, Babson College.
- Sept. 1-4:** Assemblies for Bank Directors Assembly 58, Colorado Springs, Colo., the Broadmoor.
- Sept. 9-11:** Kentucky Bankers Association Annual Convention, Louisville, Galt House.
- Sept. 9-12:** ABA National Bank Card Conference, Washington, D. C., Washington Hilton.
- Sept. 10-12:** Independent Bankers Association of America Basic Commodity Marketing Seminar, Chicago, Westin Hotel.
- Sept. 12-13:** Banking/Insurance Forum: 1984, Boston, Colonnade Hotel. (Sponsored by Risk Planning Group, Inc., 203/655-9791.)
- Sept. 12-15:** Bank Administration Institute National Convention, Denver, Fairmont Hotel.
- Sept. 16-18:** Independent Bankers Association of America Commercial Loan Workshop, Kansas City, Radisson Muehlebach Hotel.
- Sept. 16-19:** ABA Human Resources Conference, New Orleans, Fairmont Hotel.
- Sept. 16-19:** Bank Marketing Association Annual Convention, New Orleans, Marriott.
- Sept. 20-22:** ABA International Banking Conference, Washington, D. C., Mayflower Hotel.
- Sept. 23-28:** Robert Morris Associates Loan Management Seminar, Columbus, O.
- Sept. 23-29:** ABA National Consumer Credit School, Norman, Okla., University of Oklahoma.
- Sept. 24-26:** ABA Chief Financial Officers Seminar, New York City, Waldorf-Astoria Hotel.
- Sept. 25:** Bank Marketing Association's Cross-Selling, Chicago, BMA Office.
- Sept. 27:** Bank Marketing Association's Cross Selling, Chicago, BMA Office.
- Sept. 30-Oct. 3:** Bank Administration Institute Cash Management Conference, Philadelphia, Bellevue Stratford Hotel.

MID-CONTINENT BANKER

(Incorporating MID-WESTERN BANKER)

IN THIS ISSUE

Volume 80, No. 8

August, 1984

6 THE BANKING SCENE

Learning to pose the tough questions

8 BANK-LENDING PROBLEMS

Can they be solved?

21 FDIC GIVES VIEWS ON LENDING PROBLEMS

Broader powers could help banks diversify risks

S/2 KANSAS REGIONAL MEETINGS SET

Strategic planning, selling are topics

S/8 NEWS ABOUT BANKS/BANKERS

Merger, promotion, HC-formation news

27 WHAT IS MY BANK WORTH?

An investment banker's view

30 A/L MANAGEMENT ASSISTANCE

Where bankers can get it

40 USEFUL TOOL IN PLANNING CAPITAL ADEQUACY

For community banks

45 MISSOURI BA PLANS FALL FESTIVALS

Eight meetings set for September, October

Mid-Continent Banker Staff

Ralph B. Cox
Publisher

Lawrence W. Colbert
Vice President, Advertising

Rosemary McKelvey
Editor

Jim Fabian
Senior Editor

John L. Cleveland
Assistant to the Publisher

Marge Bottiaux
Advertising Production Manager

Nancy Gilbreath
Staff Assistant

Shelia Humphrey
Subscriptions

Editorial/Advertising Offices

408 Olive St., St. Louis, Mo. 63102. Tel. 314/421-5445.

MID-CONTINENT BANKER is published monthly by Commerce Publishing Co., 408 Olive St., St. Louis, Mo. 63102.

POSTMASTER: Send address changes to MID-CONTINENT BANKER at 408 Olive St., St. Louis, MO 63102.

Printed by The Ovid Bell Press, Inc., Fulton, Mo. Second-class postage paid at St. Louis, Mo., and at additional mailing offices.

Subscription rates: Three years \$27; two years \$20; one year \$12. Single copies, \$2.50 each. Foreign subscriptions, 50% additional.

Commerce Publications: American Agent & Broker, Club Management, Decor, Life Insurance Selling, Mid-Continent Banker and The Bank Board Letter.

Officers: **Donald H. Clark**, chairman emeritus, **Wesley H. Clark**, president and chief executive officer; **James T. Poor**, executive vice president and secretary; **Ralph B. Cox**, first vice president and treasurer; **Bernard A. Beggan**, **David A. Baetz**, **Lawrence W. Colbert** and **William M. Humberg**, vice presidents.

Before your problems get the best of you get the best of them.

First National Correspondent Consulting Services offers educational and training opportunities that deal with vital issues and problems facing bankers today.

Each of these "hands-on" courses features experienced instructors from First National Bank of Louisville—the region's largest and strongest bank. You'll gain valuable information and skills that can help you make your bank stronger and more profitable.

Credit Analysis School and Workshop. Gives you the skills and expertise to analyze, structure, document, review and administer commercial credits. September 24-25, November 20-21.

Loan Review School and Workshop. A must for those whose responsibilities require administering and monitoring individual credits, industry segments or your entire loan portfolio. September 4-5, November 12-13.



Problem Loan Seminar and Workshop. A systematic approach to identifying and evaluating potential problem loans prior to the loss stage. October 2.



Professional Sales School. A required course for our own officers. A must for professionalism in selling products, cross-selling services and developing customer contacts. October 22-24, December 10-12.

Personnel Administration Seminar. Addresses such issues as salary administration, regulatory requirements, policy manuals and affirmative action plans. Dates To Be Announced.

Agricultural Lending School and Workshop. Focuses on the credit analysis, cash flow and loan review procedures required for agri-business and farm production loans. October 25.



FINANCIAL ENERGY™
Put it to work for you.

Officer Call Program. A completely organized program that can be easily implemented, monitored regularly and enhanced as needed. Addresses the issues of training, motivation, documentation and individual call-management. Features individual goal-setting by each officer, use of a customized manual, implementation of customized forms for advance preparation and the reporting of call results. Includes training sessions and a quarterly officer meeting conducted by First National Bank. This program has been implemented in banks ranging in size from \$70,000,000 to \$270,000,000. Call for a presentation.



For additional information call Correspondent Consulting Services: Direct-(502) 581-7791, Kentucky WATS-(800) 292-2272. In neighboring states-(800) 626-6515.



By Dr. LEWIS E. DAVIDS
Professor of Finance
Southern Illinois University, Carbondale

Learning to Pose Tough Questions

LIKE most academics, I have found that one of the most difficult questions a student can pose is one starting with "what if?"

Television reporters love to pose that question, especially when interviewing political figures. It's a great way to catch a politician off guard and get him to say something he/she perhaps did not intend to say. Politicians are becoming more adept at fending off such ploys, however. The public generally is less enlightened by a noncommittal response, but for the politician, it is probably wiser to wait until all ramifications of a "what-if" scenario have been considered. Many a political ship has been torpedoed by an ill-considered response to a "what-if" question.

Bank management can hardly afford to wait to pose serious "what-if" questions today. Recent events in the banking industry have stirred clouds of doubt about the safety of the banking system. No banker can claim to be running a safe institution unless most of what conceivably could go wrong has been postulated and contingency plans have been developed.

No banker can foretell the future with any degree of accuracy, of course, and no one expects a banker to act as though his/her institution constantly operates at the edge of an abyss. Such a banker soon would fall prey to paranoia and create more doubts about the soundness of the banking system than the most reckless of his/her peers.

But good bankers learn to pose the tough "what-if" questions. They know that while the future is a mystery, even catastrophic events can be planned for.

What if a major shareholder currently serving on your board suddenly died? Banks typically replace at least one board member per year due to retirement provisions in the bylaws. But the unexpected loss of a key board member due to illness or fatality can be traumatic for an institution. Can you locate another director who could step

in and replace the lost board member on short notice? Are you prepared to handle the related estate changes and potential shift in stockholder control?

These are important questions if you suddenly find yourself in that situation. Posing the question before such

Good bankers learn to pose the tough 'what-if' questions. They know that while the future is a mystery, even catastrophic events can be planned for.

an event actually occurs may not spare you all the pain if your speculations become reality, but it can make the transition period smoother.

Let's say you came in the bank one day and discovered that all of your loan officers had been pirated by an aggressive S&L now intent on grabbing a slice of your commercial-lending pie. Are you prepared to live with the loss of your personnel? What percentage of your customer base might follow your lending officers over to the S&L, and could you sustain such a loss safely?

Many banks are confronted with the problem of having about 20% of their customers account for 80% of their loan portfolios. What if one day financial calamity struck a number of your best customers and the bank regulator ended up classifying a significant segment of your portfolio?

Lately, there have been some disquieting rumors about daylight overdrafts. On an average day, more than \$500 billion is cleared through the two major international wire-transfer services, the Fed Wire and the New York Clearinghouse Interbank Payment

System.

Banks routinely run large overdrafts during the day as this money moves across the wires, and the concern has been that a weak institution with significant overdrafts suddenly could find itself unable to make settlement at the end of the day. A domino effect could pass destructively through the banking system. You could be on the short end of such a development. Are you prepared to handle it?

Some time ago, a major midwestern bank suffered what normally would have been a catastrophic fire, but fortunately, it had recently revised its contingency plans and was able to continue operations with minimal interruptions in service. Would your institution be able to survive such an emergency?

When a hurricane damaged an extensive section of the Gulf Coast, some banks were fortunate in that they'd planned ahead and put their computer operations in secured areas. Other banks had kept computer operations in highly exposed areas where broken glass and torrential rains did considerable damage.

Which class would your bank be in if a hurricane or tornado struck? If this happened, could you somehow manage to reproduce your data base if the damage was so severe that there was no other choice?

Acts of nature can be destructive enough, but sometimes the acts of men can be even more so. Most bank mergers or consolidations are rather gentlemanly affairs during which management has ample time to plan for possible consequences.

What if your institution suddenly should become the target of an unfriendly takeover attempt? There's a lot of talk in the press these days about "greenmail," a legalized form of blackmail wherein a raider besieges a company with no other aim than to force management to buy out his stock. The

(Continued on page 46)

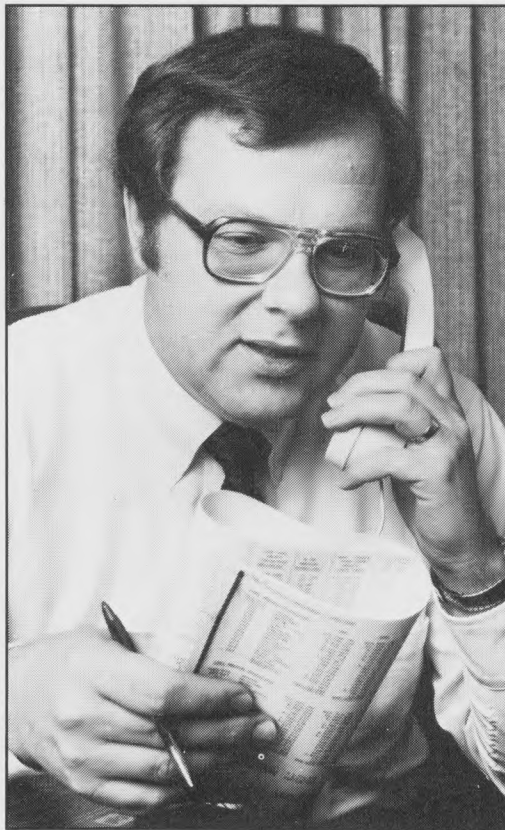
WHEN YOU WANT TO GET IT DONE, CALL A CORRESPONDENT WHO HAS BEEN THERE.

There are only a handful of correspondents who can say they've learned the needs of community banks firsthand.

Ernie Yake is one of them.

He successfully managed Commerce Bank of Moberly. And before that, he headed a suburban Kansas City bank on the Kansas side.

Today, Ernie runs the Correspondent Department at Commerce Bank of Kansas City. Ernie knows what bankers need.



And his knowledge is now channeled into providing services like fast, efficient transit operations, bond and investment services and bank stock loans. The same responsiveness he provided to his bank customers is now offered to you.

So give Ernie a call at 234-2483. He knows how to get it done for you, because he's already done it himself.

 **Commerce Bank**
of Kansas City^{NA} MEMBER FDIC

GETTING IT DONE

Bank-Lending Problems: Can They Be Solved? What Are the Answers?

WHAT has happened to bank-lending policies? How did so many banks become saddled with non-performing loans? Did the so-called "troubled" banks get that way only because they made loans they should not have made? Or are they victims of the economic downturn of a few years ago? How can these banks, short of being closed or sold, climb out of their predicament? And how can "non-troubled" banks keep from landing in the same situation?

MID-CONTINENT BANKER editors contacted bank regulators for answers to these questions and for advice in the bank-lending area.

One regulator — Eugene W. Kuthy, commissioner, Michigan Financial Institutions Bureau — says that, from his experience, commercial-lending problems usually create a number of other problems for a bank. He lists — in order of their seriousness

— major problems his office finds banks have encountered as a result of maintaining a high volume of non-performing loans. Mr. Kuthy points out that any one of the items by itself could have a more serious impact than others on a particular bank.

1. Loss of earnings as a result of additional provisions to allowance for possible loan losses and added expense of increased collection efforts.

2. Declining capital because of loss of earnings.

3. Elimination of cash dividends.

4. Management changes that cause a disruption to a bank's operation.

5. Management/board efforts to solve lending problems cause neglect in other areas, such as asset/liability management, planning, marketing, etc.

6. Pressure from shareholders for change as a result of poor performance and lack of return on investment.

Mr. Kuthy suggests some sound lending practices, which he lists in order of their seriousness:

1. Implementing and following an adequate lending policy.

2. Properly structuring a loan to consider repayment capacity, cash-flow projections and collateral value.

3. Adequate collection procedures and obtaining adequate outside counsel to assist on workout loans.

4. Diversification within a particular industry, e.g., farming, oil drilling, automotive.

5. Monitoring financial progress of a credit during its term.

6. Maintaining current adequate financial information.

7. Involving bank directors in the lending process.

8. Adopting an adequate internal loan-review system.

9. Proper reliance on the primary lending officer.

10. Strict loan-extension policies.

11. Proper reliance on collateral/character.

"Corrective action could take a number of different forms depending on the severity of the problem," Mr. Kuthy continues. "Generally, when a lending problem is discovered, the examiner reports the extent of the problem to the board, along with some basic recommendations. Usually, these recommendations involve review and strengthening of the loan policy as well as a review of the adequacy of lending personnel. If the problems persist or the recommendations are not followed, we usually will enter into a memorandum of understanding with the board. This memorandum, signed by all board members, sets forth certain items to be achieved and a timetable for accomplishing the objectives. If the memorandum of understanding does not achieve the desired changes, our actions become progressively more severe. Options, at this stage, include issuance of a cease-and-desist order or officer and/or director removal."

What can banks do to avoid or alleviate lending problems? Suggestions made by various bank regulators (see accompanying article) include the following:

1. Implementing and following an adequate lending policy.

2. Involving bank directors in the lending process.

3. Requesting management to update present loan policies to more adequately address specific types of loans, collateral requirements, financial information, etc., and monitoring strict adherence to such policies.

4. Requiring that loans be extended mainly in a bank's trade area and limiting types of loans to those within management's expertise.

5. Constantly updating financial information on borrowers, as well as operating information on businesses and cash-flow statements on farmers.

6. Retaining qualified senior lending officers and support personnel.

The response of Kenneth W. Littlefield, Missouri banking commissioner, is influenced by the fact, as he puts it, that a majority of state-chartered banks in his state are small, rural ones. He lists four major problems he believes banks have created and are encountering in connection with nonperforming loans:

1. Bankers have been collateral lenders rather than cash-flow lenders during the past (inflationary) decade. This has resulted in a number of nonperforming loans where collateral values have decreased (farm real estate and machinery/equipment) as much as 25% to 30%, and banks now are faced with under-collateralized loans that also are cash deficient.

2. Banks often find their documentation inadequate or too deficient to protect their collateral interest or to monitor adequately the borrower's changing financial condition. This often leads to unnecessary losses when liquidating a line of credit or prevents a bank from taking a more timely action to shore up weak credit.

3. Another problem is failure to develop a well-thought-out, workable lending policy, which could be valuable in preventing nonperforming loans and could provide guidelines for dealing with nonperforming loans once they occur.

4. Still another problem is failure to deal with nonperforming credits at an early date so as to prevent collateral dissipation, financial deterioration and, importantly, bankruptcy. A number of banks don't have adequate internal loan-review/rating systems, which would enable them to identify problem credits early enough to renegotiate, restructure or liquidate problem loans without loss.

Ohio's superintendent of banks, Linda K. Page, lists 10 major causes of nonperforming loans in order of their seriousness:

1. Loans have been extended based on collateral values with little regard to purpose or repayment ability.

2. Depressed industries, such as agriculture.

3. All classes of borrowers have had economic problems brought about by recession, inflation, etc.

4. Concentrations of credit to industries — such as agriculture, oil and gas — have exposed some banks.

5. Many banks have inadequate credit information and loan review by management.

6. Lending without realistic repayment terms based on the loan's purpose has created numerous workout loans.

7. Out-of-area lending has caused servicing/collection difficulties.

8. Insider transactions.

9. Relaxation of bankruptcy laws and changing attitudes of borrowers.

10. The large volume of credits extended to developing nations.

In terms of corrective actions, Ms. Page says the following are some of the steps her department has taken to improve loan administration:

1. Requesting management to update present loan policies to more adequately address specific types of loans, collateral requirements, terms, financial information, etc., and monitoring strict adherence to such policies.

2. Requiring that loans be extended mainly in a bank's trade area and limiting types of loans to those within management's expertise.

3. Monitoring, on a periodic basis, all large and problem loans in those banks where asset quality is deemed a concern.

4. At problem banks, recommending — and sometimes requiring — that a board examine management strength and capabilities in loan departments.

5. Constantly updating financial information on borrowers, as well as operating information on businesses and cash-flow statements on farmers.

(Continued on page 10)

Loan Problems From Federal Regulators' Viewpoint

THE VAST majority of bank failures in the past few years, says Comptroller of the Currency C. T. Conover, were caused not by problem foreign loans, which have attracted the most media attention, but by domestic-loan losses.

The fundamental, recurring reasons for these loans, he believes, can be read straight out of the *Comptroller's Handbook for National Bank Examiners*. They include:

- Excessive concern about providing income.
- Compromise of credit principles.
- Complacency about supervising loan performance or obtaining credit information.
- Poor selection of credit risks.
- Self dealing.
- Over-lending.

There's no substitute for the basic principles and processes of commercial lending, Mr. Conover continues. They include: weighing risk against reward, diversification, ensuring adequate collateral, maintaining internal controls, asset/liability management,

credit review/loan-approval processes and profitability measurement. These, Mr. Conover points out, are things well-managed banks will continue to do well.

The Fed's Opinion. It's clear from events that have transpired in the last few years that some banks have gotten into difficulty with loans in such areas as real-estate trusts, oil-drilling projects and in making loans to foreign borrowers. So says Frank O'Brien Jr., deputy assistant to the Board of Governors, Federal Reserve System, Washington, D. C. There's nothing wrong, per se, with lending in any of these areas, Mr. O'Brien continues, and, indeed, in each case at the outset of the growth of lending in them, they were profitable lending areas. Difficulties arose from extension of large-scale lending in such areas after surrounding economic circumstances changed and made them less profitable or unprofitable. Mr. O'Brien adds that other problems have been created by violations of insider-lending rules and of other safe-banking practices.

He emphasizes that the great majority of banks in the U. S. — big and small — have conducted themselves prudently and responsibly and have served the public well.

Mr. O'Brien points to corrective actions such as enactment by Congress — with concurrence of the regulators — of the International Lending Supervision Act of 1983. The Fed, Comptroller and FDIC have taken the following steps to implement the act with the objective of strengthening the system of supervision of international lending by U. S. banking institutions:

- Began a strengthened system of country-risk evaluation by the agencies.
- Instituted prudential measures, including maintenance by banking institutions of adequate minimum capital levels and establishment of special reserves against international assets in countries experiencing severe and protracted debt-service problems.

● Require more frequent reporting to the banking agencies on country ex-

(Continued on page 39)

With All Eyes on Foreign Countries, Who Is Watching Domestic Lending?

WHAT does one financial observer think about present banking problems? Here's what was written by Herbert S. Gruber, president, Heller Mortgage Corp., Miami, a real-estate-lending unit of Walter E. Heller & Co., Chicago. Mr. Gruber writes a weekly syndicated column (for the general press), called "On Balance," and here's what his readers saw recently in more than 40 metropolitan newspapers.

Dollars and Sense. With all eyes on Mexico, Brazil and Poland, who is watching domestic lending? Our banking system can get by with its international loans because those countries somehow always will be there and probably will find a way to roll over, reschedule or repay their obligations with help from the World Bank, International Monetary Fund or Bank for International Settlements. But when domestic companies can't pay their bills anymore, Chapter 11, Chapter 7 or just straight liquidation close the books for the banks and write-offs take place. In 1975, as we came out of the latest recession, banks took their lumps writing off real estate investment trusts, the Penn Centrals and their real estate loans. They will find the same things facing them this time, except that some of the new fatalities will be our large smokestack industries along with oil- and energy-related companies.

* * *

Banking on It. Penn Square Bank, Oklahoma City, was the tip of the iceberg, which alone turned up \$2 billion in bad loans, shaking up Continental Illinois National, Chicago, and driving Seattle First National into the waiting embrace of Bank of America, San Francisco. Obviously, a lot of earnings will be needed to overcome those write-offs. Banks have been keeping unprofitable firms in operation, giving an unfair advantage to these companies. By waiving interest and not requiring principal repayment, they allow the firms to compete unfairly against the strong ones.

The well financed have to make up for the weak in the industrial sector. It's better to bite the bullet in a rising economy, which now is taking place in our country. The time has come for banks to stop spoon-feeding the walking wounded and let them tiptoe into liquidation. Restructuring of a company's debt can go only so far, and then the examiners step in and you either can write it off or turn the debt into future equity by taking stock that may have some value down the line in a reorganization. Bank growth has had its eras of highs and lows. Banks get caught up in the go-go highs that say put out more money; make more profit, and let's be another Citicorp. Now with money sloshing around banking institutions from all the cash deposited through money-market accounts or whatever new account is available that month, they again are out on the street pushing loans.

* * *

Get the Money Back. Banks don't have to call a bad debt a bad debt. They operate by rules of their own. Loan losses may be known, but they can be written off whenever they see fit. Bad loans can be made good magically by lending the delinquents more money — then, they can pay the interest and be current. Technically, they can have all the bad loans they want, as long as the auditors and examiners don't squeal. Since the depositors aren't alerted, they keep putting their money into the bank, and everything goes merrily along, with assets increasing on the banks' statements. If depositors want their money back, the bank doesn't call their loans; they just go out and pay to get deposits. What hurts banks is a shortage of liquidity — ready cash to pay off those demanding their money when they appear at the door. In years past, banking normally was done on lending short 30-60-90-day notes and getting long-term deposits. But this trend was turned around when banks started making 10-year loans to Poland and others, taking in 90-day CDs along with getting OPEC dollars that were so volatile. Banks were borrowing short and lending long, getting their big deposits concentrated in fewer and fewer hands. Never have so many banks been owed so much by so few.

Bank-Lending Problems

(Continued from page 9)

"Diving for garbage." This is an Arkansas colloquial expression, which, according to Marlin D. Jackson, Arkansas banking commissioner, describes activities of banks that, to support the ever-increasing cost of their liabilities, either purchase loans outside of their areas, purchase participations out of their areas or make direct extensions of credit to borrowers outside of their trade territories.

In the oldest writings of the Bible, Mr. Jackson points out, accounts are given whereby warriors fighting in a foreign land were paid "extra measures of grain" because of the increased risk incurred when one engages in combat a great distance from home. The same is true of banking, he continues. The greater the distance of the underlying asset of a loan from a bank, the greater the risk.

Mr. Jackson believes a great many banks that have tried to increase their earnings either did not have the skills and abilities or failed to use skills and abilities that are imperative when acquiring "out-of-the-area" assets, i.e., loans.

Foremost among inadequacies among out-of-area loans, says Mr. Jackson, is a borrower's inability to repay. *Second* among the inadequacies is the excessive loan to true *current* market value of assets. *Third* is inability of the bank to properly supervise on an ongoing basis the underlying collateral of the loan.

On a scale of one to 10, Mr. Jackson ranks out-of-the-area loans as the most prevalent problem facing banks in Arkansas. He cites particularly those banks characterized by regulators as "requiring more than ordinary regulatory supervision."

Mr. Jackson says that as state banking commissioner, he has spoken to his state's bankers on 10 different occasions within the last year. On each occasion, he cautioned them against the temptation to "dive for garbage" and has reminded them of the inherent increased risk involved in acquiring out-of-the-area loans without regard as to whether they are direct placements of the lending bank or whether they are purchased from loan packagers or participations bought via banks, S&Ls or other financial institutions. Additionally, he has issued a policy statement to the banks covering this matter and, No. 2, ranking activity common among banks "requiring more than

LoanProcessor™

**SOFTWARE THAT BRINGS YOUR
LOAN DOCUMENTATION
INTO THE 80's - AND BEYOND.**

**COUNT ON THE LOANPROCESSOR FOR THE COMPLETE AND UP-TO-DATE
LOAN DOCUMENTATION SYSTEM**

SPEED

Because your time is valuable, we've developed a system that works quickly. With our software, any loan can be documented in 9 minutes or less.

ACCURACY

Speed is one thing. Accuracy is another. The LOANPROCESSOR completes all calculations precisely, eliminating time-consuming errors and duplication.

TRUST

For over 30 years Bankers Systems has been the forms experts. Now we've got the software to go with them . . . in a system that's designed to meet all your loan documentation needs, now and in the future!

MAINTENANCE

We take care of any software changes promptly . . . from government regulations to management decisions; you can count on us for an up-to-the-minute system.

INTEGRATION

One complete system documents consumer, commercial and real estate loans . . . and since our forms are designed especially for our software, you save the trouble and expense of separate vendors.

USER-EASE

You don't have to be a computer expert to document your loans. Because the LOANPROCESSOR is user-friendly, you'll find it easy to understand and operate.

DOCUMENT COMPLETION

From start to finish, the LOANPROCESSOR performs all calculations in less time than ever before . . . and completes each form for you.

MANAGEMENT REPORTING

The LOANPROCESSOR produces and stores management reports and complete loan lists . . . daily, weekly or monthly . . . saving you time in accessing and using information.

VERSATILITY

Because the LOANPROCESSOR features all types of calculations, you can select the preferred method for every loan.

AUTOMATION

Preprogrammed form selection automatically reminds you of all necessary documents to complete each loan. With our system you can't forget!



Please contact us for a personal demonstration of Bankers Systems LOANPROCESSOR™ System.

NAME _____

INSTITUTION _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

PHONE (____) _____

MAIL TO:
Bankers Systems, Inc.
Box 1457, St. Cloud, MN 56302
Attn: Jim Lind

 **Bankers Systems Inc.**

SOFTWARE FROM THE FINANCIAL FORMS EXPERTS

Toll Free 800-328-2342 • Minnesota Toll Free 800-672-0715
Alaska & Hawaii (612) 251-3060

average regulatory supervision," that being churning the bond account.

According to Mr. Jackson, his department has taken a variety of corrective actions when it has been determined that banks engaged in out-of-the-area lendings have done so in such a manner as to constitute "unsafe and

unsound" banking practices. Actions taken ranged from issuance of formal cease-and-desist orders with tight time perimeters for elimination of the out-of-the-area loans to memorandums of understanding and "jawboning" with managements and directors at exit interviews.

Obviously, says Mr. Jackson, actions implemented were dependent on severity of the problems. In severe cases, he issued official cease-and-desist orders. In moderate cases, he issued memorandums of understanding (informal agreements). In slight cases, he merely "jawboned" bankers during their exit interviews.

Existing Regulatory Framework Is Adequate in Bank Lending

By Jordan L. Haines, Chairman
Fourth National Bank, Wichita

DURING 1978, in the wake of some disturbing revelations about how a small bank in Georgia was transacting business, Congress and the regulatory agencies reasserted the need for commercial banking to be governed by well-defined rules, particularly in the credit extension-area. Formal lending policies were mandated, boards of directors advised of added responsibilities and loan officers subjected to a fresh batch of compliance forms.

The ensuing period has demonstrated, in certain publicized cases, that rules, if not made to be broken, are sometimes made to be ignored. It seems evident that many of the problem loans now affecting "sophisticated" lending institutions might have been avoided by greater adherence to their own internal guidelines. Some of these actions presumably were conscious; that is, taken as a calculated risk to gain market share or profitability when optimism was both credible and commonplace. In this quest for momentum, lines of supervision were blurred, loan documentation postponed and a sort of financial horse race conducted. In some situations, junior officers apparently made judgments well beyond their scope and authority.

We are reminded that these unfortunate events, for the most part, occurred at large banks, whose resources should have permitted detailed procedures for credit extension. They obviously didn't mean to have so much go wrong, but it did, and Congress again is questioning the ability of an entire industry to manage its affairs.

What should those of us with community or middle-market orientation take as the object lesson? To be sure, few banks have been immune to ambitious practices fostered by competition and investor pressures. So where is the middle ground between "performance" and peril?

In our opinion, most problem loans have been caused by abnormal asset growth and over-reliance on unreliable economic scenarios. These factors appear to be the result of managerial attitude rather than regulatory deficiency and, as in many professions, have encouraged the thought that high risk-taking by a few is typical of all.

We believe the existing framework of rules and regulations for commercial-bank lending is quite adequate, particularly for the domestic sector. While Congress has an acknowledged right to investigate and correct perceived excesses in any area of banking, such effort should show that a very small proportion of lenders have acted imprudently, given economic conditions. What is needed, we suggest, is a review by all bankers of sound credit philosophies and fundamentals. In this era of deregulation and intensified competition, cannot the price of growth be too high? Should not quality in loans and in all asset categories be the overriding objective in any bank?

Most of us are aware of existing credit guidelines, both internal and external. A reappraisal of our *adherence* to these basic standards would go a long way toward rectifying what the public may believe is inadequate regulation. As lenders, whether trainee or senior officer, we might remember the skilled carpenter's admonition: "Measure twice; cut once."

Primary Problem Areas

Wisconsin's banking commissioner, William P. Dixon, prefaces his remarks on commercial-loan problems by pointing out that his state is not heavily industrialized; nor are there large population centers outside of the Milwaukee metropolitan area. Of the approximately 600 state/nationally chartered banks in the state, an overwhelming majority are community banks with under \$100 million in assets. Only three banks have more than \$1 billion in assets. Consequently, says Mr. Dixon, commercial lending by Wisconsin banks usually involves extensions of credit to small and medium-sized businesses.

Mr. Dixon has seen a noticeable increase in problem business loans reported in his staff's examinations during the past two to three years, and such loans are occurring in all areas of the state and in all sizes of banks, indicating that contributing factors are not confined to economic difficulties in specific geographical areas. Even though problem business loans are on the rise, he continues, the number of banks with serious loan-portfolio problems is small. He believes problems with delinquent business loans are more attributable to loan-administration abilities of particular bank managements than to external forces such as unemployment and a depressed economy. While a small number of banks are experiencing business-loan problems, Mr. Dixon says a much greater number are handling their loan portfolios well and are enjoying steady asset growth and reasonable profitability.

Lending problems, says Mr. Dixon, fall into three primary areas in Wisconsin:

1. Loan requests are not reviewed properly at the time of application. Historical financial information may not be analyzed properly; an applicant's management ability may not be given sufficient consideration, or chances for success of the business may not be weighed properly.

2. After a positive credit decision is

(Continued on page 28)



Heller can put a delicate loan situation onto firm footing.

A customer wanting to borrow more than you're willing to lend is a delicate subject that could be a stumbling block to your relationship.

But, a participation loan with Heller on a secured basis can be a stepping stone that could lead to the success of his business.

Your bank funds a portion of the loan while Heller provides the balance up

to your customer's full borrowing capacity. Heller does all the administrative work. Your bank profits by sharing interest and rendering other bank services to your customer.

When you want the comfort of a secured loan without the administrative obstacles, let Heller help you take the right step. For more information, call your local Heller office.



Walter E. Heller & Company, 105 W. Adams St., Chicago, IL 60603. Other offices in New York • Montclair, NJ • Boston • Philadelphia • Baltimore
Syracuse • Minneapolis • Detroit • Cleveland • Cincinnati • Kansas City • Atlanta • Miami • Birmingham • New Orleans • Houston • Dallas
San Antonio • Phoenix • Tucson • Albuquerque • Salt Lake City • Los Angeles • Newport Beach, CA • San Francisco • Portland • Seattle
Boise • San Juan, P.R. Heller services are also available in Canada and 23 other countries around the world.

Restating the Principles Of Good Bank Lending

By Glenhall E. Taylor Jr.

THIS YEAR marks the 70th anniversary of Robert Morris Associates' (RMA) formation in Rochester, N. Y. Little did our first members realize back then that, in 1984, RMA membership would grow to include 2,700 financial institutions, which account for nearly 90% of all commercial and industrial loans extended by U. S. banks. Nor could they imagine their original membership core of 64 individuals would grow to the present nearly 12,000 men and women devoted to promoting professionalism in all aspects of the credit process and in overall management of risk.

Today, as in 1914, one of the primary strengths of our organization lies in our Code of Ethics governing the exchange of credit information. RMA membership also affords lending officers the opportunity to meet with one another, face-to-face, and to attend first-rate educational programs. In the past year alone, thousands of bankers benefited from the many products and services produced by the national RMA organization. In addition, more than 40,000 individuals attended RMA educational seminars and meetings sponsored by its 38 chapters and 39 subchapters nationwide.

I can imagine you saying to yourself, "That's all good and well. But if the RMA really is providing so much education and training, why do many bankers still have more than their fair share of bad loans?" You probably also are wondering if we lenders haven't learned anything in the 70 years since the RMA's founding — decades that brought us from the Great Depression of the '30s to the Great Digression visited on the course of our global economy by OPEC. Another question you might ask is whether we have stayed with the fundamentals of the credit process. Still another question is whether those fundamentals have changed in 70 years. There are no easy answers to these questions.

The world has changed. Technology has shrunk the earth. Today's banker

Glenhall E. Taylor Jr. is the newly elected pres., Robert Morris Associates, and vice chairman/chief credit officer, Seafirst Bank/Seafirst Corp., Seattle. He joined both Seafirst organizations in 1983 as chief credit officer and was given his present posts later that year. Before going to Seafirst, Mr. Taylor was executive vice president/chairman, credit policy committee, Wells Fargo & Co., San Francisco, from which he retired after 35 years of service.



competes for both assets and liabilities with domestic and foreign financial institutions. Some of these are regulated, some not. Competition should lead to increased productivity in a macro sense, which is good for all. But the inefficient or poorly positioned producer may find his market share diminished, growth impeded and profits squeezed. This sometimes leads to unhappy management decisions to book assets that don't quite meet existing quality standards. It also may induce management to follow the herd and enter into transactions where the risk is not fully understood.

The manager who resists temptation and sticks to the basics may be viewed as being unaggressive in his marketplace. The adjective "staid" even may be used to describe his institution. The same manager also stands a good chance of never having to announce "down" quarters because of loan losses or huge increases in nonperforming assets.

Our industry has changed. When the RMA was formed in 1914, the Federal Reserve System came into being. At that time, there were 25,510 commercial banks with total loans of

\$13.2 billion. At the end of 1983, there were 14,796 banks with total loans of \$1.1 trillion. Capital is required to support these assets, and, as you know, there has been a tremendous growth in our capital markets.

Abuses of the 1920s led to securities legislation of the 1930s. This, in turn, has brought 50 years of improved disclosure and accounting and a new breed of security analyst. All have served to heighten attention paid to earnings performances of corporations. Unfortunately, much of the focus has been on shorter-term results. There has been competition for new equity in the market. To that, add the fact that most corporate executives today have helpings on their plates of stock options, restricted share rights and other bonus plans. These incentive-pay programs are designed to award the high performer and benefit the shareholder. Often, the reward is determined by comparing an institution's performance as measured by price/earnings, return on assets and return on equity to its peer group. Once in a great while, the pressure to continue compounded growth in these numbers might lead a manager to abandon the fundamentals — temporarily.

Individual transactions probably are much more complex today, and the officer who is a specialist in lending to a particular industry is commonplace. Part of the lender's fundamentals include "character, capacity and capital" — the three Cs of credit. The 90-day loan to be repaid from liquidation of trading assets once was one of the more common products on the shelf. An interesting development in more recent years has been that those borrowers with the first two Cs and lots of the third C can borrow in the market more cheaply than banks can.

As a result, we either have developed new or enlarged on old practices. Many banks are engaged in asset-based lending or are financing leveraged buyouts. To make these deals, bankers have to stress a fourth

C, namely, CASH. We finally have figured out that net profits plus depreciation as derived by accrual accounting don't repay a loan. Only the same commodity we disbursed will do the trick — and that's cash. Some of us forget that from time to time. The result often is new additions to our other-real-estate-owned (OREO) or other personal-property-owned (OPPO) accounts.

Some things haven't changed. A good lending officer still analyzes the purpose of a loan to see whether it makes economic sense to him as a businessman from the perspective of both the bank and the borrower. He looks for the primary and secondary source of repayment and designs a repayment program synchronized with the source of cash.

Next, he looks at the relationship between the risk he is undertaking and the reward for that risk. This is a sensitive topic. What is surprising is the number of transactions in which a bank has far more at risk than the borrower. The only upside potential whatsoever — if it can be called that — is to be repaid the principal plus interest. The banker could be viewed in these transactions as a nonvoting limited partner with deep pockets willing to settle for a 1% or 2% return on his investment if the loan is repaid or seen as a complete fool if it is not.

The loan-portfolio manager still struggles with diversification, and the performance of some of us in this area has been less than stellar. The three basic elements are still there in managing a loan portfolio once lending and pricing policies are in place. In a small bank, the three functions might be done by two or three persons, in a money-center bank, by a cast of thousands. Regardless, these functions include making the loans, monitoring and collecting them. Today, however, we've added a fourth function that's on the other side of the balance sheet: funding the loans at the right rate.

The risk of an interest-rate mismatch between the left and the right-hand sides of the balance sheet might be viewed in some respects as a "hidden" concentration — and hidden it was for many institutions. Results of funding a long-term fixed-rate portfolio yielding 10% with short-term money purchased at 15% are well known to all of us and to the regulators.

We've talked about making loans. Let's review the monitoring process that not only pays attention to how individual loans are performing, but polices for concentrations. Concentra-

tions by industry or geography often are unavoidable for a small unit bank, but a bank of any size must closely analyze the risk inherent in the concentration.

A well-managed portfolio should have its risk diversified by industry and by geographic location. This should be done so there is no significant impact on the capital account or income stream if unfavorable economic or political events occur, having a negative impact on the borrowers in that segment of the portfolio. This is more easily said than done. Further,

diversification itself can be risky. The move to diversify can lead to the cardinal sin of doing business in markets we don't understand.

Doing business in markets not understood can cause a newcomer bank to be successful in its drive for market share. Given the competitiveness of today's markets and the intelligence and enormous resources of some of the players, this success could be a sign that a bank is doing something terribly wrong if its market share in a given product or industry is soaring
(Continued on next page)

Bank's Internal Support System Must Back Up Lending Activities

By Charles J. Kane
Senior Chairman/CEO
Third National Bank
Nashville

WITH respect to lending policies, our bank is taking more risks today than a few years ago, principally because of our concentration on the "middle market," that is, mid-sized companies throughout our region. While there is greater risk, there also are tighter controls. Much of this lending is asset-based, and this type activity requires a great deal of documentation and a great deal of supervision. Our marketing effort has been aggressive, but we have built the internal support systems to back it up — monitoring, documenting and servicing loans to control quality.

The recession has had its casualties, to be sure, but we don't believe it's accurate to blame the situation entirely on the economy, with the possible exception of those who by design were into heavy single-industry concentrations, such as the energy industry. We believe we need to be smart enough to evaluate credits in the context of the economy as it develops up or down. Our bank is fortunate in that it operates in a primary marketplace that is diverse — so our customer base is varied as well, with no inordinate exposure in a given industry group. Pricing has become very competitive, and in a lot of cases as it relates to the risk involved, unrealistic. Coupled with that, most of the large money-center banks and large regional banks and, to a degree, ourselves, are making money available to Triple A credits on a short-term basis, sometimes at rates of a quarter of a percent or lower over fed funds. As this type of lending keeps

growing, you run the risk of banks taking undue risks to make up for these lower spreads.

Has banking gotten "off course?" We don't think so. There have been some well-publicized problems, particularly in foreign loans, industry concentration in lending and some few obvious cases of inappropriate management. Despite these situations, there still is tremendous undergirding strength in the banking system. It's my view that all of us as bankers need to give more concentrated effort to demonstrating to our customers and the public at large that we, in fact, deserve their confidence. There still is a positive banking story to tell, from the perspectives of our customers, our investors and legislative/regulatory authorities. However, I do think that some of us need to go back and take a lesson on the basics of our industry and try and conform more to what we all know and have learned from our past experiences.

With all that has happened in our industry in the past year, it certainly has made the job for legislators more complicated for coming up with some type of proper legislation. I am afraid that if we do get any legislation, it will be piecemeal and not fully thought out. However, I feel strongly that Congress must act as it relates to nonbanking entities in the banking field. If action isn't taken soon, I am afraid it will be completely out of control. My concern is whether these nonbanking entities can wholly insulate their banking businesses from their other businesses and affiliates. I am convinced that the way we are going, the central bank is losing a certain amount of control, and these people theoretically are going unregulated. ●●

compared to others. The smart portfolio manager will monitor changes monthly on an annualized growth-rate basis and satisfy himself as to the soundness of the new business being generated. In doing so, he may discover to his happy surprise that his people are doing something well and that management and the board are satisfied with the growth in market share. Market share — a term with an upbeat sound to it — also eventually may translate to a term with the connotation of impending doom: to wit, concentration!

Yes, the fundamentals still apply. While they haven't changed, they have been augmented. As credit people, we know that even when the fundamental rules are followed, things still can go wrong. Reasonable assumptions by reasonable men "gang aft agley." That's one of the main reasons we charge interest and set up loan-loss reserves. Anyone in this business knows there will be losses, sometimes on old, valued accounts. What one really hates to see is a loan loss from a "dumb deal." "Dumb deals" invariably show on examination that the fundamental rules of credit granting were at best bent and more likely broken.

My final comment is that despite all the negatives you may hear and read about, and the classic examples we've all seen of how to "break the bank" by ignoring the fundamentals, our industry is sound. Of the country's 14,000-plus banks, only 48 failed last year, which was a difficult year at that. The RMA annual *Report on Domestic and International Charge-offs* showed a composite 42 basic-point net-loan loss

New RMA Officers

Glenhall E. Taylor Jr., author of the accompanying article, is first vice president, Robert Morris Associates, and will advance to RMA president September 1. Mr. Taylor, vice chairman/chief credit officer, Seafirst Corp./Seafirst Bank, Seattle, succeeds Jack R. Crigger, executive vice president, American National, Chattanooga, Tenn.

Other RMA officers, who, along with Mr. Taylor, were elected in the association's annual election August 3, are: first vice president, Patrick L. Flinn, executive vice president, Citizens & Southern National, Atlanta; and second vice president, Edward J. Williams, treasurer, Brown Brothers Harriman & Co., New York City.

One of the four new RMA directors is from the Mid-Continent area: Paul C. Clendening, senior vice president, Commerce Bank, Kansas City.

to average loans as reported by 894 banks, an acceptable performance by any measure given the severity of the last recession. Energy-related problems have been recognized and largely accounted for. Although the economic outlook for renewed inflation and future behavior of interest rates are highly uncertain, international-debt difficulties will be overcome. The borrowers are nations who belong to the world community. They are managed by people whose objective is to raise the standard of living of their citizens by developing, in some cases, the vast resources of their lands. The purpose of the loans was productive, and the primary source of repayment will materialize. ● ●

Fall-Conference Program Is Announced by RMA

Panel presentations and small-group discussions will be among features to be presented at the Robert Morris Associates' 70th annual fall conference October 28-31 in San Juan, Puerto Rico.

Topics to be covered by these presentations and discussions will include: strategic/tactical planning of the total loan function; loan/credit administration in multi-bank HCs; recent legislative developments affecting bank lending; innovations in commercial real-estate lending; prime-rate perspective in 1984; generating/funding loans; agricultural lending; international-debt restructuring; evaluating/managing interbank risk; pros/cons of decentralized/centralized credit departments and their effect on the overall loan portfolio and continuing education/training for lenders.

The conference also will focus on the future of international lending; strategies for increasing productivity in lending; leveraged buyouts; use of micro-computers in lending/credit; letters of credit; the director's role in loan-portfolio quality; improved accounting standards and their effect on data supplied to bank-credit grantors and profitability analysis.

Speakers will include the newly elected RMA president, Glenhall E. Taylor Jr., vice chairman/chief credit officer, Seafirst Bank/Seafirst Corp., Seattle; Allan Sloan, senior editor, *Forbes* magazine; and Sanford C. Sigoloff, chairman, Wickes Cos., Santa Monica, Calif.

● **Clifford R. Northup** has been named a federal legislative representative for the ABA. He formerly held a similar post with the Credit Union National Association.

Loan Charge-Off Report Published by RMA

Results of the 13th annual survey of domestic and international loan charge-offs of Robert Morris Associates' (RMA)-member banks have been published.

Statistics for the domestic section of the report are based on data contributed by 894 RMA-member banks, including 73 of the nation's 100 largest institutions.

Total domestic loans charged off last year were \$4.6 billion, representing .75 of 1% of the total average loans outstanding of \$616 billion. Dollars recovered in 1983 totaled \$1.037 billion, adjusting the ratio of net charge-offs downward to .58 of 1%.

The domestic section ranks high-loss industries for 1983 by bank-asset size, Fed district and nationwide. The top three high-loss industries nationwide by number of times cited were investors (individual, personal borrowers), eating and drinking places and general contractors-residential. The top three high-loss industries ranked by dollars charged off were all in the petroleum/natural gas industries.

Predictions of high-loss industries for 1984 were ranked (1) eating and drinking places, (2) general contractors-residential and (3) subdividers and developers.

International-section statistics are based on data submitted by 144 RMA member banks, 85 of which are among the nation's top 100 institutions.

Total international loans and deposits charged off last year were \$1.06 billion, representing .31 of 1% of total average international loans and deposits outstanding of \$344.2 billion. Dollars recovered in 1983 totaled \$124.6 million. After recoveries, ratio of net charge-offs to average loans and deposits outstanding was .27 of 1%.

Copies of the report are available from the RMA Order Department, 1616 Philadelphia National Bank Building, Philadelphia, PA 19107 at \$10 each for member banks and \$15 each for nonmember banks.

● **William C. Conrad**, senior vice president/manager, Detroit Branch, Chicago Fed, has transferred to Chicago, where he is responsible for the Seventh District's automation resources/automated-payments systems/electronic information. Roby L. Sloan, senior vice president, Chicago Fed, has transferred to Detroit as branch manager.

Monroe puts 72 years of banking expertise in the palm of your hand.



The banker's calculator.

Banks rely on Monroe more than any other brand of PROM calculator. And the 2890 is the most versatile banking tool we've ever built, combining the simplicity and low cost of a calculator with the speed and accuracy of a computer.

Confidence. Compute installment loans, IRA's, CD's, or home mortgages—you're assured of accuracy and compliance. Most regulatory changes can be implemented by you on the keyboard in seconds.

Productivity. Large, easy-to-read prompts save time and reduce errors. Dual-function program keys simplify entry correction and allow you to enter data in any order. All calculations are documented on the paper tape printout.

Responsiveness. Our legendary service/support network—250 branch offices—provides everything, including installation, free training at your desk, and an extended maintenance guarantee. Start putting our expertise to work for you. Call or send in the coupon today.

MONROE
Systems For Business

CALL TOLL-FREE

800-526-7843 EXT. 444

(IN NEW JERSEY CALL: 800-522-4503 EXT. 444)
OR CALL YOUR LOCAL MONROE BRANCH OFFICE.

Monroe Systems For Business
The American Road
Morris Plains, New Jersey 07950

- Please send me more information on your banker's calculator.
- Please have a Monroe representative call me.

NAME _____

TITLE _____ BANK _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

PHONE _____

Enhancing Loan-Documentation Efficiency

SIX MONTHS AGO, Billie Jean Hensarling, cashier, Uvalde (Tex.) Bank, sought a way to enhance loan-documentation efficiency. Her objectives: to increase the accuracy of loan calculations, accelerate the loan-documentation process and standardize loan forms.

Today, loan documentation at Uvalde Bank is completed in less than nine minutes with the help of an innovative software package that Ms. Hensarling describes as "the most accurate loan-documentation system we have ever seen."

"Our employees love it," Ms. Hensarling says, expressing her enthusiasm about the LoanProcessor™, a loan-documentation system from Bankers Systems, Inc., St. Cloud, Minn. "Now we can process notes much more quickly and have nice clean documents for the credit files."

In addition to being fast and accurate, the LoanProcessor met Ms. Hensarling's third objective — standardization of loan forms — since it is completely integrated with forms from the same vendor, a feature no other loan-documentation system offers. For over 30 years, Bankers Systems has been a leading supplier of legal forms for the financial industry. Gradually, the firm's progressive line has expanded to include a variety of related products and services, such as the LoanProcessor, designed to enhance the efficiency of banking.

The LoanProcessor combines Bankers Systems' legal and technical expertise plus years of experience. The result: those features most valuable to loan officers. In a single system, the LoanProcessor's capabilities include everything from initial data collection to storage and retrieval for over 25 categories of consumer, commercial and real estate loans. It lends flexibility to the loan-documentation process by offering several methods to accrue in-

terest while it promotes consistency through coordination of forms and process. It also generates management reports and complete loan lists.

"The LoanProcessor will be able to handle everything we do," Ms. Hensarling predicts.

Designed for compatibility with the IBM PC or IBM PC-XT, the LoanProcessor requires no complicated computer commands or loading routines. With only a few hours of on-site training and a working knowledge of the operations manual, a loan officer or other employee can acquire the skills necessary to complete any type of loan.



Donna Hale, secretary at Uvalde (Tex.) Bank, enters information on LoanProcessor described in accompanying article. Looking on is Billie Jean Hensarling, bank's cashier.



Less than nine minutes after entering information into LoanProcessor, Ms. Hale inserts loan form into printer.

"The LoanProcessor leads the operator through the entire loan-documentation process," Ms. Hensarling explains, referring to the flashing cursor, which travels through the program, from section to section, like the bouncing ball on "Sing Along With Mitch." And because it is menu-driven, the operator progresses through the program by choosing among the options that appear on the screen.

To limit the number of keystrokes necessary to complete the loan, the LoanProcessor features automatic recall. This allows the operator to indicate, with a single keystroke, that the material to be entered is repetitive information, previously entered in the program. The LoanProcessor then automatically inserts the correct information. Beyond time savings, the benefit of this feature, according to Ms. Hensarling, is reduction in number of errors.

"Enter the information once, and it shows up that way everywhere. Enter it by hand every time and you leave more room for error," she adds.

Ms. Hensarling claims completion errors are uncommon — "The program has built-in protection features — buffers that stop you from going any further if you make a mistake." For example, if the operator over-disburses a loan, a bell rings and "over-disbursement" flashes on the display screen. Or forget an area code when typing a telephone number, and the LoanProcessor recognizes the omission and leaves open parentheses so it can be added later.

If information needs to be amended, the process is quick and easy.

"If the customer has any objection to the document, we can go back, change the terms and have an alternative document within a couple of minutes," Ms. Hensarling points out. By selecting one of 10 special-function keys that

<p>This announcement appears as a matter of record only</p> <p>First of Austin Bancshares, Inc. Austin, Texas</p> <p>is raising \$10,000,000 in equity capital</p> <p>The undersigned acted as financial advisor in this transaction</p> <p>Sheshunoff Sheshunoff & Company, Inc. Austin, Texas</p>	<p>This announcement appears as a matter of record only</p> <p>Eisenhower National Bank San Antonio, Texas</p> <p>has merged with</p> <p>Broadway Bancshares, Inc. San Antonio, Texas</p> <p>The undersigned acted as financial advisor to Broadway Bancshares, Inc.</p> <p>Sheshunoff Sheshunoff & Company, Inc. Austin, Texas</p>	<p>This announcement appears as a matter of record only</p> <p>The Bank of San Francisco Holding Company San Francisco, California</p> <p>is raising \$1.8 million equity capital</p> <p>The undersigned acted as financial advisor in this transaction</p> <p>Sheshunoff Sheshunoff & Company, Inc. Austin, Texas</p>	<p>This announcement appears as a matter of record only</p> <p>Midwest Financial Group Peoria, Illinois</p> <p>has acquired</p> <p>Prospect National Bank Peoria, Illinois and University National Bank Peoria, Illinois</p> <p>The undersigned acted as financial advisor in this transaction</p> <p>Sheshunoff Sheshunoff & Company, Inc. Austin, Texas</p>
---	--	--	---

This announcement appears as a matter of record only

Tex-First Bancshares, Inc.
Houston, Texas

has acquired

Industrial Bank
Houston, Texas
and

Northwest Bank & Trust
Houston, Texas

The undersigned acted as financial advisor in this transaction

Sheshunoff
Sheshunoff & Company, Inc.
Austin, Texas

Sheshunoff

For the past decade an important part of our professional services to the banking community has focused on providing investment banking, legal and regulatory services. Of interest, during the past one and a half years, we have completed over 175 bank valuations throughout the country. The following is a brief overview of our services.

INVESTMENT BANKING SERVICES

Bank Valuations
Stock for Stock Exchange Ratios
Fairness Letters
Mergers and Acquisitions

LEGAL AND REGULATORY SERVICES

One-Bank Holding Company Formations
Multi-Bank Holding Company Formations
Capital Planning

For more information on these services, including fee schedules for each specific type of engagement, please call Alex Sheshunoff, Bob Walters or Mike Morrow at (512) 444-7722.

SHESHUNOFF & COMPANY, INC.
P.O. Box 13203 Capitol Station
Austin, Texas 78711

A DECADE OF HIGH PERFORMANCE BANKING LEADERSHIP

This announcement appears as a matter of record only

First Freeport Corporation
Freeport, Illinois

has acquired

Mount Carroll National Bank
Mount Carroll, Illinois,
The First National Bank of Stockton
Stockton, Illinois
and
Citizens Bank and Trust Company
Warren, Illinois

The undersigned acted as financial advisor to First Freeport Corporation

Sheshunoff
Sheshunoff & Company, Inc.
Austin, Texas

This announcement appears as a matter of record only

Brazosport Corporation
Freeport, Texas

has acquired

Mercantile National Bank of Corpus Christi
Corpus Christi, Texas

The undersigned acted as financial advisor to Brazosport Corporation

Sheshunoff
Sheshunoff & Company, Inc.
Austin, Texas

This announcement appears as a matter of record only

Cohutta Banking Company
Chatsworth, Georgia

has acquired

Walker County Bank
Lafayette, Georgia

The undersigned acted as financial advisor to Cohutta Banking Company

Sheshunoff
Sheshunoff & Company, Inc.
Austin, Texas

This announcement appears as a matter of record only

Texas Valley Bancshares, Inc.
Weslaco, Texas

has acquired

The First National Bank of Weslaco
Weslaco, Texas,
Hidalgo County Bank and Trust Company
Mercedes, Texas,
National Bank of Commerce
Edinburg, Texas
and
Citizens State Bank
Donna, Texas

The undersigned acted as financial advisor to Texas Valley Bancshares, Inc.

Sheshunoff
Sheshunoff & Company, Inc.
Austin, Texas

This announcement appears as a matter of record only

Bank Independent
Sheffield, Alabama

has acquired

Bank Florence
Florence, Alabama

The undersigned acted as financial advisor to Bank Independent

Sheshunoff
Sheshunoff & Company, Inc.
Austin, Texas

This announcement appears as a matter of record only

Commercial Bancshares, Inc.
Wharton, Texas

has acquired

Wharton Bank and Trust Co.
Wharton, Texas,
The Security State Bank
Navasota, Texas
and
First State Bank of Magnolia
Magnolia, Texas

The undersigned acted as financial advisor to Commercial Bancshares, Inc.

Sheshunoff
Sheshunoff & Company, Inc.
Austin, Texas

This announcement appears as a matter of record only

Texas Central Bancshares, Inc.
San Angelo, Texas

has acquired

The Central National Bank of San Angelo
San Angelo, Texas
and
The Central National Bank-West
San Angelo, Texas

The undersigned acted as financial advisor in this transaction

Sheshunoff
Sheshunoff & Company, Inc.
Austin, Texas

This announcement appears as a matter of record only

Area Bancshares Corporation
Hopkinsville, Kentucky

has acquired shares of its stock

The undersigned acted as financial advisor in this transaction

Sheshunoff
Sheshunoff & Company, Inc.
Austin, Texas

This announcement appears as a matter of record only

First Frederick Corporation
Frederick, Oklahoma

has acquired

First National Bank of Hobart
Hobart, Oklahoma

The undersigned acted as financial advisor to First Frederick Corporation

Sheshunoff
Sheshunoff & Company, Inc.
Austin, Texas

identify each variable of the program, the operator can isolate a portion of the document for amendment.

Simplifying the process to the last stage, the LoanProcessor indicates automatically which Bankers Systems forms are to be used and the sequence in which they should be inserted into the printer. It is said to be virtually impossible to use the wrong forms because the printed information will not align with the blanks.

In the printing stage, the LoanProcessor converts numbers to words automatically. Accurate alpha-conversion is essential because, if the alpha and numerical versions of a number differ, i.e., if 1,000 is mistakenly written as 100, it is the alpha (written) version that is upheld. After printing, the program can be stored for future reference.

Federal, state and local regulations

can cause the greatest wear and tear on software. Frequent updates can be costly, but are necessary if loans are to comply with lending guidelines. Uvalde Bank combats unexpected expenses and unnecessary reprogramming delays by purchasing Bankers Systems' annual maintenance contract, Ms. Hensarling said. This ensures prompt software modification for any changes necessitated by law.

So far, Uvalde Bank has needed the software update only once.

"When the LoanProcessor was installed, we had forgotten to give the programmer some information," Ms. Hensarling recalled, referring to a 25-question form completed to assist Bankers Systems programmers in customizing the software. "Bankers Systems had the updates done and diskettes delivered within a matter of days."

Prompt and courteous attention to Uvalde Bank's needs after delivery gives Ms. Hensarling reason to believe future updates also will be timely, smooth and productive. Attention to customer needs has helped to nurture Bankers Systems' image in the financial industry. Now, with a 33-year-old reputation to uphold, Bankers Systems is dedicated to supporting and servicing the LoanProcessor. Indicative of this commitment is Bankers Systems' toll-free consultation service that connects customers to a staff of experts whose sole responsibility is the LoanProcessor.

Ms. Hensarling recalls discovering several operational questions after the LoanProcessor was installed. "But we made use of the toll-free hotline . . . and it worked out great! Any problems we had were solved by the support system in St. Cloud." ●●

Mergers/Acquisitions Study Is Undertaken by ABA

A MAJOR STUDY of steps banks can take to execute mergers/acquisitions more effectively than they are doing now is being undertaken by the ABA. Ernst & Whinney, an international accounting/consulting firm, has been appointed to conduct the research.

In announcing the project, explained Comerica Bank-Detroit Chairman Donald R. Mandich, deregulation, increased competition from both banks and nonbanks and growing complexity of banking that has accompanied technological change all have contributed to the increase in the rate of financial-services-industry mergers/acquisitions.

"This study," continues Mr. Mandich, who heads a banker task force directing the project, "is not intended either to encourage or discourage mergers. Rather, it is aimed at making the process, when it does occur, more beneficial and less painful to all bank personnel, directors, stockholders and customers who may be affected."

The study will provide a complete review of merger-implementation requirements, starting with an analysis of the driving forces behind a merger and clearly describing areas where action steps are necessary to achieve a merger's objectives.

"Every facet of a merger or acquisition — including people, planning, operations, products, distribution and financing — will be analyzed," says Mr. Mandich, who also is chairman of the ABA's banking professions council. "End products of the project will be a comprehensive research report and seminars analyzing implementation issues in each of these six areas. The project is due to be completed by this year-end."

M. C. Nelson, Ernst & Whinney's national partner in charge, financial-services industries, says, "Providing this type of guidance to its members is an important action by the ABA. Not only has the number of mergers grown in recent years, but circumstances have varied as well. Mergers of like-sized institutions such as Sun/Flagship (Florida); acquisitions of nonbank banks by banks such as BankAmerica/Schwab (California); and troubled-bank mergers such as Republic/First National Midland (Texas) now are common. We believe the guidance provided from this project will help bankers accomplish their merger objectives and avoid many pitfalls."

The project was initiated by the ABA's corporate planning division, but members of its chief financial officer/human resources/operations and automation divisions and a representative from the Bank Marketing Association also serve on the merger/acquisition-research-project task force.

Bank HCs Association Elects Woods Chairman

John W. Woods, chairman, Am-South Bancorp, Birmingham, Ala., has been elected chairman, Association of Bank Holding Companies, headquartered in Washington, D. C. He succeeds Will F. Nicholson Jr., president, Colorado National Bankshares, Inc., Denver.

Other newly elected officers are: chairman-elect, Kenneth L. Roberts, chairman, First American Corp., Nashville (he will be in line to succeed Mr. Woods next year); vice chairman, John P. LaWare, chairman, Shawmut Corp., Boston; and treasurer (for two terms), Frank E. McKinney Jr., chairman, American Fletcher Corp., Indianapolis.

Donald L. Rogers was reelected president of the association and is its chief staff officer.

Isban Named Chairman Of BAI for 1984-85

Robert C. Isban, executive vice president, Manufacturers Hanover Trust, New York City, has been elected chairman, Bank Administration Institute, for the 1984-85 fiscal year. He succeeds Rayburn S. DeZember, chairman, American National, Bakersfield, Calif.

The new BAI chairman-elect is Marc J. Shapiro, vice chairman/chief financial officer, Texas Commerce Bancshares, Inc., Houston.

Two new directors-at-large are Ashel G. Bryan, chairman/CEO, Mid-American National, Bowling Green, O., and Dean E. Richardson, chairman/CEO, Manufacturers National, Detroit.

FDIC Gives Its Views On Lending Problems

SEVERAL FACTORS are cited by the FDIC as causes for banks' lending problems; factors that have affected these banks' loan portfolios adversely and placed pressures on such things as earnings and capital adequacy.

According to Daniel Gautsch, assistant to the FDIC's public information officer, deregulation of interest rates on bank liabilities has increased funding costs, placed pressure on bank profitability and forced banks to look closer at services they provide and how they price them. Such concepts as net-interest-margin analysis, cost accounting, asset/liability management and bank marketing have taken on greater importance as a result of deregulation, says Mr. Gautsch.

In conjunction with deregulation, competition for financial services has intensified as financial intermediaries and nonbank competitors make inroads into traditional banking businesses.

"We believe," says Mr. Gautsch, "additional commensurate powers should be granted to commercial banks to allow them to compete adequately in this rapidly changing financial-service environment. By allowing banks to offer a broader range of financial services, such as investment banking and life insurance, they not only will be better able to diversify their risks, but also offset costs of liability-side deregulation."

Coupled with the structural changes occurring in the industry, economic events have placed additional pressures on banks and their loan portfolios. Inflation, historically high interest rates and the 1981-82 recession all have had an adverse impact. Problems in the energy-production sector are an example of how inflation-based lending can have a severe impact on financial institutions that abandon prudent lending principles. Problems in this sector were created, in part, on expectations of borrowers and lenders alike that energy shortages would continue because of an insatiable demand and that future prices would increase

dramatically. This, Mr. Gautsch says, encouraged speculation and over-lending. The unexpected oversupply of energy products depressed prices, and this, in turn, affected borrowers' cash flow and ability to repay.

This failure to assure sufficient cash flows for repayment also has been a problem for agricultural lenders.

Farm income has declined in the last three years, with rural communities and industries serving agriculture suffering extensively in the most recent economic downturn. Land and equipment values actually have fallen in the past year, causing an impact on lenders' collateral margins. In many cases, lenders are faced with the difficult decision of whether to carry farmers

another season or liquidate their collateral positions and thus further depress local land/equipment values.

Historically, high interest rates have had a great impact on marginal businesses and stretched what once were good credits to the limit. Following the extremely high interest rates of 1979-80, the U. S. experienced a deep recession, Mr. Gautsch states. While certain sectors of the general economy have recovered, others, such as agriculture, energy production, forest production and real-estate development, have not. Banks located in areas where these industries are dominant also have felt the impact.

Beyond problems associated with domestic credits, banks that have made large extensions of credit relative to their sizes to debtor Latin American countries, such as Argentina, Brazil, Mexico and Venezuela, already have been impacted by these offshore credits via declines in reported earnings. In addition, says Mr. Gautsch, some loans to Argentina recently have been relegated to nonperforming status. Fears of a possible Latin American debtor cartel have been reported and, if interest rates rise dramatically, Mr. Gautsch fears such action could exacerbate the international-debt situation.

Mr. Gautsch cites other items that may be found in nonperforming loans include: poor selection of risks on the part of bank management; failure to establish or enforce liquidation agreements; incomplete credit information/overemphasis on income; lack of supervision; technical incompetence and self-dealing.

Pronounced self-dealing practices almost always are present in serious problem-bank situations and in banks that fail, he continues. Typically, such loans are found in the form of overextensions of credit on unsound bases to insiders or their interests.

Turning to supervisory tools, Mr. Gautsch points to one that has been developed in recent years — the FDIC's off-site-monitoring system, developed in conjunction with addi-

Problem-Bank Statistics

The number of FDIC cease-and-desist actions in force at year-end 1982 to year-end 1983 increased from 106 to 249. In addition, the FDIC initiated 26 termination-of-insurance proceedings in 1983, bringing to 307 the number of times it has taken such action since its inception in 1933. This increase in number of enforcement actions outstanding is in direct relation to the increase in number of problem banks (those banks with a composite rating of "4" or "5") identified. For year-end 1981 through 1983, the number of problem banks identified throughout the system has increased from 223 in 1981 to 369 in 1982 to 642 in 1983 and presently stands at 714.

While the number of problem banks and bank failures (42 in 1982; 48 in 1983 and 45 year-to-date) are at historic levels, they still represent only a small percentage of the 14,800 banks in the system, roughly 90% of which are rated "1" or "2" on the FDIC's rating system. In addition, the FDIC insurance fund has grown over this period and now stands at approximately \$16 billion. The FDIC says it believes the system is sound and is prepared to deal with any problem that may arise.

tional information banks now are reporting quarterly to the supervisory agencies in reports of condition/income. As a surrogate for assessing risk in bank-loan portfolios on an off-site basis, the level of nonperforming loans has been requested beginning with the December, 1982, reports of condition (call report). Call reports and reports of income are available to the public on

request. To enhance further the public's knowledge of the availability of such information, the FDIC has issued for public comment a statement of policy regarding availability and use of financial and other information by depositors and other creditors of banks and thrifts. The objective is to promote better-informed financial/investment decisions and, thus, more market dis-

cipline.

Corrective Actions. Use of reason and moral suasion remain the primary corrective tools of the FDIC, says Mr. Gautsch. However, its board has been given broad enforcement powers under Section 8 of the Federal Deposit Insurance Act. On an informal basis, the FDIC may ask a bank's directors to adopt a board resolution or enter into a memorandum of understanding with the FDIC regional office that outlines the corrective action the FDIC believes to be necessary to correct problems identified at the most recent examination. Typically, this is in conjunction with the state authority and may or may not involve a meeting with the bank's directors. Of course, in the case of problem banks, the FDIC also coordinates its actions with the Comptroller of the Currency and Fed on an ongoing basis.

On a formal basis, the FDIC's board has the power to issue cease-and-desist actions (Section 8(b)) and, if deemed necessary, to invoke immediately a temporary cease-and-desist action (Section 8(c)). The most severe action available to the FDIC is termination of deposit insurance (Section 8(a)). In addition, the FDIC's board has been given the power to suspend or remove a bank officer or director or prohibit participation by others in bank affairs when certain criteria can be established (Sections 8(e) and (g)).

To assure greater uniformity of action and help assure that supervisory efforts are directed to banks most in need of them, the FDIC's board, along with the other federal financial-institution regulators, adopted and has utilized for several years the Uniform Financial Institutions Rating System. Under this system, each financial institution is accorded a composite rating of "1" through "5," with "1" representing the highest rating and, consequently, lowest level of supervisory concern. Current FDIC policy presumes that either an informal or formal administrative action will be taken on banks with composite ratings of "3," "4" or "5" unless specific circumstances argue strongly to the contrary.

— Rosemary McKelvey, editor.

● Neil P. Thompson has been appointed senior vice president in charge of systems/services management at Master Card International, Inc., New York City. He is responsible for planning, design and controls of Master Card systems development. He formerly was with Oroweat Foods Co., Greenwich, Conn.

Farmers' Financing Needs Must Be Met During Time Before Turnaround Occurs, Ag-Lenders Told at Farm Credit Meeting

THE IMPORTANCE of meeting the current economic challenges of individual farmers with a single credit-delivery system as agriculture moves toward an inevitable turnaround was stressed at last month's annual conference of the Farm Credit Banks of St. Louis.

Glenn Heitz, banks' CEO, characterized 1984 as "certainly not the best of times for agriculture." He added that this year is a time of anxiety for most farmers, a time of struggle for many of them and a time of defeat for some — but not very many. The situation is reflected in the fact that lending in both the Federal Land Bank and Production Credit systems has declined during the first six months of 1984, while delinquencies, bankruptcies and foreclosures have increased slightly.

He reminded the 2,500 agricultural lenders attending the conference that "well over 90% of the Farm Credit System's individual borrower-owners were meeting their financial obligations."

The essential problem facing both farmers and their cooperative Farm Credit System was defined by Robin Lahman, banks' chairman. He said "being tied to the past is an almost guaranteed route to obsolescence in our current state of rapid and dramatic change."

He cited the recent reorganization of operations in the Farm Credit Banks of St. Louis as evidence that, in the midst of difficult economic times for farmers, Farm Credit System leadership had recognized the "need to structure and position the system to be more effective in serving the expanding and changing needs of its member-borrowers."

The impact of the adverse agricultural economy on farmer cooperatives in Arkansas, Illinois and Missouri was discussed by Douglas Sims, banks' executive vice president. He said that,

while credit demand was up slightly in 1984 in the aftermath of the PIK program, maintaining creditworthiness remains a number one priority among both cooperatives and the St. Louis Bank for Cooperatives.

The economic challenges farmers are coping with in the Midwest were explained by John Schnittker, president, Schnittker Associates, Washington, D. C.-based economic research/consulting firm. He identified the major challenges ahead for agriculture as follows: "To revitalize agricultural policy in 1985, to make it serve all of agriculture instead of a few giant farmers; to reach farmers whose survival depends on public programs; to reduce costs; to put farm policy to work on long-term remedial measures instead of stoking the fires of surplus production and calling for emergency assistance at the same time; and to rebuild the public reputation of farm policy."

The Farm Credit System is witnessing increased competition from commercial banks, both on the lending and funding sides of operations, said Peter Carney, CEO, Funding Corporation of the Federal Farm Credit Banks.

He added that, since late 1982, commercial banks have been able to offer various types of insured deposits that yield market returns. Bankings' broad network of officers and substantial customer base enables the industry to attract the resources of investors who value market yields with little risk.

The increased liquidity of the banking system means that commercial banks, especially those in rural areas, have more money to lend. The result was a substantial increase in farm lending by those institutions. As an example, he said that non-real-estate farm loans outstanding at commercial banks increased by \$3.3 billion, or 9.1%, in 1983, while similar loans held by the Farm Credit System decreased by 7%.

— Jim Fabian, senior editor.



“Planning Profits has never been more important,”

Or more difficult.

Deregulation has made every aspect of our business rate sensitive. Including the already delicate job of asset and liability management.

But if a bank is to survive in today's financial environment, it must come to grips with the new realities. And there are few things more important than a reliable asset and liability planning program.

The Fourth has an enviable record of accurately dealing with the "what ifs" of the new environment. A record made possible by the development and refinement of a software program called the Profit PlannerSM.



Wayne Becker, Vice President, Fourth National Bank

It works better than other programs because it measures the effect on net income of maturity roll-off and the repricing of assets and liabilities. Now The Fourth is making

the Profit Planner available to other banks. And it's an outstanding opportunity, because with the program comes the on-site training to run it, the consultation service to make sure it's working for you — and perhaps most important of all, access to The Fourth's interest rate projections for a full year.

So if you're looking to take the "what ifs" out of your business, give me a call. Together, we can plan the future.

Your Future Is At The Fourth

THE FOURTH NATIONAL BANK & TRUST CO.
CALL (316) 261-4192 / P.O. BOX 1090 / WICHITA, KS 67201 / MEMBER FDIC

Strategic Planning, Selling Are Topics To Be Presented at KBA Regionals

STRATEGIC planning and selling in a deregulated banking environment are the two principal topics on the programs of the 1984 fall conferences to be sponsored by the Kansas Bankers Association next month.

The three-concurrent-session format that's traditional with the KBA fall conferences will be followed again this year. CEOs will meet to hear a report on the KBA Task Force on Strategic Planning, presided over by KBA President Don Steffes, president, McPherson Bank.

The program will feature a late report on the results of the CEO session at the KBA Forum '84 to be held in Colorado Springs on September 6 and the progress of the long-range-planning efforts of the KBA's Task Force on Strategic Planning.

Also slated for this session is a detailed report on the latest developments in the federal and state legislative arenas.

Other officers and supervisors will meet for a session titled "Secrets for Excellence: Banking and Selling in a Deregulated Environment," to be presented by Bob Klockars, Financial Shares Corp., Chicago.

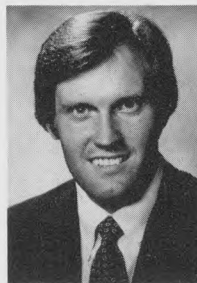
Customer-contact personnel will meet in staff session to hear a presentation by Bev Lacata, Financial Education & Development, Middleton, Wis.

Each of the six programs will begin with the traditional county agricultural key-banker luncheon at 11:45 a.m., followed by registration beginning at 1:15 p.m. and the general sessions from 2 to 5 p.m.

A social hour will begin at 5:15 p.m., with the banquet following at 6:30



STEFFES
KBA Pres.



KLOCKARS
Speaker

p.m. Kurt Kilpatrick of Birmingham, Ala., will speak on "Doctor of Jurisprudence and a Matter of Humorology" at the first week of conferences, and Michael Broome, of Charlotte, N. C., will talk about "How to Be a Liver of Life and not a Gallbladder" at the second week of meetings.

Following is a rundown on conference details:

- *Region 1* — Tuesday, September 11,

Regional Meeting Calendar

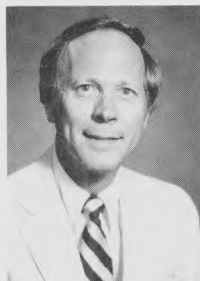
- Region 1 — September 11 — Dodge City
 - Region 2 — September 12 — Colby
 - Region 3 — September 13 — Salina
 - Region 4 — September 18 — Wichita
 - Region 5 — September 19 — Chanute
 - Region 6 — September 20 — Topeka
-

Dodge City. Registration — Dodge City Community College, Little Theater Lobby; Key-Banker Luncheon — Holidome, Room 1, Convention Center; CEO Meeting — Santa Fe Room; Other Officers/Supervisors — Student Union Cafeteria; Customer-Contact Staff — Little Theater; Social Hour — Holidome Dome Area; Banquet — Holidome Convention Center.

- *Region 2* — Wednesday, September 12, Colby. Registration — Colby Community College, Cultural Arts Center Lobby; Key-Banker Luncheon — Card Area, Student Union; CEO Meeting — Golden/Columbine rooms, Colby Ramada Inn; Other Officers/Supervisors — Multipurpose Room, Student Union; Customer-Contact Staff — Cultural Arts Center; Social Hour and Banquet — American Legion Hall.

- *Region 3* — Thursday, September 13, Salina. All events at Bicentennial Center. Registration — Lobby; Key-Banker Luncheon — Room 200; CEO Meeting — Room 203 A-C; Other Officers/Supervisors — Room 202 A-C; Customer-Contact Staff — Heritage Hall; Social Hour/Banquet — Heritage Hall.

- *Region 4* — Tuesday, September 18, Wichita. Registration — Century II, South Side Outside Meeting Rooms; Key-Banker Luncheon — Wichita Royale, Royale East Room; CEO Meeting — Century II, Room 201; Middle Management/Supervisors — Century II, Room 101; Customer-Contact Staff — Century II, Little



BECKER
Reg. 1 V.P.



BURGERT
Reg. 2 V.P.



NICHOLS
Reg. 4 V.P.



HOFFMAN
Reg. 5 V.P.



CORNS
Reg. 6 V.P.

We'll see you at the 1984 KBA Fall Conferences.

The planning, content, and speakers for this year's Conferences look outstanding. All of us at Hutchinson National Bank and Trust Company encourage you to attend your Regional Conference.

1984 Fall Conference Schedule

Sept. 11	Dodge City
Sept. 12	Colby
Sept. 13	Salina
Sept. 18	Wichita
Sept. 19	Chanute
Sept. 20	Topeka



Hutchinson National
bank and trust company

ONE POLARIS PLAZA, HUTCHINSON, KANSAS
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Dean Thibault
Vice President

Dean K. Johnson
Executive V.P., Loans

Scott A. Woods
President

Dru Richard
Agr. Loan and
Correspondent Bank Officer

Jack G. Galle
Agr. Loan and
Correspondent Bank Officer



MAKE YOUR DREAM COME TRUE

Take it to...
the Bank



Member FDIC.

**KANSAS STATE BANK
AND TRUST COMPANY**

MAIN OFFICE 123 North Market	LINCOLN HEIGHTS Douglas & Oliver
MOTOR BANK 122 North Main	KSB&T WEST 13th E. West Streets



Theater; Social Hour — Exhibition Halls 1 and 2, Broadview Hotel; Banquet — Crystal Ballrooms 1, 2 and 3, Broadview Hotel.

• *Region 5* — Wednesday, September 17, Chanute. Registration — Neosho County Community College, Administration Building; Key-Banker Luncheon — Chanute Country Club; CEO Meeting — Stoltz Hall, Rooms 3 and 4; Other Officers/Supervisors — Stoltz Hall, Lecure Room; Customer-Contact Staff — Administration Building Auditorium; Social Hour/Banquet — VFW Hall, West Main Street.

• *Region 6* — Thursday, September 20, Topeka. All events at Holiday Inn. Registration — Gazebo Area, West Holidome; Key-Banker Luncheon — Governor's Room, West Holidome; CEO Meeting — Versailles A; Other Officers/Supervisors — Versailles B; Customer-Contact Staff — Versailles C; Social Hour — Versailles B and C; Banquet — Versailles A and B.

Presiding at the regional meetings will be the following KBA regional vice presidents: *Region 1* — Daryl Becker, president, State Bank, Meriden; *Region 2* — A. L. Burgert, president, First State, Pittsburg; *Region 3* — James L. Darrah, president, Chapman State; *Region 4* — Richard Nichols, chairman/president, Home State, McPherson; *Region 5* — C. N. Hoffman Jr., chairman/president, National Bank of America, Salina; and *Region 6* — Robert V. Corns, executive vice president, Greensburg State.


Mr. Becker entered banking in 1959 at his present bank. He was elevated to chairman/president in 1966.

Mr. Burgert has been a banker since 1935. His first bank position was with First National, Sterling. He joined First State in 1950 and was made an officer in 1951. He has been president/CEO/trust officer since January, 1973.


Mr. Darrah became associated with banking in 1962, when he joined the FDIC as an examiner for western Oklahoma. In 1968 he moved to Commerce State, Topeka. In 1974 he moved to Chapman State as a vice president. That same year, he bought control of the bank and has been president since January, 1975. (No photo available.)

Mr. Nichols entered the banking profession in 1957 at Hutchinson National. He moved to Home State in 1969 as its president. He has been president/chairman since 1979.

Mr. Hoffman has been in banking since 1954, the year he joined National Bank of America. He was a vice president at that time. He was elevated to



John E. Naftzger
Chairman



"The bank that works with you"

**SOUTHWEST
NATIONAL BANK**

DOUGLAS AND TOPEKA • WICHITA, KANSAS 67202
316-264-5303 Member FDIC

Investment Services Since 1890

UNDERWRITERS—DISTRIBUTORS—DEALERS

STIFEL, NICOLAUS

SN

& COMPANY INCORPORATED

MEMBERS NEW YORK STOCK EXCHANGE, INC.
AMERICAN STOCK EXCHANGE, INC.
MIDWEST STOCK EXCHANGE, INC.

National Headquarters:
500 North Broadway, St. Louis, Missouri
(314) 342-2000.

Private Wires to Nash, Weiss & Co., New York
and Asiel & Co., New York City.

CONTACT OUR OFFICE MOST CONVENIENT TO YOU:

KANSAS CITY, MISSOURI
Leawood Corporate Manor Bldg.
4701 College Blvd.
Leawood, Kansas 66211
913-381-7181

ST. LOUIS, MISSOURI 63102
500 N. Broadway
314-342-2000

LOUISVILLE, KENTUCKY 40270
201 West Main St.
502-587-6053

OKLAHOMA CITY, OKLAHOMA 73102
Suite 130 Century Center
100 West Main Street
405-235-5700

TULSA, OKLAHOMA 74104
1924 South Utica
918-743-3361

WICHITA, KANSAS 67202
111 South Main
316-264-6321

DALLAS, TEXAS 75201
Suite 1850, Americas Tower
2323 Bryan St.
214-969-1966

**ADDISON • BROKEN ARROW • CHICAGO • CHICAGO HEIGHTS • CLAYTON • COLUMBUS • DENVER
EDMOND • ELK CITY • EL RENO • ENID • GREENWICH • KEOKUK • LAWTON • LEAWOOD • LIBERTY
LITTLE ROCK • LOUISVILLE • MANHATTAN • MAYFIELD • MEMPHIS • MILWAUKEE • MOLINE
MT. VERNON • NEW YORK • NORMAN • OKLAHOMA CITY • OKLAHOMA CITY NORTHWEST • PAULS VALLEY
PONCA CITY • ST. CHARLES • ST. LOUIS • SHAWNEE • SPRINGFIELD • TULSA • WACO • WICHITA • YUKON
Member SIPC**

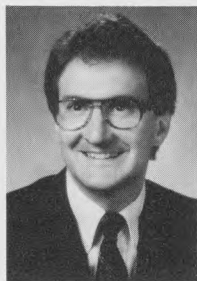
president in 1961 and to chairman/president in 1976.

Mr. Corns became a banker in 1948, when he joined Greensburg State. He was named an officer in 1967 and assumed his present title of executive vice president in 1981. ●●

Jack G. Galle has joined Hutchinson National as agricultural loan/correspondent bank officer. He previously was vice president, Citizens State, Moundridge. He has been in banking since 1978.



ASMANN



GALLE

Robert W. Asmann, executive vice president, Fourth National, Wichita, has been chosen as the "banker of the year, 1983-84" by the Wichita AIB Chapter. This award recognizes a community banker for his contribution to the banking industry, community and particularly the AIB. Criteria for the selection included involvement in the AIB, civic and community involvement and professional career.

Marshall R. Toburen has been named assistant auditor, Commercial National, Kansas City. He was senior auditor.

National Bank of Wichita has broken ground for a new facility at 8801 West Central. Scheduled for completion in the spring of 1985, the new office will replace the current facility at 8971 West Central in the Westlink Shopping Center.

Scholarship Recipients

GREAT BEND — Six students have received J. A. Mermis Jr. scholarships of \$600 each for the 1984-85 school year at Barton County Community College, located here.

Funds to support the total of \$3,600 in Mermis scholarships are provided by income from a \$30,000 contribution from the board of Security State, Great Bend, to the Barton County Community College Foundation in 1981. The gift was made to recognize the leadership of J. A. Mermis Jr. as the first chairman of the BCCC board of trustees, as well as his achievement as CEO of the bank from its founding in 1950 to the present.

Died: Claude F. Pack, 93, former chairman/president, Home State, Kansas City, which he served for 47 years. He is a former president of the Kansas Bankers Association.

Died: Dwight J. Wilson, 94, director, Kansas State, Wichita. He went on the bank's board in 1964. Mr. Wilson owned oil and drilling firms and also was involved in ranching. A grandson, Jon T. Williams Jr., also is a Kansas State director.

● **Merrill T. Miller Jr.**, senior vice president, California First Bank, San Diego, has been elected president, National Automated Clearinghouse Association (NACHA). He succeeds J. Robert Brubaker, executive vice president, Equibank, Pittsburgh. Another new NACHA officer is Joseph P. Coriaci, senior vice president/cashier, Continental Illinois National, Chicago, who was elected vice president. Garry L. Singer continues as secretary/treasurer.

'Homecoming '84' to Be Theme Of Kentucky Convention

"**H**OMECOMING '84" will be the theme of the Kentucky Bankers Association's 90th annual convention September 9-11 at Louisville's Galt House.

James G. Cairns Jr., ABA president-elect and president, Peoples National of Washington, Seattle, will be one of the speakers. Also scheduled to be on the program are Barry Asmus, Scottsdale, Ariz., economist, who will discuss "The Economics of Reality"; Jack Jackson, chairman, LDI, Inc., Oklahoma City, whose topic will be "Deregulation"; and U. S. Representative Harold Rogers, Republican from Kentucky's Fifth District. Banquet speaker will be Charles W. Jarvis, San Marcos, Tex., humorist.

The luncheon September 10 will feature presentation of Philip Morris community-service awards. It will be followed by two concurrent workshop sessions. The next day will begin with the second annual KBA prayer breakfast. Again that afternoon, there will be two concurrent workshop sessions. That evening will feature the pre-banquet reception and banquet.

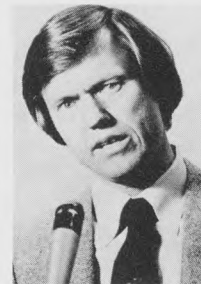
On September 9, registration will be held, with a reception that night.

KBA Officers. Association officers for 1983-84 are: president, Clay Parker Davis, president/CEO, Citizens National, Somerset; president-elect, L. M. McBride, president, City National, Fulton; and treasurer, I. B. Utley, president, Farmers Bank, Henderson.

Mr. Davis entered banking in 1963 at First National, Georgetown. In 1973, he went to his present bank as president/director.

Mr. McBride has been a banker since 1962, when he joined City National as executive vice president. He moved up to president in 1964.

Mr. Utley became a banker in 1959 at Farmers Bank, Henderson, with the title of executive vice president. He became president in 1967. ●●



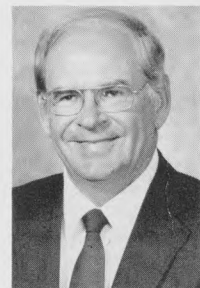
ASMUS



CAIRNS



UTLEY



McBRIDE



DAVIS

● **Henry S. Polson** has been named director/trust and corporate marketing departments, Bank Marketing Association, Chicago. He formerly was vice president/marketing for the U. S. League of Savings Institutions, Chicago.

Attention Bank CEOs:

How Does Your Bank “Introduce” the New Director To His New Job?

THE NEWLY ELECTED bank director probably seems overwhelmed with the responsibilities of his new job and the complexities of the banking system. So, you'll want to acquaint him with his “new chair” as quickly and as “gently” as possible.

Your bank undoubtedly has a portfolio of material to hand to the new director. Our instructional folder, entitled “*Briefing the New Bank Director*,” can be a useful addition to your introductory material. It is written by Dr. Lewis E. Davids, editor of The BANK BOARD Letter.

“*Briefing the New Bank Director*” provides the recipient with an overview of the director's job and responsibilities and also offers suggestions on “homework” and “reading” assignments that will bring him quickly up-to-date in his job.

This 8-page folder concludes with what the author has termed the “20 Commandments for Bank Directors” starting with “Thou shalt not attempt to usurp prerogatives of management,” and ending with “Thou shalt submit thy resignation gracefully and with dignity when no longer making a positive contribution to the bank.”

For a FREE copy of this folder, fill in the coupon below. You'll receive this plus other information concerning the bank director's job that can be useful to him and, of course, to the bank.

The BANK BOARD Letter

408 Olive St., St. Louis, MO 63102

Please send me a FREE copy of “*Briefing the New Bank Director*” along with other information about The BANK BOARD Letter.

Name _____ Title _____

Bank _____

Address _____

City _____ State _____ Zip _____

NEWS

About Banks & Bankers

ALABAMA

FirstGulf, AmSouth HCs Announce Merger Plan; Completion in 1985

Directors of FirstGulf Bancorp, Mobile, signed a definitive merger agreement July 2 with AmSouth Bancorp, Birmingham. The merger is subject to shareholder/regulatory approval.

Under merger terms, FirstGulf shareholders will receive, when the merger is closed sometime after mid-1985, 2.1 shares of AmSouth common stock for each share of FirstGulf stock, or a shareholder may elect to receive \$47 in cash for each share of FirstGulf stock held, or a combination of cash and stock. However, the cash portion of the total consideration, as valued near the closing, must make up a minimum of 40% and a maximum of 49% of the total consideration.

In addition, FirstGulf has granted AmSouth an option to buy shares of FirstGulf common stock.

FirstGulf Bancorp, formerly First Bancgroup-Alabama, operates banking offices in Birmingham, Huntsville, Dothan, Eufaula, Guntersville and Russellville. Its lead bank is First National, Mobile. Total assets of the HC as of last March 31 were \$1.1 billion.

The \$3.8-billion-asset AmSouth Bancorp operates 117 offices throughout Alabama and also owns AmSouth Financial Corp. and Engel Mortgage Co., Inc., with 22 offices in eight southeastern states, and AmSouth Bank International, Alabama's only Edge Act Bank devoted solely to international banking.

Joseph A. Carrera has joined Central Bank of the South-Birmingham as vice president, administrative services. He was vice president, Bank of New Orleans/First National Bank of Commerce, New Orleans. He has been a banker since 1959.

SouthTrust Bank of Alabama, Birmingham, has promoted Charles

Picard to senior vice president, William H. Pitts Jr. to vice president and Daniel S. Boyd and William W. Griffin to assistant vice presidents. Mr. Picard, with the bank since 1971, is its personnel director. Mr. Pitts went to the bank in 1979 and is in the correspondent banking department. Mr. Boyd, a bank employee since 1980, is manager, Centennial Branch. Mr. Griffin joined the bank in June.

ARKANSAS

Holly Eddins Named Head Of Young Banker Section

Holly Eddins is the new president, Young Banker Section, Arkansas Bankers Association. She is assistant vice president, Worthen Bank, Little Rock. She succeeds William C. Wisener, assistant vice president, Warren Bank.

Other new officers of the section are: senior vice president, Paul Nipper, assistant vice president, First National, Ashdown; vice president, Robert D. Huff, installment loan officer, First National of Phillips County, Helena; and secretary-treasurer, Cathy Hastings Owen, secretary/treasurer, First State, Sherwood.

Brett S. Smith has joined Clark County Bank, Gurdon, as vice president, loans. He formerly was loan officer, Bank of Holly Grove.

Curtis Hutchins, president, FBT Bancshares, Inc., and Fordyce Bank, has been named to the additional post of chairman/CEO of the HC and bank.

Corning Bank Closed

CORNING — Deposit liabilities of Corning Bank, which was closed June 15, have been assumed by a de novo bank, also called Corning Bank. The latter is a wholly owned subsidiary of First Paragould Bancshares, Paragould.

The failed bank was closed by Marlin D. Jackson, Arkansas bank commissioner, and the FDIC was named receiver.

He succeeds W. R. Benton Jr., who died in May. Katy Graves has been elected senior vice president, Fordyce Bank, which she joined in 1951. She formerly was vice president. Suzette Crutchfield has been promoted to vice president/cashier at the bank. She has been on the staff since 1972.

Going up in Malvern



This is an artist's sketch of Bank of Malvern's future home. The 12,000-square-foot banking facility/professional office building will be erected on the site of the bank's current branch at Highway 270 and Moline Street. Completion is scheduled for early 1985. It will have natural wood and brick construction with a sloping metal roof, four remote drive-up service windows and a drive-up automatic teller machine.

ILLINOIS

Continental Illinois National, Chicago, has promoted the following: to vice presidents — Robert F. Dieli, economic research; Mary Ann Lain, commercial-banking operations; Michael A. Chiarito, check processing; James A. Klute, controllers; and Eduardo Monteagudo, personal-banking services; and to second vice presidents — Steve A. Saratore and Claudia Schultze, corporate planning/research/development; and Peter Katrein, commercial-banking operations.

Gordon B. Benkler and Leo A. Knowles have joined Cole-Taylor Financial Group, Northbrook, Mr. Benkler as a senior vice president/product development manager and Mr. Knowles as corporate controller. Mr. Benkler formerly was with Continental Illinois National, Chicago, and Mr. Knowles was senior vice president/controller, General Finance Corp.

Bruce Hoover has joined Devon Bank, Chicago, as vice president/auditor. He

Where should you be September 13?

Join John J. Detterick, Gerald Greenwald, Alfred E. Kahn, Allan Munro, John Naisbitt, Joseph Pinola, John S. Poelker, Charles E. Rice, F.G. "Buck" Rodgers, Charles Schwab, Robert Townsend, and others – plus hundreds of your colleagues – in Denver, Colorado for a landmark meeting of the financial services industry.



In Denver
September 12-14, 1984

Across the Continent
September 13, 1984

An unprecedented meeting for executives who listen.

For three days this September, the U.S. financial community will turn its attention to Denver, Colorado. Hundreds of executives – from bankers to brokers – will meet to examine success stories of industry leaders who are parlaying today's market conditions into profit.

It's **MONEY TALKS**, Bank Administration Institute's Annual Meeting, an unprecedented assembly of decision-makers from virtually every sector of the marketplace: banks, savings and loans, brokerage houses, insurance companies, investment firms, and credit unions.

In addition to hearing prominent general session speakers, participants will be able to choose from among some 30 concurrent sessions. Each features a national authority who will address a topic critical to understanding today's changing environment. The latest in products and services will be on display in the Exhibition Hall. And there will be numerous spouse attractions, plus a special Barbara Mandrell show.

Program Registration Fee:

Institute Member: \$455 (Spouse: \$190)
Nonmember: \$500 (Spouse: \$210)

A satellite teleconference broadcast live to over 30 convenient sites across the continent.

MONEY TALKS is a landmark meeting. A conclave so significant and timely, that no single meeting site can accommodate all those who can benefit from hearing about what it takes to succeed in today's financial environment.

Recognizing this, the Institute has drawn upon its extensive experience as the industry-leader in teleconference programs. The result is the **MONEY TALKS** teleconference, broadcast live from the assembly floor to key locations across the continent.

Now, *everyone* can view the key general sessions and profit from the business and money-making insights offered by the forum's outstanding selection of speakers. Call for times and locations nearest you.

Wherever you are – whether in Denver or at one of the teleconference sites – you should be listening when, on September 13, **MONEY TALKS** to you.

Program Registration Fee:

Institute Member: \$135
Nonmember: \$170

For immediate registration or information, call the Education Hotline:
1-800-323-8552 (In Illinois, 1-800-942-8861), or 1-312-228-6200.

BANK ADMINISTRATION INSTITUTE

60 Gould Center, Rolling Meadows, IL 60008

MONEY TALKSSM is a service mark owned by Bank Administration Institute, Rolling Meadows, Illinois 60008, U.S.A.



There's only one locally-owne

If you're an independent bank, you've probably noticed it's harder to keep your head above water these days.

According to a 1983 survey by a leading consulting firm, 74% of CEO's in banks with assets of over \$100 million expect their banks to acquire another bank within five years.

In this period of deregulation, mergers and acquisitions have become a common occurrence. So much so that in Rochester, New

York, the only remaining locally-owned commercial bank is First National Bank of Rochester.

Deregulation is here to stay. To help make sure you are, consider the proven alternative: a franchise with First Interstate Bancorp.

Franchising:
the profitable partnership.

Currently, the First Interstate Bank system is the 7th largest in the nation, with assets of over \$43 billion. Together with our fran-

chisees, we have over 1,000 full-service banking offices in 14 states, making us one of the largest retail banking systems in the country. As a franchisee of First Interstate Bancorp, you have access to these vast resources.

First Interstate's goal is to use technology and product innovation to deliver unmatched financial services all over the United States.

As a franchisee, you'll benefit from many of these services. For example, you'll be included in the



Bank left in Rochester today.

Teller Item Processing System (TIPS), an on-line multi-office information system which gives customers check cashing privileges in any First Interstate office. In addition, you'll gain access to specialized services such as mortgage banking, discount brokerage, international trading and data processing.

Franchising:
the success story.

Our success in the marketplace speaks for itself. Currently,

First Interstate Bancorp has franchise agreements in 6 states, including Colorado, Hawaii, Alaska, Montana, Wyoming and Wisconsin.

Operations in these states represent a total of 21 banks with 68 offices. By the end of 1984, their combined assets will total \$2.5 billion.

Find out more about how you can become part of First Interstate Bancorp's

successful franchise program by calling John Dean, President, First Interstate System, Inc. (213) 614-3043.



Digitized by FRASER
<https://fraser.stlouisfed.org>

Brokerage service from the bank you already take stock in.

You met us as Memphis Bank & Trust, and came to know us as the bank that offered you more correspondent services from a more experienced staff. Now we have a new name to reflect the whole area we serve, Midland Bank & Trust, and a new service to help you grow with us.

*Introducing the Bankers Investment Exchange from
Midland Bank & Trust.*

Now you can offer your customers brokerage service and we'll execute for you on the purchase and sale of stocks, corporate bonds, U.S. government and government agency securities.

- For you.*
- Bankers dealing with bankers, to help you maintain your customers instead of trying to take them away from you.
 - Our experienced brokerage staff and facilities as an extension of your own.
 - The highest earning program for your bank.
 - Cooperative advertising to help you sell the service.
 - Free training for your staff.
 - The service is offered by you, through us, with complete protection of customer information.
 - Securities safekeeping, current market quotes and information.



**MIDLAND
BANK &
TRUST**
Member FDIC

- For your customers.*
- They make the decisions, and you can offer them considerable commission savings.
 - Fast, dependable execution.
 - The convenience of their own bank deposit accounts for transactions.
 - The security of dealing with you, people they know.

Take advantage of the Bankers Investment Exchange, from the same correspondent bank department you've always been able to take stock in. Give Lynn Hobson, Gus Morris, Jim Newman, Ron Ireland or Tom McKelroy a call, toll-free, at 1-800/238-7477. In Tennessee, 1-800/582-6277.

formerly was a private consultant and also is a retired partner, Peat, Marwick, Mitchell & Co., Chicago.

Midwest Financial Group, Inc., Peoria, has elected David R. Leitch a vice president. Mr. Leitch, a vice president, Commercial National, Peoria, will be responsible for the HC's public affairs/press relations/government relations.

INDIANA

Restructuring Announced By South Bend Bank

SOUTH BEND — 1st Source Bank has announced creation of five regional headquarters, expansion and improvement of automated-teller-machine service and realignment of several branches. The program will cost \$1 million.

Implementation of the program, being directed by Senior Vice President W. D. Jones III, personal banking group, will be completed by December. New ATMs will be operational at several locations in September, with existing 1st Source ATM locations upgraded to incorporate the newer units, using the latest in 24-hour-banking technology.

The regional centers, which were designated on the basis of population and business volume in surrounding areas, will offer a full range of financial services. In addition to main offices in downtown South Bend and Mishawaka, services will be expanded at the Airport, Roseland and Maple Lane branches.

Branch realignment will include consolidation of lower-volume branches into more regionally located facilities. The plan also calls for physical relocation of the branch building at U. S. 20 and Bittersweet Road to a new location at U. S. 33 and Bittersweet. This new location will serve as the Osceola Office when it opens later this year.

Michael F. McWhortor has been named vice president responsible for investments/funds management, Lincoln National, Fort Wayne. He was with BancOhio National, Columbus, as vice president responsible for financial planning. In other action at Lincoln National, three assistant vice presidents were named: Stephen W. Demaree, Michael C. Marhenke and John L. McArdle. Mr. Demaree went to the bank in 1975, Mr. Marhenke in 1977 and Mr. McArdle in 1976.

William N. McCallum has been elected president, Lafayette Bank, which he joined as manager, installment loan department, in 1961. Most recently, Mr. McCallum was executive vice president/secretary to the board.

KENTUCKY

Joseph J. Crawford Jr. and P. Daugherty Murphy have been promoted from senior banking officers to vice presidents, First National, Louisville. Both joined the bank in 1973. Mr. Crawford is in the liability-product-management area.

James S. Mahan III has been named president, Citizens Union National, Lexington. He succeeds Arch G. Mainous Jr. Mr. Mahan formerly was vice chairman/chief operating officer. At 33, he is said to be Lexington's youngest bank president.

LOUISIANA

Louisiana's Largest HC To Result From Merger

A proposed merger of three Louisiana HCs, announced last month, will result in a new organization that is expected to rank as the state's largest bank HC.

The three firms are First Bancshares of Louisiana, Inc., Baton Rouge; Ouachita National Bancshares, Inc., Monroe; and First National Bancorp, Inc., Shreveport.

The combined organization is expected to have assets totaling about \$2.6 billion, which would rank it in first place, replacing Whitney Holding Corp., New Orleans, as the state's largest bank HC.

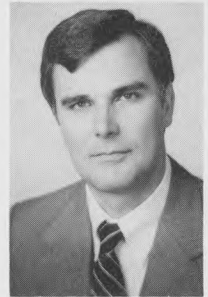
The merger, which would take place early next year, was made possible by passage of a multi-parish law by the state legislature in June.

The new HC will be called Louisiana Bancshares, Inc. Charles W. McCoy, chairman, First Bancshares, is expected to be president/CEO. Chairman will be J. Hugh Watson, currently chairman, First National Bancorp. Chairman of the executive committee will be R. Lee Vanderpool Jr., currently president, Ouachita National.

Each share of First Bancshares will be exchanged for one share of the new HC. Each First National Bancorp share will be exchanged for 1.6 shares

of the new HC. And each share of Ouachita National Bancshares will be exchanged for 2.2 shares of the new firm.

Louisiana National, Baton Rouge; First National, Shreveport; and Ouachita National, Monroe, subsidiaries of the three HCs involved in the merger, are expected to retain their current managements. The board of the new HC will be composed of six directors from each of the three banks.



SWEATT

W. David Sweatt has joined First National Bank of Commerce, New Orleans, as senior vice president, corporate development. He formerly was with First National of South Carolina, Columbia, where he was vice president/manager, commercial loans, and managed the international department. In other action, First NBC has added municipal-unit trusts to securities it has available for its investment customers. The Nuveen tax-exempt bond fund and Van Kampen Merrit insured-municipals-income trust are the two new funds being handled by the bank. Common stock of the bank's parent HC, First Commerce Corp., now is included in NASDAQ (National Market System or NMS).

American Bank, Norco, has promoted the following: from senior vice president to executive vice president, Leslie Gray; from vice presidents to senior vice presidents, Linda Dean, Ira Caze-nave and L. J. Richard; and from banking officer to assistant vice president, Ernest Rodrigue Jr.

MISSISSIPPI

Merger plans have been announced by First National, Jackson, and Brookhaven Bank. The plan is subject to approval by stockholders and regulators. No change in the name of Brookhaven Bank is expected and local personnel will remain at the acquired bank. First National is awaiting regulatory approval to merge with Merchants & Planters, Hazlehurst, and State Guaranty Bank, Magee. The three mergers will give First of Jackson

12 banks with 63 offices in 22 cities, with total assets of approximately \$2 billion.

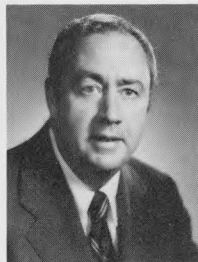
First National, West Point, has been acquired by First National Corp., a newly chartered HC. Fed approval of the HC's charter was announced in June.

MISSOURI

Boatmen's Agrees to Buy CharterCorp, Kansas City

An agreement in principle that could result in creation of the largest commercial-banking organization in Missouri has been announced jointly by Boatmen's Bancshares, Inc., St. Louis, and CharterCorp, Kansas City.

The agreement provides for the acquisition of CharterCorp by Boatmen's via a statutory merger. Basic terms of the proposed merger provide that CharterCorp shareholders would receive for each of their common shares \$5 in cash and nine-tenths of one share of Boatmen's common stock. As of June 30, CharterCorp had approx-



WELLS



BRANDIN

imately 7.8 million shares of common stock outstanding. Total acquisition cost is expected to be approximately \$230 million.

The transaction is subject to execution of a definitive merger agreement, shareholder approval and approval of appropriate regulators. It's anticipated that the merger would be consummated in the first quarter of 1985.

The merger corporation would consist of 45 subsidiary banks operating in 99 locations with total assets in excess of \$6 billion. It would give Boatmen's capital of more than \$400 million and enable it to raise its lending limit to about \$60 million from the present approximately \$27 million.

It's expected that Donald N. Brandin would remain as chairman/CEO of Boatmen's, with Gordon E. Wells, CharterCorp's current chairman/CEO, becoming vice chairman. Mr. Wells is expected to retain his position as chairman of First National CharterBank, Kansas City.

Bankers Bank to Open

Independent State Bank of Missouri, a "bankers' bank," is expected to begin operating in Jefferson City by October 1. Initial services will include check clearing and trading of overnight fed funds.

The bank has been in the planning stage for about a year, according to Donald Thompson, one of two co-chairmen. He's president, Peoples Bank of Lincoln County, Troy. The other cochairman is Bob Hawkins, president, Southern Commercial, St. Louis.

More than 100 of Missouri's 425 independent banks have purchased stock in the new bank, which will have at least \$1.5 million in capital when it opens.

Mr. Thompson says the bank is being established so that independents can deal with a correspondent that is not a competitor. "We'd like to do the business ourselves instead of sending it to our competition," he says. Mr. Hawkins says independent banks in Missouri have been treated as "stepchildren" by major correspondents.

Cam Fine, a former official of the state Revenue Department, has been named president of the new bank.

According to the ABA, independent bankers' banks are operating in Texas, Nebraska, Wisconsin, Minnesota, Colorado, Florida, Pennsylvania and Louisiana. Bankers' banks are being considered for Ohio, Arkansas and Tennessee.

Commerce Makes Application For Nonbank in Kansas

Commerce Bancshares, Inc., Kansas City, has made application to the Comptroller of the Currency for authority to open a "consumer" bank in Overland Park, Kan., a suburb of Kansas City.

Commerce banks have about 35,000 customers in Johnson County, Kan., location of Overland Park. About 30,000 of these customers hold credit cards issued by Commerce banks. The banks also have about 7,500 depositors and 4,000 loan customers in the suburban county, according to T. Alan Peschka, vice president/secretary/treasurer and general counsel of Commerce Bancshares.

Overland Park currently has eight banks, each of which is permitted two facilities. In addition, Citicorp, New York City, operates a finance company, Citicorp Financial, in the community.

Action on the Commerce application hinges on disposition of banking legislation now in Congress. The Comptroller has put a hold on all ap-

plications for nonbanks until Congress acts, or, if it doesn't act, until the end of the current congressional session.

Two More Banking Centers Opened in Venture Stores By Mercantile, St. Louis

Simultaneous ribbon-cutting ceremonies were held July 23 to open more Mercantile Convenience Banking centers in Venture stores. The new locations are the second and third such centers Mercantile Bancorp, St. Louis, has opened in Venture stores in the St. Louis area this year. The two that opened last month are located in Kirkwood and in north St. Louis County. The first one is operating in the Cave Springs Venture Store in St. Peters.

The banking center at the Kirkwood Venture Store is a facility of Mercantile Bank of South County and the one at the Venture Store in north St. Louis County is operated by Lewis & Clark Mercantile Bank.

The ribbons at the openings were made up of MasterCard/Visa charge tickets. The openings kicked off a week-long celebration of the "Great Mercantile at-Venture." The latter featured sweepstakes drawings, with each banking location offering these prizes — five \$100 gift certificates for a shopping adventure, a balloon-ride-for-two adventure, an Ozark-week-end-for-two adventure, a seven-course dinner with limousine-service-for-two adventure and a dinner/theater-evening-for-two adventure. The drawings were held at the end of the week-long celebration.

Throughout the week, Mercantile personnel met customers and other shoppers to introduce them to services available at the banking centers.

The banking locations, adjacent to the stores' customer-service desks,



This is type of Mercantile convenience banking centers now operating in three St. Louis-area Venture stores.



Precision teamwork pays off. Where?

Our customers know.

To the casual fan, baseball is a game of random events, but to the men who play for a living, it is one of strategy, planned well and executed precisely.

Strategy is equally important in banking. Centerre offers correspondent banks new and innovative consulting services in strategic planning, asset/liability management, estate planning, executive compensation, general business insurance and a wide range of personnel-related services. We're working to help each correspondent customer successfully meet today's challenges through effective planning and management.

Precision teamwork is one reason why Centerre is among the nation's most respected correspondent banks. Our customers know we can serve their needs. Work with us—we can serve yours, as well.

CENTERRE BANK

One Centerre Plaza
St. Louis, MO 63101
314-554-7737

9th & Walnut Streets
Kansas City, MO 64106
800-892-2472

Member FDIC

MID-CONTINENT BANKER for August, 1984

Digitized for FRASER
<https://fraser.stlouisfed.org>

S/11

offer such Mercantile products as deposit services, personal-loan applications and Fingertip Banking. Fingertip, Mercantile's automated-teller system, also is part of BankMate, a shared-ATM system that enables customers to gain access to their accounts through ATMs of any financial organization participating in the network.

The banking centers are open the same hours as the Venture stores.

Centerre Bank, St. Louis, has elected John R. Small and Jesse E. Neyman Jr. vice presidents and Wendell T. Bollinger, Lorraine H. Greene, Warren G. Ude and Carlos E. Uribe assistant vice presidents.

Merger of Mercantile Bank of St. Charles County and Mercantile Bank of St. Peters, as well as establishment of Mercantile Bank of Northwest County in St. Louis County, has been approved by regulatory authorities. James R. Finks will be president of the new bank, which will be located at the present site of the Brown Campus Banking Center of Lewis & Clark Mercantile Bank. The bank is expected to open during the third quarter.

Mercantile Trust, St. Louis, has elected William C. Glaser, Daniel E. Ray and James K. Viviano vice presidents and Dennis R. Block, John P.

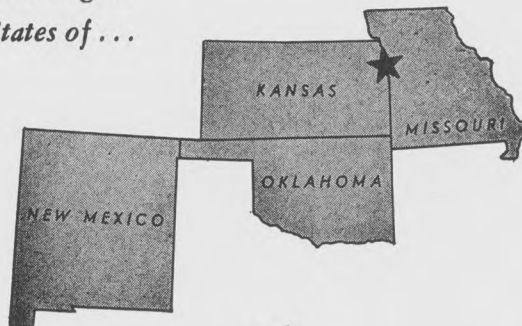
Hecker, Jenny Smith Kade and Richard W. Metz assistant vice presidents. James W. Hill, assistant vice president, has been named manager, credit-review department, succeeding Michael G. Groves, who has been elected senior vice president/area executive, international banking.

Reuben M. Morriss III has been elected chairman/president/CEO, Boatmen's Trust Co., Clayton, succeeding Hugh M. F. Lewis, who retired recently as chairman/president of Boatmen's Trust Co. and as executive vice president, Boatmen's National, St. Louis. Mr. Lewis was with the bank for 37 years. Mr. Morriss continues as head of the trust division, Boatmen's National, where he also is senior vice president/senior trust officer. He joined Boatmen's in 1965. In other action, Boatmen's National has elected John F. Otting Jr. vice president/operations; Robert L. Finder Jr. assistant trust officer; and Rodney K. Kerner assistant vice president/retail banking.

Municipal Bonds

Exclusively

*Specializing in
the States of ...*



and

GENERAL MARKET BONDS

Revenue and General Obligation

Your "Correspondent" for Municipal Bonds

ZAHNER AND COMPANY

Investment Bankers • Municipal Bonds

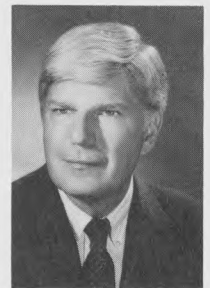
ONE TWENTY SEVEN WEST TENTH

KANSAS CITY, MISSOURI 64105

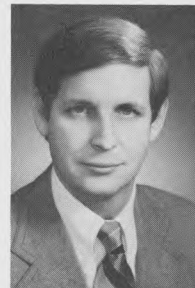
(816) 221-4311



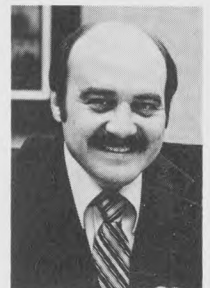
LEWIS



MORRIS



CLARK



CALLAWAY

Commerce Bancshares, Inc., Kansas City, has elected A. Bayard Clark executive vice president and Gary L. Callaway senior vice president. Mr. Clark was executive vice president, Commerce Bank of St. Louis, which he joined in 1980. He joined the Commerce system in 1976 and served as president/CEO, Commerce Bank of University City, 1979 to 1980. Mr. Callaway formerly was vice president of the HC. He joined Commerce in 1974 at Commerce Bank of Joplin. He served that bank as president/CEO from 1979 to 1983. Mr. Clark will handle strategic/financial planning and

We believe a service is only as good as the people behind it.



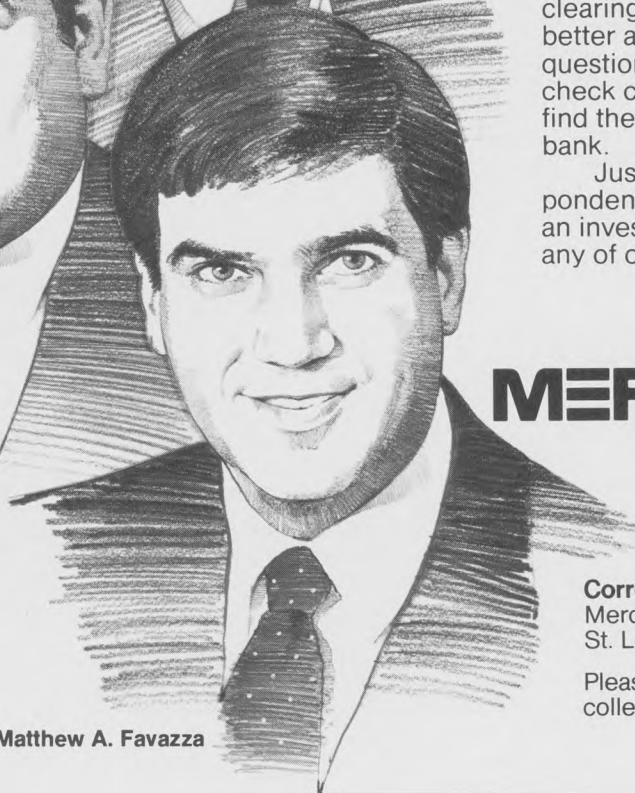
Jerald L. Fleschner



Owen D. Hendrixson



Richard G. Ross



Matthew A. Favazza

At Mercantile you'll find one of our greatest services is our correspondent bankers. They have the authority to help you with any loan or investment. Start to finish.

Loan Services. From simple commercial loans to overline and bank stock loans, your correspondent banker has the authority to approve your loan. And knows the full responsibility for your satisfaction falls on him.

Investment Services. Fed funds, bonds, securities, BAs, CDs. It's a big job keeping up with all the domestic and international money markets. Your correspondent banker has access to the latest communications and computer equipment. And knows how to use them to help you make decisions wisely.

Check Clearing Services. Are you paying too much for your clearings? Why aren't you getting better availability? If you have questions like these about your check clearing services, you can find the answers at Mercantile bank.

Just call any of our correspondent bankers for a quote on an investment or more details on any of our services.

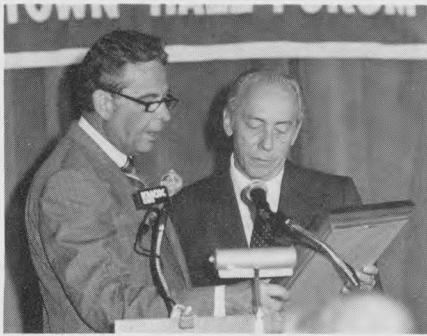
We're with you **MERCANTILE BANK**

Member FDIC

Correspondent Banking Division
Mercantile Trust Company N.A.
St. Louis, MO 63101

Please feel free to call us
collect at (314) 425-2404.

Lasater Receives Award



Donald E. Lasater (r.), ch./CEO, Mercantile Bancorp., Inc., St. Louis, is shown receiving Right Arm of St. Louis award from Ted C. Wetterau, ch., St. Louis Regional Commerce & Growth Association. Award honors Mr. Lasater for his "practical and untiring efforts to improve the lives of citizens in his community and for his effective leadership in revitalizing St. Louis through both new construction and redevelopment of older neighborhoods."

bank administration; Mr. Callaway will continue in retail banking administration/product development and will take on responsibility for the insurance operation.

Sharaon Hinderks has been promoted to vice president at First National, St. Joseph. She manages the residential real estate department at the bank's Northeast Facility. She has been with the bank for 18 years.

Joyce Holt has been elected president/CEO, Home Bank, Savannah. The former vice president joined the bank in 1959.

Died: Cyril A. Niehoff, 69, retired chairman, Centerre banks of Florissant and St. Peters, on July 13, apparently of heart disease. Mr. Niehoff, with Centerre Bank, Florissant, and its predecessors since 1935, retired last January.

AIB Officers Elected

Robert J. Helfrich, vice president, County Bank, Webster Groves, has been elected president, St. Louis AIB, for 1984-'85.

Other new officers include: vice president/programs and planning — Gary J. Harris, assistant vice president, Boatmen's National, St. Louis; vice president finance/treasurer — Bernard E. Berns, manager, St. Louis Fed; associate vice president — Jacqueline Boehringer, Lindell Trust, St. Louis.

Hissa M. Staadecker has been appointed executive director. She had been acting director for almost a year.

Died: Robert E. Finley, 57, vice chairman, Colonial Bank, Des Peres, of a heart ailment.

Paul Knoblauch Dies

ST. CHARLES — Paul H. Knoblauch, chairman/CEO, First Nat'l, St. Charles, died of a heart attack July 16. He was 57.

Mr. Knoblauch was Region Five vice president, Missouri Bankers Association, in 1973-74. He joined First of St. Charles in 1945, became a director in 1966, president in 1967 and chairman/CEO in 1981.

NEW MEXICO

Moncor, Inc., Albuquerque, has held ceremonies marking the beginning of construction of its new downtown headquarters center. When completed in 1986, according to an HC spokesperson, the new Moncor Center will be the tallest building in New Mexico. The 16-story structure will span a two-block area and will be the gateway to the 22-square-block McClellan Park Metropolitan Redevelopment Area. The building will have exterior water features and sculptures in the plaza area, along with a five-story brass and marble interior atrium.

Steven L. Allen has joined Moncor, Inc., Albuquerque, as a vice president/loan review officer. He was vice president, credit administration, United Central Bancshares, Des Moines, Ia.

James P. LeBlanc Jr. and Joan Olson have joined Moncor Bank, Hobbs, Mr. LeBlanc as senior vice president/commercial loan officer and Ms. Olson as assistant vice president/loan quality control officer. Mr. LeBlanc was with Jefferson Guaranty Bank, Metairie, La., where he was a commercial lender. Ms. Olson was with Moncor Bank, Ruidoso. Also at Moncor Bank, Hobbs, Joyce Connolly has been promoted from consumer loan secretary/administrative assistant to assistant cashier/consumer loan officer.

First National, Santa Fe, and First State, Taos, have combined their logos with that of their HC, New Mexico Banquest Corp., Santa Fe, to become Banquest/First National of Santa Fe and Banquest/First State of Taos, respectively. At the Santa Fe bank, J. Wayne Miller has been appointed assistant vice president, real estate loans, and Allen K. Sutton was named an assistant vice president responsible

for the bank's retail-product development/management. Mr. Miller has eight years' experience in real-estate lending in New Mexico. Mr. Sutton formerly was assistant vice president/senior product manager, Bank of America, San Francisco.

First National, Albuquerque, has promoted four senior vice presidents to executive vice presidents: Noel D. Behne, J. Paul Boushelle Jr., Don K. Padgett and Philip W. White.

OKLAHOMA

Fidelity Bank, Oklahoma City, has appointed Julia A. Nye, vice president, to direct the newly formed metropolitan accounts department. Ms. Nye formerly was a vice president/commercial loan officer and, prior to joining Fidelity in 1983, was with Chemical Bank, New York City. David G. Moore has joined the bank as assistant vice president/special assets. He formerly was with First Continental, Del City. Kevin Lackner has been promoted to assistant vice president/metropolitan lending and Jeffrey Scoggins has been promoted to assistant cashier. Jere W. McKenny and Mac Maguire have been elected to the board. Mr. McKenny is president, Kerr-McGee Corp. and Mr. Maguire heads a general contracting firm.

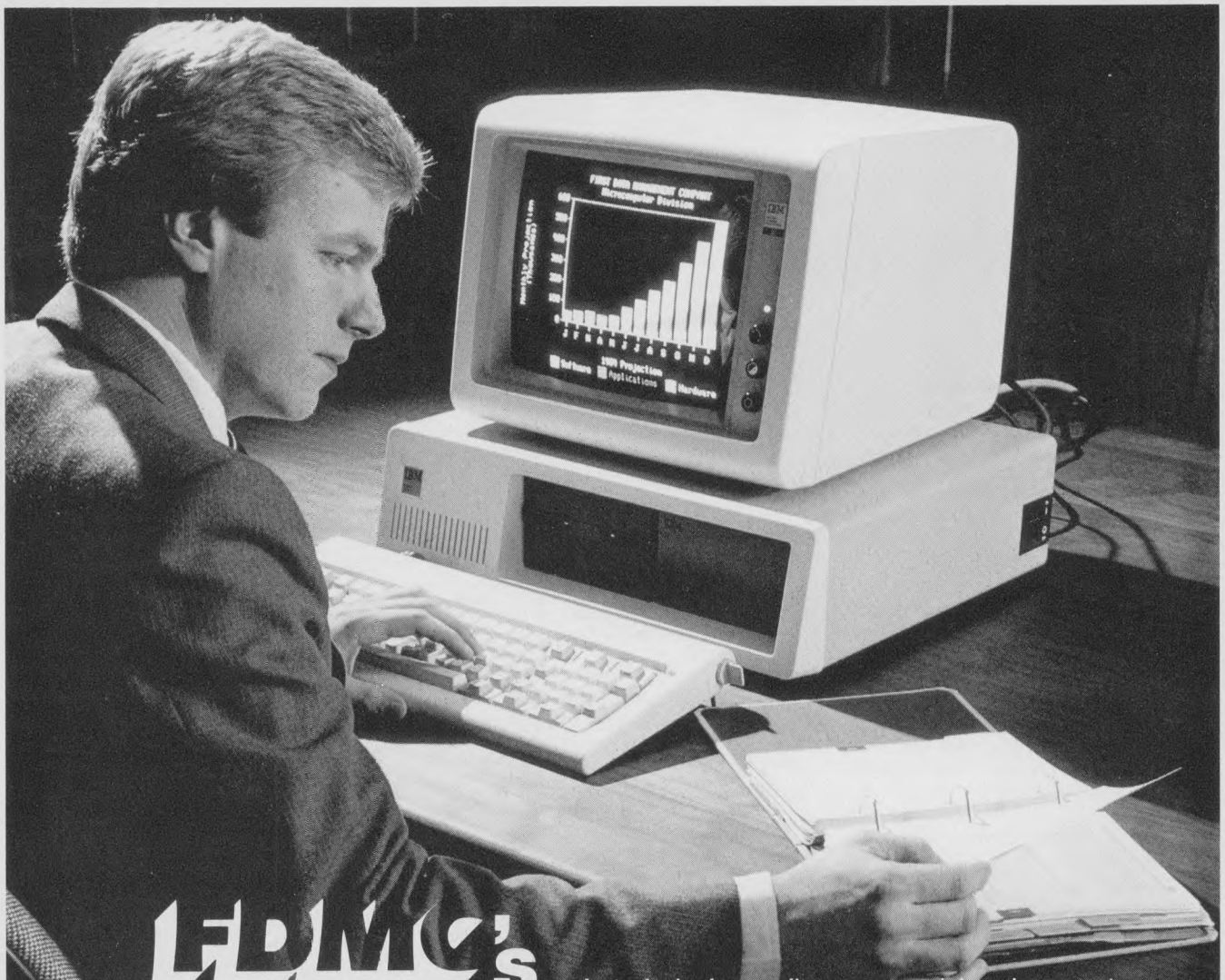
United Oklahoma Bank, Oklahoma City, has elected Marlene Disney personal banking officer and Anthony J. Mirrione investment officer. Keith D. Allison was promoted to commercial loan officer. Frederick F. Drummond has been appointed to the boards of the bank and its HC. He is chairman/vice president, Cleveland Bank.

Bank Receives Ad Award

First National of Oklahoma City's participation in *Bank Advertising News'* first annual Golden Eagle Advertising Awards Competition has resulted in a first-place win for the bank and its advertising subsidiary, Bank Marketing Systems, Inc.

The bank's award-winning entry was a black and white full-page ad titled, "Neither a borrower nor a lender be." It placed first in the consumer-magazine category. Object of the ad was to portray the bank's loyalty as a constant in good times and bad.

First National was the only Oklahoma bank to receive an award in this year's competition.



**FDMC's
Micro
Computer
Division,
where big
things
DO come in
small
packages.**

In today's demanding managerial environment, you need a lean and responsive decision support system. One that provides the right information when and where you need it. This is the single message of our Micro Computer Division: **We can implement such a system and make you a better manager.**

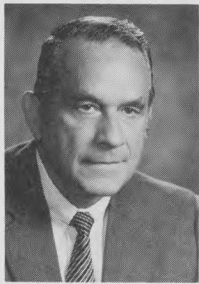
We start with our IBM Micro Computer. Easy to use and maintain — quite simply the best in the business. And we'll make it even better with a substantial savings over retail cost. But that's not where this "little" package ends. We'll also provide you with FDMC-designed software designed specifically for financial institutions. Applications such as Asset/Liability Management, Planning Control System, Fixed Asset Account, General Ledger and more are all yours as an FDMC client. Yes, Micro might mean small to some. But to us Micro Computer means bigger and better things for you.

FOR MORE INFORMATION CALL OR WRITE OUR MICRO COMPUTER DIVISION:

First Data Management Company, Inc.

FDMC

P.O. Box 25189
Oklahoma City, Oklahoma 73125
405-272-4999



McLEAN



GREER



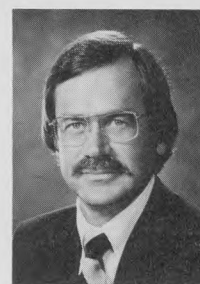
BOWEN



BONDS



MOSES



BELL

Liberty National Corp., Oklahoma City, and First Tulsa Bancorp., Inc., Tulsa, have jointly announced a pro forma realignment of executive officers

in their two subsidiary banks in anticipation of consolidation of the HCs. William A. Bowen and K. Gordon Greer will serve as chairman/CEO and

president/CEO designate, respectively, in a new office of the chief executive. They also will serve as cochairmen of the executive committee. The term "CEO designate" indicates that Mr. Greer is next in line to be CEO. Mr. Bowen currently is president, First Tulsa, and Mr. Greer is president, Liberty National. Liberty Vice Chairman W. M. Bell was named cochairman, managing committee; Executive Vice President W. K. Bonds was named a vice chairman/executive vice president; and Executive Vice President F. M. Moses was elected president to succeed Mr. Greer, effective at the consolidation date. As previously announced, Liberty Chairman J. W. McLean will be chairman/president of Banks of Mid-America, new parent company of the consolidated organizations.

The No Hassle Building In 60 Days Or Less!

When you need a new building, you don't need the hassles of missed deadlines, cost overruns, and shoddy workmanship. At the Son Corporation, we only have one standard. The standard of excellence. We know that you demand quality and that's exactly

what we deliver, with over 350 bank buildings placed throughout the country. Permanent facilities, drive-ins and ATMS. Lease or purchase. Distinctive buildings, completely equipped with drive-up windows, after-hours depository and more, all in 60 days or less. For complete information, return this coupon or make a No Hassle collect phone call today. (316) 263-4557.



SON CORPORATION

P.O. Box 684
Wichita, KS 67201



WINGATE



DOUD

Central National, Enid, has appointed Fred K. Doud senior vice president/operations and promoted Danny R. Wingate to senior vice president/data processing. Mr. Doud formerly was with First National, Oklahoma City. Mr. Wingate formerly was vice president/data processing.

Murel Hunter has rejoined Community Bank, Tulsa, after a year's absence. He is senior vice president/commercial loans.

Dennis Reeher has been named senior vice president/commercial lending, Sunbelt Bank, Tulsa. Also promoted was Janet Gotwals, who now is commercial loan officer.

Bert Olah has been elected executive
(Continued on page 43)



SON CORPORATION

Box 684
Wichita, KS 67201

- Yes! Send me more information on No Hassle:
 Buildings Drive-Ins ATMS

Name _____

Address _____ Phone _____

City _____ State _____ Zip _____

What Is My Bank Worth?

By Robert O. Dunkel

Robert O. Dunkel is vice president, corporate finance, Howe, Barnes & Johnson, Inc., Chicago. His article is reprinted with permission from Illinois Banker.

A FEW years ago, I gave a symposium on one-bank holding companies, and near the end of the meeting, one of the members of the audience asked, "What is my bank worth in this multi-bank environment?" This question had crossed my mind before; so my answer was not irresponsible. I told him that banks in Illinois are very cheap compared to banks in Texas and California, which are known to sell at three or four times book value. I said that an excellent earning bank located in a market area that will have good solid growth probably will sell at two times or more book value.

Naturally, everyone in the audience thought his bank was worth two times book value. This may be one reason multi-bank activity has been slow to date.

But why the fascination with book value? Book value, unfortunately, has become an industry standard in evaluating and pricing bank mergers/acquisitions. The general feeling is that the higher the book value, the lower the return to the purchaser and the better the offer to the seller. Consultants, investment bankers and securities analysts have attempted to make comparisons of mergers/acquisitions by using book value. Because all banks have a book value, advisers continue to

use book-value ratios rather than the price/earnings ratio, which is meaningless if the target bank is operating at a loss. Many sellers contemplating the sale of their banks have reasoned that if the bank across the street sold for 125% of book value, their bank (a better bank, of course) is worth at least 150% of book value.

In spite of the current interest in purchase accounting and valuation of assets/liabilities, including a valuation of the deposit base, stated book value is not fair-market value. A bank that has a third of its assets in 25-year, 10% mortgage loans and another third in 15-year municipals may report the same book value as a bank with a third of its assets in fed funds and another third in floating-rate commercial loans. When all other balance-sheet items are identical, the second bank certainly is worth more in today's erratic and high-interest-rate environment, whether purchase or pooling accounting treatment is used.

The most compelling evidence for abandoning book value is detailed in Exhibit 1. Bank A and Bank B, identical in size and earnings, are different only in their equity accounts and equity-to-asset ratios. Bank A has an equity-to-asset ratio of 6%, and Bank B has an equity-to-asset ratio of 10%. Assuming the hypothetical purchaser pays 150% of book value, incurring the financing cost of 12% at a 46% tax rate and amortizing goodwill on a straight-line basis over 40 years, the resulting return of the purchase-price investment will vary from -0.65% to +3.8%.

One conclusion that can be made from Exhibit 1 is that it is harder to buy an overcapitalized bank than an undercapitalized bank. However, an overcapitalized bank should earn more than an undercapitalized bank or its

owners probably shouldn't be in the banking business. A second conclusion is that the price-to-book-value ratio is not a suitable yardstick for pricing banks with different level-of-equity strength.

Exhibit 2 removes the equity differentiation from the two banks of identical size and presents them all with book-value ratio of 8%. These banks, however, differ in their profitability. Bank X earns 0.75% on assets, and Bank Y earns 1% on assets. A hypothetical purchaser pays 150% of book value, incurring the same financing and goodwill expenses as those in Exhibit 1. In this variation, a return on investment to the purchaser will vary significantly.

The price-to-book value again is not a suitable yardstick for pricing banks with different levels of profitability. Because book value has no relationship to fair-market value and because equity strength and profitability dramatically affect the return of the purchaser, the book-value ratio is a meaningless standard for evaluating and pricing mergers/acquisitions.

Will we stop using book value? Probably not. But remember that earnings and market location are the keys to valuation. Book value does not count. ●●

Exhibit 1

	Bank A	Bank B
Asset size	\$50,000,000	\$50,000,000
Equity-to-asset ratio	6%	10%
Equity	\$ 3,000,000	\$ 5,000,000
Return to assets	1%	1%
After tax earnings	\$ 500,000	\$ 500,000
Purchaser pays 150%* of bank	\$ 4,500,000	\$ 7,500,000
Target bank's earnings	\$ 500,000	\$ 500,000
Financing 12% (pretax)	-291,600	-486,000
Goodwill over 40 years	-37,500	-\$62,500
Retained by purchaser on investment	\$170,900	\$(48,500)
	3.8%	(0.65%)

Exhibit 2

	Bank X	Bank Y
Asset size	\$50,000,000	\$50,000,000
Equity-to-asset ratio	8%	8%
Equity	\$4,000,000	\$4,000,000
Return on assets	.75%	1%
After tax earnings	\$375,000	\$500,000
Purchaser pays 150% of bank	\$4,500,000	\$7,500,000
Target bank's earnings	\$375,000	\$500,000
Financing 12% (pretax)	-388,800	-388,800
Goodwill over 40 years	-50,000	-50,000
Retained by purchaser on investment	\$(63,800)	\$61,200
	(1.06%)	1.02%

Lending Problems

(Continued from page 12)

made, many loans are not structured properly at their inception. Realistic amortization programs may not be established relative to the borrower's cash-flow capabilities, and, many times, sufficient thought may not be given to secondary repayment sources. Adequate collateral, including personal guarantees and assets, may not be obtained regularly, and, when it is obtained, improper or incomplete documentation may result in a bank's losing collateral.

3. A loan, once placed on a bank's books, may not be monitored properly during its term. Failure to obtain and analyze periodic financial statements and to make on-site visitations at the borrower's place of business may result in a bank's not being aware that a problem loan exists until the borrower defaults or the situation has become hopeless. Litigation and liquidation usually result, and all the errors discussed in these three areas are magnified.

Mr. Dixon believes the third prob-

lem is the most serious, especially during the recent recession, when a number of long-time successful businesses ceased to exist, due primarily to high interest rates and declining sales. Mr. Dixon suggests that proper monitoring of these credits would have alerted banks to existing problems in many instances when there still was time for the banks — and often the borrowers — to liquidate businesses without losses or with reduced losses.

To correct these procedural problems, Mr. Dixon's office has encouraged banks, both informally and formally through enforcement orders, to retain qualified senior lending officers and support personnel, to adopt meaningful loan policies adequate for a bank's size and type and to implement detailed loan-review systems.

Mr. Dixon summarizes: "The severity of commercial- or business-loan problems experienced by banks often is inversely related to the knowledge and expertise of bank management. Loan portfolios have deteriorated rapidly in recent years in banks administered by weak management; yet, problem-loan portfolios often have shown significant improvement once placed under the guidance of capable management." ● ●

Brookhart Scheduled To Be Installed As BMA President

Smith W. Brookhart III, president/CEO, Centerre Bank, Branson, Mo., will be installed as Bank Marketing Association president during the association's 69th annual convention September 16-19 in New Orleans.

Other new officers are: first vice president, John A. Russell, vice president/marketing director, Banc One Corp., Columbus, O.; and second vice president, Michael P. Sullivan, vice president, corporate communications, First Union National, Charlotte, N. C.

The BMA's current president, Barry I. Deutsch, senior vice president, Mellon Bank, Pittsburgh, will serve on the BMA's board and executive committee as immediate past president.

A Mid-Continent-area banker, James B. Watt, will serve a three-year term on the board. He is chairman/CEO, MidAmerica Bancsystem, Inc., Fairview Heights, Ill.

St. Joseph Market Day Set for September 5

ST. JOSEPH, MO. — First National and First Stock Yards banks' 28th annual "Market Day at the Yards" will be held September 5.

Activities will begin with a tour of a St. Joseph industry. Guests will have lunch in the stockyards area before adjourning to the St. Joseph Country Club for an update on the agribusiness economic situation/forecast. This will be followed by the annual grain/livestock panel discussion moderated by James F. Reynolds, president/general manager, St. Joseph Stockyards. The usual "attitude-adjustment period" and steak fry will conclude the day.

The two host banks are affiliates of First Midwest Bancorp, Inc., St. Joseph.

Benjamin Ryan Sr. Dies

Benjamin H. Ryan Sr., former pres., Independent Bankers Association of America, died June 10. He headed the Illinois Bankers Association in 1951-52. At the time of his death, he was ch., Middle State Bancorp, East Moline, Ill. He also was a two-term mayor of East Moline.

Mr. Ryan joined State Bank, East Moline, after World War I and became its pres. in 1941. He retired as an active banker in 1965, but continued as a director. His son, Ben Ryan Jr., is pres. of the bank.

Howe, Barnes & Johnson, Inc.

Investment Bankers Since 1915

We are specialists in:

One-bank holding companies

Mergers and acquisitions

Valuations

Tax planning

Call Bob Dunkel at

312/930-2900

Howe, Barnes & Johnson, Inc.

135 S. LaSalle

Suite 2040

Chicago, IL 60603

BancVideo Presents

"The Worst Loan I Ever Made!"

R.I.P.
\$8 Billion
Dollars!

U.S. banks are losing about \$8 billion a year in bad loans. The causes are as numerous as they are varied:

Mismanagement
Bankruptcy Laws That Favor Debtors
Government Regulations
Shallow Credit Analysis
Overtrading

Shoddy Loan Documentation
Product Obsolescence
The Three B's
Fraud
Carelessness
And So On...

"The Worst Loan I Ever Made" is a video training tape produced by bankers with one goal: **To reduce future charge-offs.**

"The Worst Loan I Ever Made" is a dramatic portrayal of real loans that went sour. It is **not a taped lecture, panel discussion or glorified slide show.** Its vivid, entertaining style aids in learning and retention.

"The Worst Loan I Ever Made" will teach your loan officers, in the most direct way possible, what can go wrong with a loan. It identifies valuable **early warning signals** and gives **specific techniques** to reduce loan losses at your bank. Even your bank directors will benefit from this show and gain from it a greater appreciation of why lenders occasionally have to say "no".

"The Worst Loan I Ever Made" creates a new standard in video training tapes, and we guarantee your satisfaction.

MID-CONTINENT BANKER for August, 1984

To purchase or preview "The Worst Loan I Ever Made" call anytime 1-800-227-3800 ext. 304. Or send in the coupon below.

MAIL TO: BancVideo
231 S. Bemiston, Suite 800, St. Louis, MO. 63105

- Send me a copy of "The Worst Loan I Ever Made" and bill me \$375.
- Send me a copy of "The Worst Loan I Ever Made" for a 7 day preview and bill me \$50. If I decide to keep the tape, one-half of the preview fee applies toward the \$375 purchase price.

Equipment Format: VHS BETA 3/4"
(\$20 additional)

- I do not want to see "The Worst Loan I Ever Made" but I am interested in other innovative training aids.

Name _____ Title _____

Company _____

Street _____

City _____ State _____ Zip Code _____

M BancVideo is a division of
Bankers Training and Consulting Co.



A/L Management: Where Can Bankers Go for Help?

MAXIMIZE income; control risk. Essentially, this is what asset/liability management is all about. However, a brief definition like the above doesn't begin to tell how to match assets and liabilities, a task that's extremely important in the rapidly changing rate and regulatory environment in which banks must operate today.

Here are sources to which bankers can turn for help in A/L management:

* * *

Robert Morris Associates (RMA) offers:

1. A monograph, "Asset/Liability Management From the Credit Perspective." This booklet is designed to help commercial lenders/credit officers understand the implications of A/L management as it applies to their banks. It's divided into two sections:

The first section deals with the evolution and current status of A/L management, including definitions of its primary problems and components.

The second section discusses the distinction between the way core bank deposits and managed bank deposits are handled, dynamic (long-term) versus static (short-term) approaches to rate sensitivity and roles played by each of the major functional areas of the bank, as well as major segments of the loan portfolio in relation to the A/L-management process.

Copies are \$20 each for RMA-member-banks and \$28.50 for non-member-banks.

2. A booklet, "Zephyr National Bank: A Case Study for Preparing an

Interest-Sensitivity Report," outlines the development of a hypothetical \$150-million commercial bank's sensitivity report. The RMA says such reports have become increasingly important to bankers because, since June, 1983, in reports of condition/income, all federally regulated banks are required to submit data on the interest-rate sensitivity of their assets/liabilities.

The booklet offers descriptions of relationships among such elements as rate maturity, loans/leases, net-interest-bearing deposits and components of the zero-rate core.

Copies are \$7.50 each for RMA-member-banks and \$10 each for nonmember-banks.

3. A session of the RMA's 1984 loan-management seminar September 23-28 will be devoted to A/L management. Harry Blythe, finance professor, Ohio State University, Columbus, will discuss "Asset/Liability- and Capital-Management Policies and Systems." His talk will be followed by a lecture by Thomas C. Hoster, vice president, Chemical Bank, New York City, on "A Banker's Perspective of Asset/Liability Management." A group discussion will be held after the talks. This portion of the seminar will be held in the afternoon of September 24. The seminar is designed especially for senior-level commercial bankers.

Tuition payment for the seminar is \$1,150 per student for RMA-member banks and \$1,350 for nonmembers.

4. An audio-cassette tape on "Asset/Liability Management and Funding

Constraints of Loan Pricing and Terms," recorded in 1982 during the RMA's fall conference. The speaker, Harvey N. Gillis, executive vice president, Seattle-First National, focuses on how interest-rate sensitivity/funding considerations can be translated into action for loan pricing/maturity determination.

Tapes are \$12.50 each for RMA-member-banks and \$15 each for nonmembers.

For information on any of this RMA material, contact: Robert Morris Associates, 1616 Philadelphia National Bank Building, Philadelphia, PA 19107. Telephone: 215/665-2850.

* * *

The Independent Bankers Association of America (IBAA) is conducting a spread-analysis and asset/liability-management workshop September 26-27 at the Omaha (Neb.) Marriott Hotel.

Primary focus is the practical application of spread-analysis, liquidity-management and A/L-management techniques to each registrant's bank.

Participants will plan investment portfolios to assure more liquidity and earnings, control the cost of operations, develop product pricing and evaluate methods of automating the A/L-management process. Ways to improve the interest spread and reduce the impact of interest-rate fluctuations also will be presented.

Registration fee is \$395 for IBAA members and \$495 for nonmembers. Contact: Independent Bankers Association of America, P. O. Box 267, Sauk Centre, MN 56378. Telephone: 612/352-6546.

* * *

The American Bankers Association (ABA) offers these publications on A/L management and related topics:

1. *Community-Bank Financial-Performance Guide*. The ABA says this guide is a comprehensive financial-performance/planning tool, giving techniques and step-by-step instructions on how to improve bank performance. Worksheets, exhibits and charts help calculate key measurements (gap, spread, interest sensitivity and more) and assist in peer-group comparisons.

Order No. 271500. Prices are \$47.50 for ABA members and \$72 for nonmembers.

2. *Micro-Computer Modeling to Improve Community-Bank Financial Performance*. Designed as a companion piece to the preceding publication,

Asset/liability management plays an extremely important part in the rapidly changing regulatory environment of today. Help for bankers in this area can be found in programs, publications, seminars, workshops and conferences offered by trade associations and A/L specialists.

BANK SERVICE®

We can help
your bond portfolio
work in concert
with your
banking objectives.



By coordinating your bond portfolio with your banking objectives, you can improve your bank's overall position. That's the concept of BANK SERVICE®, a service of L. F. Rothschild, Unterberg, Towbin. We have a unique approach toward analyzing banking activities, and over 30 years of experience.

We assign a team of experts to examine how your banking activities and bond portfolio work together. We review your rate sensitive assets and liabilities, your tax situation, your overall rate structure—everything that effects performance. We probe the ways all these activities are contributing (or failing to contribute) to your bank's overall goals.

Then we come back to you with an objective, third-party recommendation. It demonstrates steps that can strike a chord between your banking objectives and bond portfolio.

For example, we might show you how to reduce your market exposure without decreasing performance. Or how to gain some tax advantages through bond exchanges.

We also offer two other innovative products that complement your BANK SERVICE® analysis. Our Portfolio Managers System monitors your portfolio, does its accounting, values all holdings and more. Then there's a Fixed Income Computer Service which

will introduce new techniques to help immunize your portfolio from rate fluctuations.

BANK SERVICE'S® total orchestration of bond portfolios with banking activities has helped hundreds of banks around the country achieve their goals. Perhaps that's why the substantial majority of our business is repeat business.

To learn how we can be instrumental in improving your bank's position call Stephen H. Kovacs, Special Limited Partner, BANK SERVICE® at (212) 425-3300, or write to 55 Water Street, New York, NY 10041. Because it's time your bond portfolio worked in concert with your banking activities.



L. F. ROTHSCHILD, UNTERBERG, TOWBIN
BANK SERVICE®

We help orchestrate banking success.

this publication leads the reader through the steps of formatting worksheets and formulas up on a micro-computer, using VisiCalc T software. The book is described as a handy and useful reference tool in using a micro-computer to streamline the A/L-management decision-making process.

Order No. 020900. Prices are \$47.50 for ABA members and \$72 for nonmembers.

3. *Funds-Management-Software Resource Directory*. This directory lists management-consulting firms, research organizations, banks and associations and includes a description of their services. Such information, according to the ABA, will provide bankers with a handy resource enabling them to identify which firms can be of assistance in various aspects of the bank investments/funds-management-planning process. Specific areas of interest to ABA members include, but are not limited to: (A) A/L management; (B) financial/funds-management decision-making models; (C) bond-swap models, both government and municipal securities; (D) financial-futures hedging models; (E) arbitrage; (F) economic forecasting.

No catalog number as of presstime. Prices are \$25 for ABA members and \$37.50 for nonmembers.

4. *Funds Management Under Deregulation*. This publication contains information the ABA says is valuable to funds managers, investment committees and bank staffs. It discusses in full the Depository Institutions Deregulation and Monetary Control Act of 1980 as well as the impact of deregulation and changing economic environment. It's a collection of articles by leading authorities, with a section on "Asset/Liability Management for the Future."

Order No. 271000. Prices are \$20 for ABA members and \$30 for nonmembers.

5. *Management of Commercial-Bank Funds*. Designed for bank managers and lending/investment officers, this publication discusses sources and uses of funds, loan portfolio/policy, investment portfolio, money-market assets/liabilities, determining/managing liquidity needs, coordination of A/L-management spread, capital management and managing the money-position and funds-management policy.

Order No. 052900. Prices are \$22 for ABA members and \$33 for nonmembers.

6. *The Use of Personal Computers in Conducting Bank-Performance Analyses*. This report summarizes results of a recent study on use of personal computers as an aid for bank-performance analysis. It covers buying tips and measuring bank financial performance and has examples of A/L-management models for personal computers.

Order No. 271600. Prices are \$3 for ABA members and \$4.50 for nonmembers.

7. *Asset/Liability Management*. Written by James Baker, chairman/president, James Baker & Co., Oklahoma City, this publication analyzes utilization of A/L management to achieve bank goals. The book contains tactics and strategies to enable banks to cope with the dramatic forces that confront them, including changed deposit composition, increased cost of time deposits, growth of non-interest expense, improved management information and volatile interest rates. Five A/L-management methods are detailed: experience; asset allocation; conversion of funds; liability management; and Baker. A leader's guide for seminar format is available.

Order No. 169100. Prices are \$18 for ABA members and \$27 for nonmembers.

8. The ABA will hold a conference on bank investments/funds management February 12-15, 1985, at the Westin Bonaventure, Los Angeles.

The ABA says this is the only such conference designed for commercial bankers. The program will consist of general sessions and topical workshops, which will be focused on such subjects as A/L management, investment strategies and sources/uses of funds. Individual topical workshops relating to the funds-management function will be directed toward various-sized banks. Audience participation will be encouraged following each workshop discussion.

The price before January 1 is \$455 for ABA members and \$595 for nonmembers.

9. An ABA chief-financial-officer seminar is planned for September 24-26 at New York City's Waldorf Astoria Hotel. This program is designed for executive officers responsible for the totality of bank-financial management. A/L management will be the topic of the final general session.

Prices are \$425 for ABA members and \$550 for nonmembers.

For information on any of these ABA publications, conferences or seminars, contact the ABA's Banker Education Network at 202/467-6738.

* * *

National Bank of Commerce, Memphis, offers:

1. ALMS Asset/Liability Management System, which is available in separate modules and enables users to:

- Determine the highest income-producing mix of fund sources and uses by using ALMS Optimization.

- Establish monthly balance sheet and income budget, adjusted for seasonal and trend factors by using ALMS Simulation.

- Measure the gap between rate-sensitive assets and rate-sensitive liabilities and determine financial exposure to interest-rate changes.

- Examine bond-swapping strategies to increase bond yield and interest income and reduce rate sensitivity.

- Determine an effective hedge to reduce income exposure and rate sensitivity.

- Produce daily, monthly, quarterly and yearly financial statements to report balance sheet and income position and determine the variance between actual and budgeted balances.

2. ALMS periodically holds seminars covering topics such as What is A/L management? Why is A/L management important? What information does a bank need to effectively manage rate sensitivity? How are A/L management and budgeting related? and How

For faster service on BANK CREDIT INSURANCE

CALL THESE SPECIALISTS

Harold E. Ball • Carl W. Buttenschon
John E. King • Milton G. Scarbrough

1-800-527-5511



INDUSTRIAL LIFE INSURANCE COMPANY

P.O. Box 660274, Dallas, Texas 75266-0274



A member company of
Republic Financial Services, Inc.

We're an employment agency for banks, but we're better than that.

We're a bank.



If you're looking for a mid-level to upper-level executive and don't want to look but once, come to us. We're the only bank in America that operates an employment agency for banks, so when you describe the position you want filled, we know precisely the qualities, skills and back-

ground the individual you're looking for must possess. We're so confident we can do the job, that in the unlikely event you should not be content with the person we select, we will refund your fee. Call Joe Zegler or Linda Reh at 501-378-4257 or toll-free in Arkansas 1-800-482-8450. Or

write to Union National Bank Personnel Consulting Agency, P.O. Box 1541, Little Rock, Arkansas 72203.

Union National Bank
OF LITTLE ROCK

Personnel Consulting Agency

IRA

One Day Workshop

Sponsored By



Covering

- Regulatory Update
- Marketing Techniques
- Pricing Strategies
- Rollovers, Transfers & Distribution
- Hows & Whens of Forms and Reports
- Shortcuts & Tips in Opening Accounts
- A Look at the Future

Plus

- Using Microcomputers for IRA Analysis and Accounting
- What to look for in selecting a system

Instructor

Robert M. Martindale, former banker, consultant and IRA expert, has conducted seminars for BAI, AIB and NABW.

Dates and Locations

- Sept. 12 — **St. Cloud, MN**
13 — **Rochester, MN**
19 — **Waterloo, IA**
20 — **Beloit, WI**
27 — **Davenport, IA**
Oct. 3 — **St. Joseph, MO**
4 — **Jefferson City, MO**
11 — **Lafayette, IN**
31 — **Decatur, IL**
Nov. 1 — **Evansville, IN**

Tuition

\$125 per person. Class size limited. Early registration recommended.

Registration

Send check to :

CFG, Inc.
700 East Ogden Avenue
Westmont, IL 60559
(312) 986-1006
1-800-248-0400

can a micro-computer software package help perform these functions in a timely, accurate and cost-effective manner? Seminars are held on demand, about every six weeks.

For additional information, telephone ALMS at 901/523-3330.

* * *

Systeme Corp., Orlando, Fla., offers an A/L-management system that runs on an IBM PC XT and contains the following features:

- Interfaces with Systeme's other financial applications (general ledger, etc.) to extract input data.

- A full set of financial statements, including balance sheets, income statements, ratios, cash-flow summaries and gap reports that analyze both the current gap and future gaps resulting from projection data.

- Ability to test numerous operating alternatives by running "what-if" scenarios.

- User-defined account names tailored for each institution's financial statement.

- User-defined multiple-base rate for simplifying calculation of interest income and expense generated by changing market-rate forecasts.

- A target-balance approach that allows the model to calculate the new volumes necessary to reach a predetermined growth, including an adjustment for seasonality trends.

- Production of a file of model results that can be accessed by other software, such as LOTUS or VISICALC, to generate user-defined reports and graphics.

- Ability to consolidate the projected financial statements of multiple companies.

- A service whereby a major economic research firm will feed its latest projections of rates directly into the model, for a fee.

- Use of a modeling language that allows the user to build his own spreadsheet calculations.

- Ability to produce a report for the user's fiscal year, combining historical months with projection months.

- A forecasting section allowing the user to enter five years of historical and projection data for up to seven years.

For additional information, call 305/298-8180.

* * *

Advanced Planning Systems, Inc., Arlington Heights, Ill., offers:

1. BancPlan, a profit-planning system utilizing a computer profit-plan-

ning model designed for small and medium-sized financial institutions that want a comprehensive planning system.

Features include a report package designed to enhance the profit-planning process; capacity to review alternative strategies; profit planning for the institution, its departments and branches; monthly variance and analysis reports; and a summary program to consolidate affiliates into a group plan.

Other services from the firm include pricing policies and strategies, communication/reporting systems, cost/operational control systems, merger/acquisition analysis and sales/lease-back analysis.

2. This firm offers regional one-day planning seminars and personalized in-bank consulting on planning from formation of an A/L committee to establishment of written policies and mission statements through implementation of a formal A/L-management program.

For additional information, call 312/392-1744.

* * *

Union Planters National, Memphis, has a Prophet Financial Software Division that will hold four seminars in 1985 on risk management.

The following topics will be included in the seminars:

- Traditional risk management.
- Financial futures to hedge gap.
- The duration theory of A/L management.
- Basis risk.
- Credit risk.

Dates and locations will be announced by the end of 1984.

* * *

Olson Research Associates, Greenbelt, Md., offers:

1. Advanced financial planning, profit planning and A/L cases at state and national banking schools, including the ABA's Stonier Graduate School of Banking at Rutgers University and the Bank Administration Institute's School for Bank Administration.

2. Workshops/conferences at various locations. The next workshop, sponsored by Norwest Bank, Minneapolis, will feature profit planning for commercial banks. It will be held September 20-21. The firm's annual Advanced Financial Planning Workshop is scheduled for October 17-19 at the College of William and Mary, Williamsburg, Va. Private workshops can

Jim Stanley,
Kelly Mason
and Lauren Kingry.

See you at the KBA Regional Conferences.

The First Team will be traveling to each of the KBA Regional Conferences. We look forward to these meetings where we can answer your questions and discuss how our correspondent services can fit into your bank's profit-oriented strategies. See you there!

Wichita's newest bank for over 100 years.

FIRST NATIONAL BANK

First National Bank in Wichita

Correspondent Bank Division / Box One / Wichita, Kansas 67201 / Phone: 316-268-1398 / Member: FDIC



be arranged.

3. The National A/L Management Competition, jointly sponsored by the Business and Management Foundation of Maryland and Olson Research Associates. It offers bankers an opportunity to compete against a national group of participants in a computer-simulated A/L-management case.

4. Financial texts are available through a subsidiary, Ivy Press, Inc. Titles include "Advanced Financial Planning for Commercial Banks" and "Asset/Liability Management: A Model for Commercial Banks."

For additional information, contact Christine Stewart, manager, educational services, 301/982-0400.

* * *

Financial Technology, Inc., Chicago, offers:

1. An A/L Management System with Interactive Financial Planning, a micro-computer-based program.

2. A/L-management seminars that are "hands-on" workshops that overview the concepts of the complete planning and the A/L-management process; A/L-management presentations at trade shows and education programs; a continuing-education A/L-management system that's available on a monthly basis; an annual user conference; and A/L-management/profit-planning courses offered in conjunction with the Bank Administration Institute.

For additional information, contact Wendy M. Stockland at 312/280-0643.

* * *

CiSi Network Corp., Van Nuys, Calif., offers an A/L package called ASTEK that is said to be capable of implementing virtually any A/L-management strategy and simulate its impact on the balance sheet and income statement for up to 60 periods ahead. The system produces three kinds of reports: (1) standard, (2) customized generic and (3) special.

Standard reports include balance sheet, income statement, rate, balance mix, income mix, delta balance and delta income reports. Customized generic reports include liquidity, ratio, gap, spread analyses and duration analyses reports.

Reports can be printed at the terminal or personal computer or at a computer center for next-day delivery.

Additional information is available from David McClintock at 602/248-8822.

* * *

Financial Trends Management, Bakersfield, Calif., is participating in "Hedging Revisited" conferences in Denver and Los Angeles on August 27-28 and September 10-11, respectively.

These two-day seminars provide in-depth reviews of the ways a financial institution can utilize hedging to protect itself against major financial losses caused by interest-rate fluctuation. Speakers discuss the development of an overall hedging program and the liabilities and assets of both short- and long-term programs.

Seminars utilize case studies, presentations, a course workbook, how-to examples and actual examples from the field.

For more information, contact Financial Managers Society at 312/938-2576.

* * *

Apache Electronic Systems, Inc., Oakbrook, Ill., offers its MiniMax A/L Management System, said to be a literal model in its orientation to the details of daily transactions. A data base reflecting the bank's current position can be updated with each day's transactions, including repricing and maturity or runoff information. Transactions from independent workstations can be input into temporary files. A file manager then checks to see that the data prove to the general ledger before merging them into the master data base. Interest rates can be input on a daily basis. Quality and frequency of data entry give the system the capability to produce nearly up-to-the-moment interest-sensitivity reports.

For additional information, contact the firm at 312/789-3330.

* * *

J. Keith Hughey & Co., Houston, has A/L-management services that offer process organization/implementation, subsystems review/enhancement, sensitivity monitoring/reporting, risk analysis/funds management, asset (credit services) pricing and managed-liabilities pricing.

The firm specializes in developing and implementing programs that can be perpetuated by existing bank staff, providing continuing management of all or selected functions and working with and through a bank to devise and implant systems. It also can structure a project-consulting format.

The firm also conducts a Financial Services Roundtable, which is a forum for accumulating and disseminating,

through surveys, data needed for day-to-day decision making by community bank managements.

For additional information, call 713/531-7500.

* * *

InnerLine, Arlington Heights, Ill., offers two products that work together to provide A/L-management assistance.

• Powers Financial Futures Hedge Management offers three areas to assist in hedge management — education, software and consulting. The education area is geared to both the novice and sophisticated hedger; the software section provides information on futures software packages and its application, and the consulting section provides the expertise of experienced hedgers.

• Funds Marketplace provides rate information, continuously updated, nationwide. It is an interactive system; buyers and sellers are brought together by providing contact information to subscribers. It enables hedgers to examine rates and see possible trend developments.

For additional information, call the Help Desk at 800/323-1321. ● ●

Swayze Foundation Announces Fall-Seminar Schedule

The Orrin H. Swayze Foundation for Advanced Banking Education, Baton Rouge, has announced its fall schedule of seminars. The Swayze Foundation, which also conducts the School of Banking of the South, Louisiana State University, Baton Rouge, was formed to honor the school's founder.

The fall schedule is: August 19-22, micro-computer applications workshop for bankers, Baton Rouge; September 23-26, strategic planning — where are you and where do you want to go?, Baton Rouge; October 7-10, commercial credit/lending workshop, Springfield, Ill.; October 28-30, loan pricing — what is the cost of making that loan?, Baton Rouge; November 11-14, commercial credit/lending workshop, Baton Rouge; and December 2-4, bankruptcies and effective workout procedures, Baton Rouge.

For further information, contact: School of Banking of the South, P. O. Box 17680-A, Baton Rouge, LA 70893 (504/766-8595).

Problems of Duration; Other Views On A/L-Management Software

MOST bankers with micro-computer-based asset/liability (A/L) software probably would agree with Lawrence A. Melsheimer, president/CEO of the \$22-million Iberville Trust, Plaquemine, La., who says his micro-computer "spits out a lot of answers we're not sure we have questions for yet."

Mr. Melsheimer says the financial industry has yet to fully "digest" the software available today and hardly is prepared for some of the more esoteric functions being debated in financial journals. With respect to duration analysis — one of the current buzzwords of the A/L-management field — most A/L software suppliers agree.

Duration analysis could be a useful management tool for bankers one day, A/L software experts say, but only a few highly sophisticated financial institutions presently are calculating durations and they are doing so primarily as an academic exercise. No banker appears to be basing management of a bank solely on duration concepts, they say. Duration analysis is where gap analysis was about five years ago, says one software supplier.

At that time, gap analysis still was on the fringes of acceptability within banking circles. Of course, the whole concept of A/L management only came of age during the 1970s, a decade of highly volatile interest rates. In many ways, A/L management has yet to fully mature and has undergone a host of strange permutations during its development. Finding bankers who will agree on a simple definition of what A/L management is or what a good A/L model should do is difficult.

Originally, A/L management attracted bankers because it seemed a method of keeping control of interest-rate risk. As software suppliers enhanced capabilities of their products, and some innovative bankers demanded improvements of their own, the A/L management umbrella was required to shelter a growing range of uses and abuses of financial modeling.

Today's A/L software can produce what-if calculations for any set of time periods or group of assets or liabilities a



banker might designate. Literally hundreds of different A/L reports can be produced. But are bankers using their increasingly sophisticated financial-modeling tools to manage their banks more wisely?

Duration analysis seemingly would be an important tool in the banking industry's quest for sounder management. Calculations of duration are not an especially daunting task, but capturing data to feed the model and using the numbers the model produces can be enormously complex.

Duration of a bank's assets is the sum of the time-weighted present values of the associated future cash flows divided by the non-weighted present values of the same cash flows. The ratio thus produced is the duration of the set of assets in question.

Proponents of duration analysis say maturity-gap A/L-management approaches ignore the time value of money. Equivalent cash flows are presumed to have equivalent value regardless of their timing. Theoretically, a bank that mismatched maturities, but synchronized durations, could reduce interest-rate risk to nothing. Moreover, say proponents of the theory, a bank that kept durations matched also should be able to safely handle higher levels of leverage. Leveraging advantages of a duration approach are said to be an especially important competitive angle for smaller financial institutions with lower equity ratios than larger institutions.

Therein lies one of the problems

with duration analysis. Smaller banks presently are among those least prepared to handle duration analysis, software vendors say. No criticism of officers of smaller banks is intended by that comment. Most software vendors confirmed what MID-CONTINENT BANKER's research for this article showed. A number of banks in the \$50-million-and-below range are doing some surprisingly sophisticated things with their A/L models.

Software suppliers speculate that returns from duration analysis may not justify the expense and time a small bank with comparatively limited resources would have to invest, however, especially since bankers now have more variable-rate instruments with which to reduce interest-rate risk. Some bankers who have done research on duration analysis believe the theory suffers from a number of other flaws.

Cash-flow assumptions used with a duration model can't be seat-of-the-pants guesses. Substantial variances in durations can be created by relatively small adjustments in cash-flow projections. This suggests that bankers could get themselves in deep trouble if their assumptions about future cash flows were in error. Most bankers just aren't prepared for that degree of fine tuning, one software supplier said.

With a duration model, the yield curve for a bank's assets must stay parallel to the liabilities they're matched against. Otherwise, duration mismatches occur. Another problem with duration models cited by critics of the theory is the relative rarity of the zero-coupon instruments the model suggests bankers use to match with longer-maturity (but equal-duration) assets. Nor are bankers likely to stop monitoring net-interest margins for the sake of an as yet unproved theory. Duration analysis probably would become another layer of effort — not a substitute for — a bank's current A/L management efforts.

"One reason duration isn't catching on is that when you put a pencil to the time and effort required to get the data you need, you begin to see you are going to offset any gains you might



Scott C. Ulbrich, a.v.p., Norwest Bank, Minneapolis: Graphics aren't getting attention they deserve.

get," says Robert Brown, senior vice president, Liberty National, Oklahoma City.

Joe Messinger, vice president, First Wisconsin, Milwaukee, says he's not sold on duration because he's not heard of anyone yet who's using it to increase profits. He might change his tune, he suggests, if he starts hearing of bankers who have applied the theory successfully. For now, he'd rather devote his efforts to learning how to use financial futures in gap management.

"That's worth spending time on," he says.

Some software vendors suggest duration analysis is the banking industry's next great quest for a golden number — or as one software supplier called it, a "neutral god" — that will take the mystery out of bank management in an era of uncertainty. Although the interest in duration among bankers has been tepid thus far and the value of the concept is unproved, A/L-software suppliers aren't ignoring the theory. A few A/L-software firms say their models already permit bankers to calculate durations, and other software houses say they are considering adding such a capability.

Rather than rushing out to take advantage of such enhancements, A/L-management consultant J. Keith Hughey, president of J. Keith Hughey, Inc., Houston, says most bankers need to refine and understand what their present A/L models are telling them. He says that as practiced at most banks, A/L management still is more "form than substance." Unless bankers feel confident about duration analysis, they can safely ignore the concept for the time being, he says.

"If you define your gaps and make intelligent pricing decisions, you'll be all right," he says. For this level of analysis, a simple A/L model may work best, he adds. Adding too many bells and whistles can distract bank management from its central task.

Despite their general antipathy toward duration analysis so far, bankers are finding uses for other A/L-software enhancements. Among the more com-

mon needs cited by bankers MCB talked to were:

Interfaces With Other Financial-Management Software. Some bankers who have discovered the links between futures transactions, strategic planning and other elements of bank operation to A/L management are finding a need to manipulate the same data set with different software packages. Integrated software capable of handling A/L modeling and an expanding array of other bank micro-computer applications is available today. Software vendors also say they are working to widen the range of software their products interface with. The need for careful planning and purchasing in buying A/L software has not diminished, however.

"I consider A/L-management software a 10-year investment," says John Searles, vice president, Citizens Bank, Providence, R. I. "I'm not using all the capabilities of the software currently, but over time, I could."



John Brubaker, pres./CEO, First Nat'l, Springfield, Ill.: Whether banker uses gap or duration techniques, balance sheet can't always be perfectly balanced.

Micro/Mainframe Links. Initially, most A/L modeling was done on an on-premises or data-service-center mainframe. The micro-computer permits bankers the convenience of A/L modeling without tying up their mainframe. Some research suggests, in fact, that A/L modeling is the primary reason bankers purchase micro-computers. Despite the convenience of the personal computer, there still is a need to transfer data back and forth between the micro-computer and the mainframe. Establishing the appropriate communication links is not easy or cost-free. Even so, progress is being made on this front, bankers and software suppliers agree. Easier micro-to-mainframe links are on the horizon, says Liberty National's Mr. Brown.

"The mainframe people are starting to realize they are there to maintain data for other people to use, not for them to control," he says.

Simpler A/L Reporting/More User Training. A picture is worth a thousand words and — it might be added — numbers. A/L-management reports sometimes ignore this truism

and inundate their audience with page after page of columns of numbers. A/L-software suppliers warn that such reports often are misunderstood or go unread. Particularly in presenting A/L management data to persons unschooled in the principles of A/L management, graphic representation of data can be more meaningful than the raw alphanumeric data itself. Today's technology permits A/L-management personnel greater flexibility in interweaving graphics, tabular matter and text in a manner that increases the reader's understanding. Some A/L-software packages have built-in graphics capabilities; others must interface a general business spreadsheet/data base package with graphics capabilities like Lotus 1-2-3.

Says Scott Ulbrich, assistant vice president, Norwest Bank, Minneapolis: "Graphics aren't getting the attention they should in community banks. They could be used to present information to the board in a form it will understand. The board doesn't need to look at pages of figures when one picture will present the information it needs."

Perhaps the greatest service software suppliers can provide bankers is product simplification and user training. Some software companies are responding to that need with regular user seminars, newsletters and improved on-screen tutorials that tell the banker not only how to use the model to extract information, but how to interpret information the model produces.

Expanded core memories, wider availability of less expensive hard disks and other hardware enhancements give bankers opportunities to utilize more efficient A/L-management software, to access even larger data bases and to take advantage of improved user-friendliness. No discussion of A/L management would be complete, however, without at least a brief mention of one of the current buzzwords of the computer industry, artificial intelligence (AI).

Although the term too frequently is misapplied to undeserving software, diagnostic capabilities of a true A/L-



A/L management consultant J. Keith Hughey: Bankers should refine answers they're getting now.

management AI system could be extremely useful to a banker. Imagine intuitions of the world's top money managers integrated into a system capable of processing masses of data no human mind could begin to comprehend — all available to any community banker at the touch of a few keys. In fact, such a system would go a long way toward meeting requirements of bankers searching for a "neutral god."

Alas, such an AI system likely will remain a dream for a long time. Vagaries of a global economy so far are too elusive for a single model or matrix of symbols to capture, one software supplier says.

Even in a year of less volatile interest rates, good A/L management is a useful tool to bankers, but probably never will be a substitute for skillful, common-sense bank management.

John Brubaker, president/CEO, First National, Springfield, Ill., says that even with the most sophisticated planning tools, bankers have to realize their plans could "go out the window" shortly after they are drawn up.

"No one could have envisioned a few months ago that we'd have the level of auto sales we're having or that housing would fall off as rapidly as it has," Mr. Brubaker says.

He adds that whether a banker is using gap or duration techniques, there is no way to get the balance sheet to be always perfectly balanced. — John L. Cleveland, assistant to the publisher.

Federal Regulators

(Continued from page 9)

posure and publication of information quarterly on material-country exposure.

- Implemented uniform accounting rules for fees on international loans.

Also to strengthen the banking system, the Fed and Comptroller, in June, 1983, announced amendments to their minimum-capital guidelines, which originally were made public in December, 1981. These revisions:

- Established a 5% minimum ratio of primary capital to total assets for the 17 banking organizations designated by the agencies as multinationals.

- Expanded the definition of secondary capital in considering capital adequacy of consolidated bank HCs.

These guidelines have since been reviewed and reconfirmed.

Beyond these actions, says Mr. O'Brien, the regulators have, in

numerous speeches and testimony before Congress, discussed in detail implications of problems that have arisen and have warned of problems seen on the horizon. As for the latter, Preston Martin, the Fed's vice chairman, has voiced publicly warnings of potential problems in connection with adjustable-rate mortgages (ARMs) and real-estate tax shelters.

Mr. O'Brien adds that, of course, it's not appropriate for the regulators to dictate how banks should conduct their business — within safe and sound limits — or to take actions that allocate credit.

Press interest in banks' nonperforming loans may be due to recent regulatory changes designating disclosure of such loans, says an official of one of the Federal Reserve banks. He points out that experience with banks supervised by his Reserve bank indicates the increased volume of nonperforming loans generally has resulted from adverse economic conditions rather than lowering of credit standards. Loan losses usually lag behind economic recessions, and the recent severe recession had a devastating effect on a broad sector of commercial-bank customers. His bank's records show that a major portion of current nonper-

forming loans represent workout problems resulting from the recession.

Another important factor in his Reserve district, he says, is the continued depressed financial condition of the agriculture industry. Because banks in this area are heavily involved in agricultural lending, he expects to continue to see a sizable amount of nonperforming agricultural credits until farming profitability improves.

This Fed official says most banks supervised by his Reserve bank have survived the recession in sound conditions, and reserve levels generally are adequate to support nonperforming assets. Therefore, while the volume of nonperforming loans is greater than desirable, he doesn't consider the matter a serious problem for these banks.

- **Sandra A. Waldrop** has been named associate director, division of bank supervision for planning/program development, FDIC, Washington, D. C. She succeeds Mary T. Mitchell, who retired after 20 years with the FDIC. Succeeding Ms. Waldrop as Memphis Region regional director is James E. Halvorson, who had been regional director in Boston since last November. He joined the FDIC in 1956 and Ms. Waldrop in 1966.

the Floridian

of Orlando

"Setting the Style for Great Little Hotels"

We treat our business travellers with style

... special rates; complimentary airport transportation; welcome cocktail upon arrival; homemade donuts and coffee and the daily newspaper each morning.

"Gracious hospitality... perfect location, every facility and a sincere desire to please... place us above all the rest."

The Floridian of Orlando

7299 Republic Drive (International Drive)

Orlando, Florida 32819

(305) 351-5009

U.S. Toll Free 800-445-7299

Fla. Toll Free 800-327-0730

A Useful Tool In Planning Capital Adequacy

By Douglas V. Austin • Mark S. Mandula • Craig J. Mancinotti

MAINTAINING an appropriate level of capital relative to assets is critical in today's highly competitive commercial-banking environment. The definition of an appropriate capital-to-asset ratio for a particular commercial bank varies depending on its size, but an adequate ratio normally falls in the 7%-9% range.

In examining reasons banks should focus on maintaining average capital

levels, it is imperative to understand the implications of capital ratios out of balance with the rest of the industry. Overcapitalized, as well as undercapitalized, depository financial institutions need to develop a capital program designed to bring their capital accounts to appropriate levels. Viewing the negative factors associated with below-average and above-average capital ratios verifies the need to

actively manage a commercial bank's capital position.

Declining profitability often is associated with relatively low capital ratios. This can result from decreases in nominal earnings, as well as a declining growth in operating profits.

In furthering the declining growth in profitability perspective, consider the undercapitalized institution. From a purely academic standpoint, an undercapitalized bank would refer to an institution that does not have the capital base to support the future expected growth in deposits. For example, if a bank expected deposits to increase at an annual growth rate of 15%, while net profit was expected to rise 10% annually, the bank's capital-to-asset ratio will deteriorate. Therefore, even though the bank would be earning a respectable nominal return, its capital base would be depleted if no attempts were made to control the bank's growth.

To illustrate further the ramifications of a low capital-to-asset ratio, consider the bank's ability to pay dividends. A bank in a low capital-to-asset position is somewhat limited in terms of its ability to pay attractive cash dividends to its shareholders. In addition, deteriorating or relatively low capital-to-asset ratios gain unwanted attention from the regulators.

One might expect a capably strong bank to not have capital-position problems. Although they do not encounter the same problems of capably weak banks, they are faced with a different set of unfavorable conditions.

Commercial banks operating with relatively high levels of capital understate return on equity (ROE). Consid-

Douglas V. Austin, BA, MA, PhD, JD, CFA, is professor of finance, department of finance, College of Business Administration, University of Toledo, Toledo, O. He has been admitted to the practice of law in Michigan and Ohio, as well as a federal judiciary. In the early '70s, Dr. Austin chaired a government-appointed committee to analyze Ohio's banking laws. He has published three books and more than 150 articles on professional subjects, including banking structure, competition and performance. He is the senior coauthor of "The Management of Depository Financial Institutions," which will be published in December by Bankers Publishing Co. Dr. Austin is president, Douglas Austin & Associates, Inc., headquartered in Toledo, O.

Mark S. Mandula, MBA, is a vice president, Douglas Austin & Associates, Inc., and a former instructor, department of finance, University of Toledo, where he earned his BBA and MBA degrees. Mr. Mandula has made professional presentations on stock valuation, dissenter's appraisals and bank-merger/acquisition valuations throughout the country on behalf of the Bank Administration Institute and state-banking organizations. He has written several works and is considered an authority on bank valuation. Currently, Mr. Mandula is senior author of a computerized bank-stock-valuation model entitled "BANK-WORTH," sold nationally by Douglas Austin & Associates.

Craig J. Mancinotti, BBA, is assistant vice president, Douglas Austin & Associates. He received his BBA degree from the University of Toledo and, in June, received his MBA degree. He is research director for the Austin firm, which is a full-service financial-consultation firm specializing in banking structures/competition-performance work for its commercial-bank/S&L clients nationally. Capital-adequacy studies/projections for retention of capital in the face of growing depository/asset demands is a part of the strategic-planning work done on behalf of the firm's clients.

er a bank with \$50 million in assets and \$6 million in capital (12% capital-to-asset ratio), which earns 1% on assets. Earnings for this institution would equal \$500,000, which equates to a return on equity figure of 8.33%. Alternatively, if the industry average capital-to-asset ratio measured 8%, resulting return on equity, utilizing the same 1% return-on-average-asset figure, would equal 12.50%.

Further, the internal growth rate of capital for banks with relatively large capital positions would be understated when compared to a peer group of banks. Again, consider two banks of the same asset size, generating the same earnings from those assets, yet having different capital levels. The bank with the greater amount of total capital would experience a lower increase on a percentage-change basis than would a bank having a lower amount of actual capital.

This adverse effect on rate-of-return ratios is a function of the leverage employed by particular financial institutions. A relatively high capital position, as measured by the capital-to-asset ratio, indicates that more debt,

specifically deposits, relative to equity could be obtained without substantially impairing the bank's risk level. Utilization of these "extra" funds could generate additional income. Therefore, additional income could be generated without increasing equity capital whatsoever, thereby increasing shareholder wealth.

For these reasons, implementation of a capital program, with the primary objective of bringing the bank's capital position to an appropriate level, becomes critically important. Should a bank choose not to continually monitor its capital ratios, it's exposing itself to several potential problems in the three-to-five-to-seven-year time frame.

Following is an outline of a methodology that enables a bank to project its capital for a specified time, under varying assumptions, and therefore allows a bank to continually monitor its capital position.

1. *Economics of Market Area.* To determine an appropriate level of capital to attempt to maintain, it is imperative to have an in-depth understanding of the economics of a particu-

lar area in which the bank operates. This includes, but is not limited to, trends in population, housing, demographics, per-capita income, retail sales, agricultural sector, employment, unemployment and manufacturing. This analysis entails determining nominal changes as well as percentage changes in each of the specific areas. Also, it is of equal importance to analyze surrounding areas in this same respect. For example, if your bank is located in the center of a particular county and it considers the boundary of its primary service area to coincide with the county border, it's imperative to scrutinize the economics of each of the counties contiguous to the county in which your bank is based, as well as the state in which your bank is located. This is important because it provides the analyst with information as to the relative economic performance of the particular county, and it enables one to estimate future growth patterns within a particular market area more accurately.

2. *Analysis of Competition.* In determining future capital needs, it's imperative to have the capability to project deposit growth accurately. Asset and deposit growth are closely related, and being able to estimate asset growth will serve as a base from which to project capital needs. In this phase of gathering information, compilation of commercial-bank, savings-and-loan association and credit-union deposit figures is essential. It's necessary to accumulate depository-figure information over the most recent five-year period, at a minimum. Again, this includes depository financial institutions located within the particular bank's primary service area, as well as for those institutions located in the surrounding areas (specifically, municipalities located within 20 to 25 miles of

EXHIBIT 1
CAPITAL ADEQUACY ANALYSIS
HYPOTHETICAL BANKING COMPANY
1984-1995

ASSET GROWTH RATE (1979-1983)	12.00%
R.O.A.A. (1979-1983)	1.00%
REQUIRED CAPITAL %	8.00%
DIVIDEND PAYOUT RATIO (ASSUMED)	25.00%

	DOLLARS IN (\$000)
DECEMBER 1983 ASSETS	\$50,000
DECEMBER 1983 CAPITAL	\$3,000

PERIOD	DATE	ASSET GROWTH	TOTAL ASSETS	RETURN ON AVG. ASSETS	EARNINGS	BEGINNING CAPITAL	CASH DIVIDEND	ENDING CAPITAL	AMOUNT		CAPITAL TO ASSET RATIO
									DESIRED CAPITAL 8.00%	(SHORT)OVER OF DESIRED CAPITAL	
1	31-Dec-84	12.00%	\$56,000	1.00%	\$530	\$3,000	\$133	\$3,398	\$4,480	(\$1,083)	6.07%
2	31-Dec-85	12.00%	\$62,720	1.00%	\$594	\$3,398	\$148	\$3,843	\$5,018	(\$1,175)	6.13%
3	31-Dec-86	12.00%	\$70,246	1.00%	\$665	\$3,843	\$166	\$4,341	\$5,620	(\$1,278)	6.18%
4	31-Dec-87	12.00%	\$78,676	1.00%	\$745	\$4,341	\$186	\$4,900	\$6,294	(\$1,394)	6.23%
5	31-Dec-88	12.00%	\$88,117	1.00%	\$834	\$4,900	\$208	\$5,525	\$7,049	(\$1,524)	6.27%
6	31-Dec-89	12.00%	\$98,691	1.00%	\$934	\$5,525	\$234	\$6,226	\$7,895	(\$1,670)	6.31%
7	31-Dec-90	12.00%	\$110,534	1.00%	\$1,046	\$6,226	\$262	\$7,010	\$8,843	(\$1,832)	6.34%
8	31-Dec-91	12.00%	\$123,798	1.00%	\$1,172	\$7,010	\$293	\$7,889	\$9,904	(\$2,015)	6.37%
9	31-Dec-92	12.00%	\$138,654	1.00%	\$1,312	\$7,889	\$328	\$8,873	\$11,092	(\$2,219)	6.40%
10	31-Dec-93	12.00%	\$155,292	1.00%	\$1,470	\$8,873	\$367	\$9,976	\$12,423	(\$2,448)	6.42%
11	31-Dec-94	12.00%	\$173,927	1.00%	\$1,646	\$9,976	\$412	\$11,210	\$13,914	(\$2,704)	6.45%
12	31-Dec-95	12.00%	\$194,799	1.00%	\$1,844	\$11,210	\$461	\$12,593	\$15,584	(\$2,991)	6.46%

your bank's centrally located office). After analysis of the growth of your bank as compared to growth experienced by other depository financial institutions, in addition to the economic analysis, a reasonable projection of future deposit/asset growth can be made.

3. *Analysis of Bank Performance.* To integrate the relevant economic and competitive factors prevalent in the market area into the development of a specific capital plan, it is essential to analyze the bank's past performance objectively. This includes, but is not limited to, analyzing trends in rate-of-return ratios, efficiency ratios, asset-utilization measures, spreads, margins, growth trends in terms of deposits/loans/assets and capital ratios.

Understanding the relative performance of the bank with respect to the economy in which it has operated and the competition it has faced is essential to development of an appropriate capital plan. Consider a bank operating in an area that recently has experienced dramatic economic growth. In addition, depository-financial-institution assets have increased at a rate approximating 12% over the preceding five-year period. Alternatively, the bank for which you are developing a capital plan has exhibited a lackluster performance. Growth in deposits has been 6% annually; loan growth has been 15% in each of the past two years, and profitability, in terms of return on average assets, has declined moderately from 0.90% to 0.80% during the past five years. Further, economic growth is expected to continue at significant levels. Development of an appropriate capital plan may entail projecting future growth of the bank, in terms of deposits/loans/assets/profitability, at a growth rate below what may be considered an average growth rate for commercial banks located within the particular market area. Depending on circumstances specific to a particular bank, this scenario may or may not be appropriate, but nonetheless illustrates the importance of integrating economic variables, competitive factors and relative bank performance into development of an appropriate capital plan.

4. *Analysis of Bank Policies/Future Plans.* Generally, a bank's capital position can be influenced to a great degree by managerial decisions reflecting bank policies and future plans of the bank.

The most recognizable subjective determinant of a bank's internally generated capital is the dividend poli-

cy. Other managerial factors affecting the bank's capital position are of a less explicit nature.

It is imperative to model a bank's capital plan to its overall long-term strategic master plan. Does the bank desire to maximize growth and subsequent market share or profitability? Is the bank planning a future acquisition program? Does the bank plan to utilize available vehicles by which to diversify? Does the bank plan to remain independent? Answers to these questions will identify a desired end with respect to future capital positioning. However, the means by which to achieve that desired end must be a specifically outlined capital plan.

5. *Implementation.* Given results of preceding analyses, projections of future deposit/loan/asset/profitability figures can be estimated. Projections then can be organized into a table format to calculate future expected capital levels, based on given assumptions as presented in Exhibit 1.

As can be seen from this example, the capital-to-asset ratio of the hypo-

thetical bank would be 6.27% as of December 31, 1988, if past five-year performance ratios are repeated. This presentation demonstrates the strength of a projection model, as even though the relative performance of the bank during the 1979-1983 period has been good, a continued trend of that nature would not be desirable.

The next step involves altering the assumptions to conform to the future expected economic and depository growth trends. This, of course, is a subjective opinion based on the analyst's interpretation of the preceding economic and competitive analyses.

It should not be inferred that the capital plan should end when these variables are plugged into the Exhibit 1 model. Rather, this should serve as the starting point by which to determine precisely what needs to be done to achieve a desired capital position. This includes changing any or all of the assumptions. Also, note this specific example is based solely on performance and does not include variables that would facilitate generation of additional capital to engage in other types of activities that may be planned by the bank.

The specific capital plan put in place by a particular bank could include, but is not limited to, revisions of rates paid on deposits, bank-lending policies, dividend policies, projections of future internally generated capital, plans for external equity financing and/or debt financing. Also, as noted, the capital program must fit within the long-term strategic plan of the bank, as well as fit with the economic-growth prospects of the area and the competitive posture of the bank.

6. *Control.* Implementation of a long-term capital program in order to meet future goals of the bank is not an end in itself. Also, it is necessary to continually monitor, update and revise, if necessary, the precise capital program put in place. Changes in any of the aforementioned variables will have an impact on the bank's ability to achieve its long-term goals. Therefore, this monitoring process is ongoing and critical to the success of the specific capital program.

7. *Summary.* An appropriate capital program entails not only profitability analysis, but it also must incorporate such factors as economic-growth trends, the bank's competitive posture, overall bank performance and an analysis of bank policies and long-term goals. Within that framework, methodology presented in this article can be a useful tool for outlining a strategy to strengthen a bank's capital position.

Swearingen, Ogden to Head Continental Illinois

CHICAGO — John E. Swearingen, former chairman, Standard Oil Co. (Indiana), has been named chairman/CEO, of a new HC to control Continental Illinois Corp. and its primary subsidiary, Continental Illinois National.

Named chairman/CEO of the bank is William S. Ogden, former vice chairman/chief financial officer, Chase Manhattan Corp., New York City.

Messrs. Swearingen and Ogden replace David G. Taylor, chairman/CEO, and Edward S. Bottum, president, both named bank vice chairmen, effective August 13. The changes were made as part of a \$4.5-billion government rescue package for Continental arranged by the FDIC. The plan had not been finalized at press time.

Mr. Swearingen is a long-time director of Chase Manhattan Corp. He retired from Standard Oil last September. Mr. Ogden was with Chase Manhattan for 31 years, but retired early last year to work for the Institute of International Banking, which he founded.

The FDIC is expected to "nationalize" Continental by buying as much as \$4.5 billion in loans plus \$1 billion in new preferred shares, convertible to an 80% stake in Continental.

State News

(Continued from page S/16)

vice president at Quail Creek Bank, Oklahoma City. He joined the bank in 1983 and formerly was with First National, Oklahoma City.

First National, Oklahoma City, has promoted George H. Frank Jr. and Jerald D. Koehn to senior vice presidents and Nick R. Clark and Fred Ramos to vice presidents. They joined the bank in 1948, 1965, 1980 and 1981, respectively. Mr. Clark is assigned to the correspondent banking department. In other action, the bank has selected Thomas E. Sherman, senior vice president, as manager of funds marketing.

TENNESSEE

Dr. Charles Edward Allen has been elected to the board of Hamilton Bank of Upper East Tennessee, Johnson City. Dr. Allen is a professor of medicine, Quillen/Dishner College of Medicine, East Tennessee State University.

Corporate-Trade Payment Made Electronically At Third of Nashville

NASHVILLE — Third National has announced the first electronic corporate-trade payment in Tennessee. The payment was initiated July 6 by Sears, Roebuck & Co.'s Dallas office and credited to the account of Murray Ohio Manufacturing Co. at Third National.

According to James Robertson, the bank's senior vice president, corporate services, this marks a Tennessee bank's first corporate-to-corporate-payment transaction in which both the payment funds and supporting invoice information were transmitted electronically between the two corporations utilizing the automated clearing-house system.

Third National has installed and tested the necessary software to both originate and receive all kinds of electronic payments, both debits and credits, including corporate-trade payments.

J. Fred "Ted" Griffith III has joined Bank of Roane County, Harriman, as assistant vice president in charge of the real estate lending division. He formerly was a mortgage loan officer,

residential loans office, Knoxville, for First Tennessee Bank, Memphis. Christine B. Harvey has been promoted at Bank of Roane County to assistant cashier/loan officer, real estate lending department, Main Office. She previously was a teller, new-accounts desk person and a loan processor.

Middle Tennessee Group Is Formed by RMA

A new group, or sub-chapter, of Robert Morris Associates has been formed. The new Middle Tennessee Group is operating under the RMA's Southern Chapter. It serves Nashville and other communities in the Middle Grand division of Tennessee.

Officers are: chairman, John T. Flaughter, first vice president, Williamson County Bank, Franklin; vice chairman, Harold Fogelberg, senior vice president, First American, Nashville; and secretary/treasurer, Ron Hays, vice president, Mid-South Bank, Murfreesboro.

Union Planters National, Memphis, has appointed the following to vice presidents: Wayne T. Breunig, investment banking group; Alan S. Cohen, Brenner Steed, Inc.; Randy L. Dob-

Giving Agriculture The Credit it Deserves.

It takes a combined effort to meet the changing credit needs of today's farmers. And the Federal Land Bank System is proud to work alongside other financial institutions.

At the Land Bank we specialize in long-term

loans . . . for land, farm improvements, new facilities, refinancing and other long-range needs.

Together, with the sound credit and counsel you provide, we're giving farmers the credit they deserve.



**The
Land Bank**

The Federal Land Banks of:
Austin, TX
5930 Middle Fiskville Rd 78752

St. Louis, MO
1415 Olive 63103
Wichita, KS
151 North Main 67202



son, commercial group; and Kenneth P. Stalls Sr., Prophet Counsel, Inc. Named assistant vice presidents were: Robert J. Arnold, Ron K. Davis and Ann D. Schwab, commercial group; Sheri L. Beck and Judy A. Salmon, financial services division; Richard A. Brunner, greater Tennessee group credit; and Ronald M. Leon, investment banking group.

TEXAS

Edward P. Fahey Jr., international, Dorothy Hammonds, trust operations, Lupe C. Jaramillo, automated-services support, and Jim Liedka, automated services, have been promoted to assistant vice presidents, Frost Bank, San Antonio. Mr. Fahey joined the bank in 1981, Ms. Hammonds in 1955, Mr. Jaramillo in 1972 and Mr. Liedka in 1980.

Bank Closes, Reopens

LONGVIEW — Deposit liabilities of East Texas Bank, closed June 29, were assumed by Texas National, a wholly owned subsidiary of Longview Bancshares, Inc. The failed bank's sole office reopened July 2 as Texas National.

Banking Commissioner James L. Sexton attributed East Texas Bank's closing to a combination of factors, including substantial loan losses and a serious liquidity shortage.

POSITIONS AVAILABLE

EXECUTIVE VICE PRESIDENT, \$150mm bank; College, recreational, and cultural facilities, ideal size and location \$50,000's
 EXECUTIVE VICE PRESIDENT, \$20mm, metropolitan bank to \$35,000
 COMMERCIAL LENDER, \$65mm bank, population 10,000+, excellent schools OPEN
 SENIOR VICE PRESIDENT, COMMERCIAL, \$130mm bank, ideal size city and ideal location, country club, superb schools, college OPEN
 ALL AROUND BANKER, All types of lending, \$30mm bank, population 10,000+ OPEN
 TRUST OFFICER for profit sharing, retirement, taxes, \$140mm+ bank, population over 80,000, resort area, low cost of living, clean, ideal location \$23,000
 COMMERCIAL LOAN OFFICER, \$145mm bank, population 15,000 to \$45,000
 PRESIDENT, \$10mm bank, town of 40,000 OPEN
 OPERATIONS HEAD, \$55mm bank, metropolitan area OPEN
 NUMEROUS OTHER POSITIONS IN ALL BANKING AREAS AND SALARY RANGES

DON W. SCHOOLER JR.
AND ASSOCIATES

"Successful Banking is Quality Personnel"

Eighteen years banking experience serving as president of rural and metropolitan banks. Confidentiality with your name and your resume are my first consideration. Contact Don W. Schooler, 2508 East Meadow, Springfield, Missouri 65804 or phone 417-882-2265.

John W. Durbin, manager, national/international banking department, Texas American Bank/Fort Worth, has been elected senior vice president. Elected vice presidents were: Joe Barnhart, real estate loan representative; Gail Burris, public relations manager; Caren Koslow, professional/executive loan representative; and Rick Piersall, personal trust administrator. At the bank's parent HC, Texas American Bancshares, Inc., Fort Worth, Cheryl J. Bourdier was elected assistant vice president. Ms. Bourdier is supervisor of wage/salary administration.

Jeffrey K. Wentworth has been named a vice chairman/director, InterFirst Bank Fort Worth. He is executive vice president, Fort Worth banking division, InterFirst Corp., Dallas. Mr. Wentworth retains his corporate title and duties in addition to his new post in the Fort Worth division's lead bank. Jerry D. Minton, vice chairman, InterFirst Bank Fort Worth, previously had announced his intention to retire December 31. He continues to be a vice chairman, acting in a consulting role until year-end, and will assist Mr. Wentworth during this transitional period.

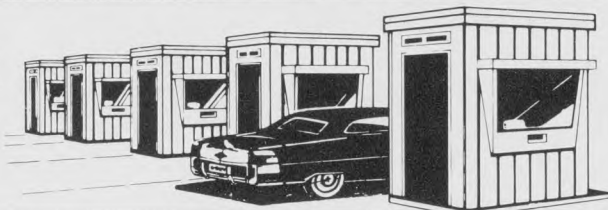
Richard L. Ripley has been elected chairman/CEO and Alfred W. Bowman Jr. president/chief banking officer, BancTEXAS Dallas. Mr. Ripley formerly was president/CEO of the bank, and Mr. Bowman was executive vice president/regional coordinator of Dallas/north Texas-area banks for BancTEXAS Group, Inc. The latter has banks in Dallas, Houston and Tyler.

Larry Reed has rejoined First National, Amarillo, as a vice president, wholesale/retail group, commercial loan department. He joined the bank in 1973 and left last year to join a Weatherford, Okla., bank.

Instant Motor Bank!

Just a phone call away.

No waiting
No worry



Available now throughout the Mid-Continent area. Other temporary facilities in various sizes.

MPA SYSTEMS

4120 Rio Bravo El Paso, Texas 79902
(915) 542-1345 or (915) 542-1461

ARE YOU A SPECIAL KIND OF BANKER?

Just as our advertising says, Texas American Banks are managed by a special kind of banker...one who knows the banking business and cares about his customers.

We at Texas American Bancshares recruit professionals and managers for all of the 32 affiliate banks. Each bank makes its own choice; but we're able to help you find the position and location you prefer.

If you're trained, experienced, professional and really interested in your customers...give us a chance to help you. A resume, or letter, in confidence is all it takes.



Jim Atkinson, Human Resources

TEXAS AMERICAN BANCSHARES, INC.

P.O. Box 2050 • Fort Worth, Texas 76113 • (817) 338-8167

Principals Only • An Equal Opportunity Employer M/F/H

Mo.BA Plans Fall-Festival Programs For September-October Meetings

THIS YEAR'S regional fall festivals of the Missouri Bankers Association will be held during September and October, with the kickoff meeting set for September 24 at the City Auditorium in Moberly.

This will be the third year the MBA has held annual fall festivals, successors to the former regional meetings. The fall-festival format is expected to be light on business topics and heavy on food and entertainment.

There will be no business sessions this year, but an audio-visual presentation is being considered. The presentation is expected to be made following the cocktail hour.

Each festival will start with a complimentary cocktail hour beginning at 6 p.m., followed by a buffet dinner at 7 p.m. Entertainment is scheduled to begin at 8 p.m.

The Four Lads will perform during the first week of festivals and the Four Aces will provide entertainment at the final week of meetings.

The Four Lads launched their professional career in 1950 and hit the big time when they appeared with singer Johnny Ray. One of their first hit recordings was "Little White Cloud That Cried." The Four Aces have a long list of successes. The group specializes in soft-shoe routines and instrumental numbers.

Sites for the festivals are as follows: Region One — City Auditorium, Moberly; Region Two — Starlite Skate Center, Trenton; Region Three — Moila Club, St. Joseph; and Region Four — Gold Buffet, North Kansas City.

Region Five — Machinists' Union

Festival Schedule

- Sept. 24 — Region 1 — Moberly
- Sept. 25 — Region 8 — Columbia
- Sept. 26 — Region 5 — St. Louis
- Sept. 27 — Region 6 — Cape Girardeau
- Oct. 1 — Region 7 — Springfield
- Oct. 2 — Region 4 — Kansas City
- Oct. 3 — Region 2 — Trenton
- Oct. 4 — Region 3 — St. Joseph

Banquet Hall, St. Louis; Region Six — Civic Arena, Cape Girardeau; Region Seven — University Plaza, Springfield; and Region Eight — Good Time Country, Columbia.

The following bankers have served as MBA regional officers during the last year and will conduct the business portions of the conferences:

Region One — E. H. Brauer Jr., president, Shelbina Mercantile Bank; *Region Two* — Clithro L. Anderson, president, Ludlow National; *Region Three* — Luther Thompson, president, Bank of Atchison County, Rock Port; *Region Four* — Dayle P. Lindsey, president, Allen Bank, Harrisonville; *Region Five* — William H. Jones Jr., executive vice president/cashier, Meramec Valley Bank, Valley Park; *Region Six* — Lawrence H. Rost, ex-

ecutive vice president, Bank of New Madrid; *Region Seven* — Virgil D. Hughes, president, Humansville Bank; and *Region Eight* — W. Blaine Luetkemeyer, cashier, Bank of St. Elizabeth.

Mr. Brauer has been in banking since March, 1978. He joined his present bank — Shelbina Mercantile — in October, 1978, as president/CEO, posts he still holds.

Mr. Anderson entered banking in October, 1975 at Ludlow National. He was promoted to cashier in October, 1976, and has been president since January, 1984.

Mr. Thompson became a banker in July, 1963, at Bank of Atchison County. He began as an agricultural representative. His most recent promotion was to president and took place in January, 1977.

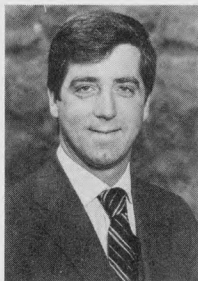
Mr. Lindsey has been with Allen Bank since 1959. He was promoted to assistant cashier in 1960 and has been president since 1978. (No photo available).

Mr. Jones is a third-generation banker and joined Meramec Valley Bank in 1980. He has been CEO since last January.

Mr. Rost could not be reached for biographical information.

Mr. Hughes entered banking in 1960 at Humansville Bank. In 1965 he was named executive vice president and he became president in 1979.

Mr. Luetkemeyer started out as a state bank examiner, serving in that capacity from 1974-1976. He joined Bank of St. Elizabeth in 1976, became assistant cashier in 1979 and cashier/assistant secretary in 1983. ●●



JONES



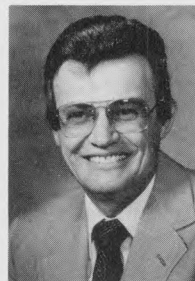
BRAUER



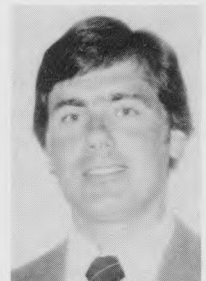
ANDERSON



THOMPSON



HUGHES



LUETKEMEYER

Banking Scene

(Continued from page 6)

raider, of course, makes a profit on the deal.

Massive lawsuits filed against officers and/or directors of an institution can debilitate a financial institution in many ways. Nine out of 10 banks now carry D&O insurance, indicating that most banks have taken some precautions to protect officers and board members.

Jack Page of J. H. Blades & Co. wrote in a recent article in *Business Insurance* that bank-D&O coverage should be realigned in event of major changes in structure. He noted that when two banks start talking merger, for example, a possibility exists that neither institution has high enough limits on its D&O insurance. Higher limits could be unobtainable after the merger, he says.

Legal suits during merger negotiations frequently are started by disgruntled shareholders or staff members. If ever there were a good time for a solid wall of D&O defense, merger discussions are it. One bank I know of thought it was well protected and discovered its insurer refused to pay the claim.

In such critical matters, it isn't good enough to "think" you are prepared or protected. You have to know.

I could go on describing all the terrible things that could happen to a bank, but I fear I'd only cause undue worry. Besides, by now you get the point.

Even if you are the unluckiest banker alive, you are unlikely to have to face every calamity we've described here. But that doesn't excuse you from taking positive action to avoid such calamities or keep the damage to a minimum if they are unavoidable.

Notice that I said "positive action." Worry alone will do you no good. On the other hand, positive action to avoid or contain potentially damaging circumstances eases the mind. If you've done all you can to prepare for a storm and you still sink, you're no less dead, but at least you die with a clear conscience. The worrier who develops no contingency plans goes down with a load of "what-if" questions. This biggest question generally is, "What if I'd taken action to prevent this disaster?" Of course, by then it's too late.

For all our sophistication these days, however, it is good to remember that bankers are not good seers. How many bankers can say they accurately predicted the shape and texture of banking in the 1980s as long ago as the early 1970s?

A few years ago, you could have been laughed out of a room if you suggested to bankers that the prime rate could conceivably climb above 20%. That possibility hardly seems so amusing today.

Who could have predicted that the demand-deposit ratio possibly could double to more than 400 times annually within four years? Some of the major New York City banks are much higher than the national average. In fact, the average for all New York City banks recently was listed as 1,621 times. That, remember, is an average. Some of the big banks probably are experiencing demand-deposit debit ratios of more than 2,000 times a year.

Now consider the daylight-overdraft problem mentioned earlier. Think of all of that money — actually, electronic blips — flashing around the world. I'm told that errors are not an insignificant problem for the wire-transfer networks.

I wonder if handling all those electronic blips and computer printouts representing billions of dollars makes humans more or less sensitive to the magnitude of their responsibilities. Do they see those blips and computer printouts for what they are — representations of real debt obligations that must be settled daily?

Call me paranoid, but I wonder about the electronic-fund-switching

system itself. Can it be compromised? What would happen if it were?

It gives me great comfort to know there is a banker out there somewhere posing and finding more than superficial answers to these questions. At least, I hope such bankers exist and I suspect that the public, troubled by the recent rash of bank failures, would be similarly comforted. That, in itself, would do much to ensure the soundness of the banking system. ● ●

Correction

The June issue of MID-CONTINENT BANKER contained an article, "How Will the Midwest Be Affected by Interstate Banking?" It was accompanied by a chart headed, "Thirty Largest Commercial-Banking Organizations in Midwest."

Information for the chart supplied to MCB contained one error. A listing indicated Central Bancorp (Mo.) had total assets of \$2,834,000 in 1982 as opposed to \$1,682,000 in 1977; the HC ranked 25th in both years, and its capital to assets were 6.67%.

However, these figures were for Central Bancorp of Cincinnati, not Central Bancorp (Mo.).

Index to Advertisers

Arrow Business Services, Inc.	47
Bank Administration Institute	23
Bank Board Letter	S/7
Bankers Systems, Inc.	11
Bankers Training & Consulting Co.	29
Barclays American/Business Credit	45
Boatmen's National Bank, St. Louis	48
Center Bank, St. Louis	S/11
Commerce Bank, Kansas City	7
Computer Fundamentals Group, Inc.	34
Federal Land Bank, St. Louis	43
First Interstate Bancorp., Los Angeles	24-25
First National Bank, Louisville	5
First National Bank, Wichita	35
First Oklahoma Bancorp., Oklahoma City	S/15
First Wisconsin National Bank, Milwaukee	14B-14C
Floridian of Orlando	39
Fourth National Bank & Trust Co., Wichita	S/1
Hagan & Associates, Tom	46
Heller & Co., Walter E.	13
Howe, Barnes & Johnson, Inc.	28
Hutchinson (Kan.) National Bank & Trust Co.	S/3
Industrial Life Insurance Co.	32
Kansas State Bank & Trust Co., Wichita	S/4
Liberty National Bank & Trust Co., Oklahoma City	2
MPA Systems	44
Mercantile Bancorp., St. Louis	S/13
Midland Bank & Trust Co., Memphis	26
Monroe Business Systems	17
North Central Life Insurance Co.	2-3
Rothschild, L. F., Unterberg, Towbin	31
Schooler & Associates, Don	44
Sheshunoff Co.	19
Son Corp.	S/16
Southwest National Bank, Wichita	S/4
Stifel, Nicolaus & Co., Inc.	S/5
Texas American Bancshares, Inc.	44
Travelers Express	14A
Union National Bank, Little Rock	33
United States Banker	14D
Whitney National Bank, New Orleans	3
Zahner & Co.	S/12

BANK OPPORTUNITIES

Comm'l Loan — IA, ND, MO, KS	\$25-35K
Inst'l. Loan — KS, MO, IA	\$20-25K
AgriLoan — MO, KS, NE, IA	\$25-35K
Correspondent Officer — MO, NE	\$30-35K
Second Officer — KS, MO	\$30-40K
R.E. Loan — KS, IA	\$25-35K

Additional positions available in midwestern states for experienced bank personnel.

TOM HAGAN & ASSOCIATES of KANSAS CITY

P.O. Box 12346/2024 Swift
North Kansas City, MO 64116

816/474-6874

SERVING THE BANKING INDUSTRY
SINCE 1970

FINANCIAL EQUIPMENT BOUGHT AND SOLD

We buy, sell and upgrade anywhere in the US. Top prices paid for Brandt, Cummins and Glory money processing equipment. Extensive inventory of FULLY WARRANTED, rebuilt coin sorting and wrapping equipment available from stock at an excellent savings. NCR, IBM and SHARP teller terminals bought and sold. Many units discounted significantly. Contact: Data Financial, P. O. Box 09054, Milwaukee, WI 53209 (414) 351-5400.



For Your Bank, Nothing Less Will Do.

Arrow Business Services offers you Kittinger, including the Georgian Series pictured here. And Baker, Gunlocke, Steelcase, Knoll...the who's who of office furnishings. All the prestige names display their best in our Memphis showroom, complete with accessories, carpet, window and wallcovering.

Arrow's staff of ten experienced bank

designers can make your bank a stunning and workable showcase from the executive offices to the customer, operations and data processing areas.

Give us a call for a professional, cost-effective proposal to meet your bank's building and furnishings needs.

We offer the best, and we know you expect nothing less.

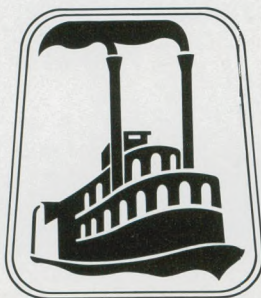


an affiliate of Midland Bank & Trust
3050 Millbranch, Memphis, Tennessee 38116
901/345-9861

*Boatmen's Ted Smothers.
Operations Assistance
Overline Assistance.
Loan Participations.
Investments.*



Boatmen's Vice President Ted Smothers working with Bob Menz, Chairman and President of The First National Bank of Highland. Whatever your correspondent needs, Boatmen's has knowledgeable people to assist you. Call Ted Smothers. He can help.



Correspondent Banking Division
**THE BOATMEN'S
NATIONAL BANK**
OF ST. LOUIS
314-425-3600

Member FDIC