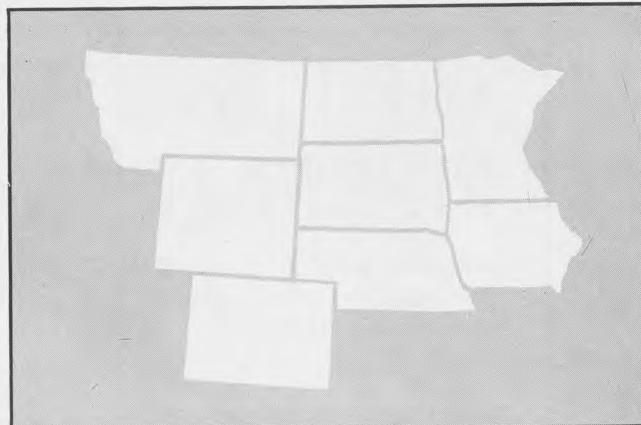


# NORTHWESTERN Banker

Oldest Financial Journal West of the Mississippi



No. 1060

Des Moines, Iowa

October 16, 1967

## An Analysis of Future of Small Bank

Bankers who feel that the small bank is vulnerable to aggressive competition and that it cannot survive in our rapidly changing economy should take heart and heed the suggestions made by Willis W. Alexander, Jr., new ABA vice president and president of the Trenton Trust Company, Trenton, Missouri. Mr. Alexander has this to say:

People who say the small bank cannot survive cite the increasing frequency of mergers between small banks and larger institutions. The decreasing numbers of the small banks is also mentioned. It seems to be a part of the conventional wisdom (perhaps more conventional than wisdom) that the small bank cannot effectively compete in the ever changing market and that lacking this competitive ability, cannot survive.

The accuracy of this view, important as it is to those of us in the smaller banks, has significant administrative, legislative and judicial implications.

It is not difficult then for those of us from the small banks to acquire a complex as we listen to the oft-repeated argument that size permits efficiency and specialization which leads irresistibly to dominant supremacy for the larger

unit. This line of reasoning has gained such currency as to appear an unquestioned fundamental of the present day scene.

There are many of us who do not accept the conclusion that the small banks are a vanishing breed, an inefficient and economically indefensible anachronism protected and preserved only by restrictive merger, branching and chartering statutes and policies. The number of small banks in the United States is rather impressive; 89% of our banks have less than \$25 million in deposits and 72% are under \$10 million.

The profitability of the under \$25 million deposit bank as measured by the after tax net income as a ratio of total assets compares quite favorably and in some categories exceeds that of the larger bank as reported by the FDIC.

Frequently, as in at least one geographic area, the economies of scale available to the larger bank are dissipated by the apparent compulsion to branch extensively in order to meet local demands for service. The Boston Federal Reserve Bank found this to be the case in a recent study of its area.

The foregoing does not represent that the small bank is more efficient than the larger one. But neither does it suggest that the

small bank inherently by virtue of size alone is in practice incapable of effective competition.

The small bank in competition with the larger units faces potentially formidable odds. The larger unit enjoys the opportunity for economies of scale, the possibility of utilizing advanced technology, the privilege of its own research and the advantage of well established management development and succession. Stemming from the prestige which size alone can confer, the larger bank has a superior capacity to deal as equals with big business and big government.

Offsetting these disadvantages the small bank enjoys flexibility and the opportunity to tailor its services more precisely to its market. Banking is a personal business and we serve our customers one person at a time. We believe our customers want to keep banking on this personal basis. The many current variations of the "you have a friend at Chase" theme provides confirmation for this view.

The flexibility which the small bank enjoys is readily apparent. Its management can decide, test, implement and evaluate in the time it requires a decision to percolate

### Small Banks...

(Continued to back page)

The myriad tools of modern banking  
... and men who know how to use them.

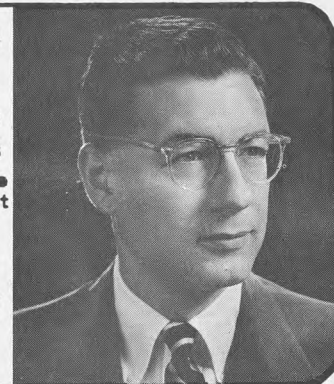
Good reasons why over half the banks in Iowa are

— MNB correspondents

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## IOWA NEWS

**ALDEN:** E. L. Ackerman of the Alden State Bank has awarded a contract for enlarging and completely remodeling the bank to Mulford Construction Services, Inc., Hampton, and the Kirk Gross Company, Waterloo. Plans include removing the second floor of the building and adding a drive-up window.

**CEDAR RAPIDS:** Joseph V. Zastera, vice president and director and also one of the founders of the United State Bank, died October 7. He was a lifelong resident of Cedar Rapids.

**DUBUQUE:** The First National Bank of Dubuque recently sponsored a Trust Forum at the Dubuque Golf and Country Club. The featured speaker was Howard B. Bouton of the First National Bank of Chicago. The topic of Mr. Bouton's speech was "Planning a Personal Investment Program." Also speaking at the forum was Donald Runger, vice

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## IOWA-DES MOINES NATIONAL BANK

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president and trust officer of the First National Bank of Dubuque and Thomas Killion who recently joined the trust department of Dubuque's First National.

**DES MOINES:** Gary Stevenson has been assigned to the correspondent bank department of Bankers Trust Company as assistant to Homer Jensen, vice president and head of the department. Mr. Stevenson, who will be calling on banks in Iowa, has been with Bankers Trust one year.

**DES MOINES:** John R. Harmeyer has been elected vice president and cashier of Plaza State Bank. He joined the bank two years ago as vice president in charge of installment loans. Previously, he was with Capital City State Bank and National Bank of Des Moines. He succeeds Smith W. Brookhart, III, who has been named vice president and cashier of Peoples Bank and Trust Company, Branson, Mo.

**EARLY:** Donald W. Kelley has been elected to the board of the Early Savings Bank. He was elected vice president and cashier of the bank in September. Mr. Kelley has been with the bank since December, 1960.

**FAYETTE:** Robert Isensee of Mason City, and his associates, have purchased controlling interest of the State Bank of Fayette from Gene Hervey, president.

**HUMBOLDT:** The Humboldt Trust and Savings Bank recently observed its 40th anniversary with

an open house. J. L. Campbell, Sr., has been the bank's president since 1943. J. L. Campbell, Jr., is the bank's vice president.

**HUMESTON:** The board of directors of the Citizens State Bank has announced the acceptance of the resignation of K. W. Richard, president. He has been associated with the bank for the past 14 years. Roy Meadows has been named temporary president.

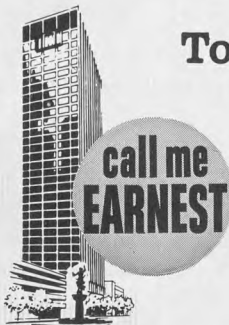
**LAMONI:** The city of Lamoni swimming pool bonds in the amount of \$45,000 have been sold to the low bidder, the State Bank of Lamoni. The bank's bid specified interest at 4%.

**WATERLOO:** Five Waterloo men have filed an application for a national bank charter with the Comptroller of the Currency. The bank, to be known as Crossroads National Bank, would be located at the new Crossroads Shopping Center at La Porte Road and Highway 412. Initial capital would be \$1,000,000. Applicants are: Dr. D. D. Felcher, Richard E. Lynch, Dr. F. H. Reuling, Howard H. Rath and Robert A. Young, Jr. The bank would open in 1969 when the Crossroads Center is completed.

**WILLIAMSBURG:** The board of directors of the Farmers Trust and Savings Bank recently named Dorothy M. McCarty assistant cashier.

## NEBRASKA NEWS

A complete report on the six



## Tom Cannon is emphatically Earnest

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group meetings of the Nebraska Bankers Association will be published, with pictures, in the November issue of *Northwestern Banker*. Malcolm Freeland, publisher, attended each of the meetings.

**MARTELL:** Alan Haugner has been named vice president of the Martell State Bank. He is a graduate of the University of Nebraska and has been associated with State Securities in Lincoln the past four years.

**OMAHA:** Mrs. M. M. Harvey, widow of the late Kenneth Harvey who was president of Douglas County Bank for many years, has been named chairman of the board of the bank. She continues as a senior vice president. Her son, Jack K. Harvey, was elected vice-chairman, and continues as executive vice president. Duane C. Chunka was named first vice president and comptroller. Charles A. Prai was elected assistant cashier. C. E. (Jack) Hogzett, a 25-year veteran in the field of loans and finance, has joined the staff as a vice president.

**SCHUYLER:** Remodeling of the exterior of the Schuyler State Bank is now underway. Plans call for the removal of the second story of the building and then covering the surface with marble. The present bank building was erected in 1885.

**MINNESOTA NEWS**

**ALBERT LEA:** Three local men have filed an application with the banking division of the Minnesota Commerce department for a state bank charter. The bank would be located in Albert Lea and known as the Skyline State Bank. Incorporators are W. H. Olson, Homer L. Blake and Gordon R. Quinlivan. Total capitalization of \$250,000 would be divided with \$150,000

in capital, and \$50,000 each in surplus and undivided profits.

**ASHBY:** David Redfield, Jr., began his new duties today as assistant cashier at the First State Bank. He was assistant cashier with Security State Bank, Kenyon, where he started banking in 1962.

**FULDA:** Herbert O. Lee has been elected assistant cashier at the Citizens State Bank. He was formerly assistant cashier of O'Connor Bros. State Bank at Renville.

**HOKAH:** Controlling interest in the Commercial State Bank has been sold to E. E. (Ray) Bentsdahl, effective November 1, according to C. S. Johnson, president. Mr. Bentsdahl, age 30, presently is vice president and cashier of Rushford State Bank in Rushford, Minn.

**MINNEAPOLIS:** DeWalt H. Ankeny, Jr., has joined the trust department of First National Bank as assistant vice president.

**MINNEAPOLIS:** L. K. Torgerson has been promoted from assistant corporate counsel to vice president and trust officer at National City Bank.

**ROCHESTER:** Willard Blumhardt has resigned as assistant vice president of Northwestern National Bank to become vice president of First National Bank of Winnetka, Ill.

**SOUTH DAKOTA NEWS**

**HUDSON:** F. Clarence Larson, 57, died in a Hawarden, Iowa, hospital recently following an illness of two months. He was a director of the State Bank of Hudson.

**WINNER:** Willard Lynch, 47, died October 6 from injuries suffered in an automobile accident which

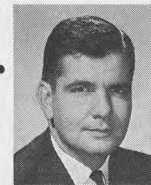
occurred east of Mission, S. D., on October 4. Burial was in Thedford, Nebr., October 9. Mr. Lynch was president of Farmers State Bank, Winner, and also a director of the Guardian State Bank, Alliance, Nebr.

**COLORADO NEWS**

Group meetings for the Colorado Bankers Association start today as follows: October 16--Grand Junction; 17th--Cortez; 18th--Alamosa; 19th--Colorado Springs; 23rd--Stratton; 24th--Fort Morgan; 25th--Greelley, and 26th--Denver.

**BULLETIN...**

**BURLINGTON, IA.:** E. A. Hayes, president, Burlington B&T, has announced that controlling stock in the bank has been transferred to Hawkeye Bancorporation, Red Oak, Ia., which was recently authorized as a holding company by federal authorities. Paul Dunlap, president, Houghton State Bank, Red Oak, and Myron Weil, president, First National, Clinton, are the principals in Hawkeye Bancorporation. Mr. Dunlap has an interest in six Iowa banks. Mr. Dunlap and Mr. Weil will become directors of Burlington B&T in the near future. Mr. Hayes and Don Bell, vice president of the Burlington B&T and president, New London State Bank, will continue as directors of the Burlington bank and will become directors of Hawkeye Bancorporation.



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### Small Banks...

(Continued from page one)

through the various management levels of the larger organization. The advantages of this ability to move rapidly in or out of the operational area is obvious.

The myth that there is no place for the small bank in the scheme of the future is well entrenched in our traditional line of reasoning which equates size with power and automatically imputes optimal efficiency to the result. Banking's markets are diverse in size and composition. It would appear that some markets may require only the small bank unit. Experience also suggests that even the larger markets have requirements which the smaller bank can most effectively serve.

The small bank can compete if its management is good - is dedicated - is motivated. The key to competitive ability is not necessarily a function of size. It lies more nearly in the ability and attitude of management. Capable management will see in the small bank a unique opportunity to develop, to adapt continually, to innovate and to grow in both profitability and in size. The small bank provides an outstanding training ground for "full service people." The opportunity to see the whole picture is much superior to that afforded in the larger institutions. The inter-relations between various activities is more readily apparent. The results are immediately and obviously associated with the actions from which they flow.

Capable management in the small bank truly must discipline itself to find time to manage. It must recognize that its success lies in getting things done through people. It must be capable of

sufficient disinvolvement from the day to day operations clearly to perceive the whole picture, both future and present. To accomplish this, the manager must learn to delegate authority and responsibility.

The management in the small bank must perform the true management function of planning and setting goals, establishing programs to achieve these objectives, motivating people to stretch themselves to accomplish, and finally directing and controlling results. Once we determine that we will manage, we quickly become aware that in our bank people lies the key to our success.

The small bank may in truth present either a dilemma or an opportunity. Which it becomes depends entirely on the attitude and the capacity of the management.

### Revise Rules On Stock Disclosure

Two banking agencies proposed a revised regulation that would require fuller disclosure of the ownership of bank stocks.

The Federal Reserve Board fixed November 6 as the deadline for receipt of comments on a proposal which would require disclosure of stock held by wife, minor children or relative who lives in the same home of every bank director, officer and principal stockholder.

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“ “ “ ”

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