

NORTHWESTERN Banker Newsletter

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Bank Directors' Responsibilities

Remarks — by John H. Davis, president, The Farmers Bank of Tifton, Tifton, Ga., before the 22nd Agricultural and Rural Affairs Conference of The American Bankers Association, Minneapolis, Minn.

To be chosen to serve as a bank director is an honor in ones community . . . but more than that, it is a responsibility. There is a moral responsibility a bank director assumes toward his fellow stockholders, the bank's depositors, and the general public who are affected by the soundness of the bank.

The first duty of a director is to familiarize himself with statutory responsibilities, state and federal. The executive officer of the bank should furnish each director with any available published information on how members of the bank's board can best serve the bank. The American Bankers Association has one, "A Bank Director's Job," which can be had for a nominal fee from the Washington office.

In his banking role, a bank director leads and is not led, and the officers are charged with carrying out the directors' policies. A director should know how the business of the bank should be conducted, appointing, dismissing and defining the duties of the executive officers. A director should be concerned with the paying of proper dividends, regular attendance of meetings, and the executive management should have a regular program or agenda to follow at all meetings.

Selling the service of the bank in his com-

munity will also be a responsibility of the director. In many banks various committees may be formulated by the chairman of the board to perform such duties as reviewing investment policies of the bank as well as other departments. These committees should be ever alert to the investment policies of executive management. It is necessary that the board have very tight internal control and, depending upon the size and management of the bank, an outside audit other than FDIC and State.

A bank director must function with common sense . . . he should have astute business ability and a personal interest in his bank. After all, the board is responsible for seeing that the bank it serves is manned by competent executive officers. The director should always be informed of the bank's condition and policy, and a good director will be present at all directors' meetings.

At the directors' meetings he will be attentive to the reports. He will review the internal audit of the bank, listen carefully to the minutes of the meeting to determine if they are correct. He will see that any loans which may be in trouble are discussed, the collateral reviewed, determining whether or not the possibility for collecting is good or if it is a doubtful loan. He will see that overdrafts are brought to the attention of the board, that the earnings of the bank are clearly outlined and compared each month with the expenses in a monthly audit report.

A good director can help the bank find new customers. He will learn of new in-



PICTURE OF THE WEEK — Minnesota Vikings Bobby Bryant, George Foreman, and Ed Marinaro answer questions on pro football as Paul Lindholm, v.p., hosts the Ninth Annual Management Conference and duck dinner for correspondents of Northwestern National Bank, Minneapolis.

dustries coming into the area. It is the duty of a director to determine if the bank is operating on reasonably conservative lines but not so conservatively as to keep the institution from keeping up with the times. It is his duty to determine whether or not a bank should establish branches in the area in which it is located or whether or not the installment loan department is functioning well from a standpoint of earnings. Every income-producing area of the bank should be reviewed periodically.

The director should leave the details of the operations of the bank to its officers. This does not relieve him of his legal or moral responsibility. It does not mean he would not keep himself fully informed as to how the board's policies are being carried out, how management is performing, and how the bank is doing. If, on the other hand, the officers are not capable of carrying out their policies and operating a profitable institution, they should be replaced.

One thing is clear — directors cannot operate the bank. Directors set policy, they

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IOWA NEWS

CORALVILLE: The State Banking Board has denied an application by uniBank & Trust to establish a bank office in Iowa City.

DES MOINES: The Iowa-Des Moines National Bank is sponsoring its 15th annual Iowa Business Trends Meeting and Luncheon today at the Hotel Fort Des Moines.

DUBUQUE: The Dubuque Bank & Trust has filed application requesting permission to establish bank offices in Sherrill and Key West.

LA PORTE CITY: The La Porte City State Bank will hold an open house at its new location on Highway 218 North from 5:30 to 6:30 on December 10.

MARSHALLTOWN: Ralph Wilson, president, Security Savings Bank, has been elected a director of the Iowa Independent Bankers.

SIOUX CITY: Gilbert C. Swanson, Jr., who recently became the major stockholder of the First National Bank, has been added to its board of directors. Gilbert R. Gadzikowski was appointed to the board and elected vice chairman. Joe T. Grant has been promoted from president to chairman of the board, and Richard C. Taylor from executive vice president to president.

NEBRASKA NEWS

LINCOLN: An order of approval has been issued to the Havelock Bank for permission to establish a detached auxiliary tellers office at the northeast corner of 70th and Adams Street.

McCOOK: The First National Bank has begun construction of new banking quarters.

ILLINOIS NEWS

BENSENVILLE: An application for a permit to organize the First Security Bank of Bensenville has been filed. Total capitalization would be \$1 million, consisting of \$400,000 in capital, \$400,000 in surplus and \$200,000 in reserve. Applicants include: James J. DiOrio, Bensenville; Anton P. Mourek, Riverside; Thomas O. Myers, Jr., William T. Giova and Juanita B. Scheppach, all of Elmhurst; Claude W. Youker, Jr., Wheaton, and Vernon S. Hoesch, Naperville.

CHICAGO: William E. Ellingson has joined Harris Trust & Savings Bank as vice president and division administrator of the newly formed systems research division.

CHICAGO: Joseph G. Lutz, recently retired regional administrator of national banks for the Seventh Bank Region of the Federal Reserve System, has joined Central National Bank as a vice chairman.

CHICAGO: The Chicago chapter of American Institute of Banking will sponsor a two-day seminar on "Commercial Banking and the Small Business Administration." It will be held on Wednesday, Dec. 12, and Wednesday, Jan. 23 at the Hyatt Regency O'Hare, River Road and Kennedy Expressway.



Christy Armstrong



Leo Kane



Bob Scott

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CRESTWOOD: Two groups of applicants have filed applications for permits to organize banks here. One application is for the Crestwood Bank and Trust Company at 13740 South Cicero. Total capitalization would be \$1 million. Applicants include George J. Paetow, Edward J. Puschak and James E. Smetana, Palos Park; Marvin A. Siensa, Palos Heights, and George Salerno, Elmwood Park.

The other application is for Crestwood Bank at 13500 South Cicero. Total capitalization would be \$1,500,000. Applicants are Jack L. Hargrove, Palos Heights; Joseph Lyng, Orland Park; Theodore H. Krengel and Sherman J. Rosen, Flossmoor; Gordon R. Skolaski, Oak Lawn and Vincent J. Biskupic, Naperville.


EFFINGHAM: An application by the Crossroads Bank for Federal deposit insurance has been approved. The bank has total capital accounts of \$1 million.

MOUNT PROSPECT: Charles V. Shostrom has been elected vice president, commercial loans of Mount Prospect State Bank.

MINNESOTA NEWS

MINNEAPOLIS: Northwestern National Bank has promoted Owen C. Bergtold and Edward B. White, Jr., to vice presidents.

MINNEAPOLIS: H. Brewster Atwater, Jr., executive vice president, General Mills, Inc., has been elected to the board of direc-




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FIRST NATIONAL LINCOLN

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tors of Northwest Bancorporation. Myron C. Carlson has been elected vice president, trust administration. He comes to Banco after 33 years experience in the trust department of Northwestern National Bank of Minneapolis.

ST. PAUL: Two promotions have been announced by John A. Ritt, president, Midway National Bank. Oliver K. Walkingstick has been appointed an installment loan officer and Dale R. Anderson has been appointed credit department manager.

ST. PAUL: Commercial State Bank has named Simon Hellerman cashier and Venantia Critton vice president in charge of the mortgage loan department. Wilfred Lethert has been promoted from assistant cashier to assistant vice president.

SOUTH DAKOTA NEWS

RAPID CITY: James E. Barry has been named senior vice president of the United National Bank and regional office administrator of the bank's western South Dakota offices.

WYOMING NEWS

LARAMIE: The Security Bank and Trust Company has announced the following promotions: Darrell Satterfield to vice president and cashier; Lew Elliott to vice president and Frank Jones to assistant vice president.

RESPONSIBILITIES . . .

(Continued from Page 1)

can guide, they can build new accounts, offer new viewpoints and ideas, and can often save management from mistakes, but it is not practicable for directors to operate the bank . . . that is the role of management.

It would be well for a board to set up a director's retirement system since directors usually do not volunteer to withdraw upon reaching the age of 65 to 70. To the question, "When is a director too old?" there is no simple answer. Chronological age, physical age, mental age — they can all differ. But in checking various banks, I find that the age of 70 is about the time that most directors receive honorary or retirement status and some are retired completely from the board.

It is important to a board that some policy is followed. A percentage of young men added to a board brings vitality in new ideas and experiences, new procedures and practices. It affords an opportunity to bring young men in from varied fields. A sound policy retains the wisdom and experience of older men as emeritus directors who can attend in a consultative capacity.

An active bank director who assumes the legal and moral responsibilities of the job should be paid a regular monthly director's

fee according to the earnings of the bank.

What are the qualifications of a good bank director? From my viewpoint, selecting a bank director means selecting a member of the community who is involved with the business, civic, cultural and religious life of his community. A board needs "hard-nosed" business men — aggressive and enterprising in the business arena. It also needs men with a more humanitarian side to their personality who are involved with everyday affairs of people in all walks of life, because a bank isn't just "big business" — it's also "little people". A good director should be capable in his chosen profession or business, some may be farmers, doctors, merchants, lawyers. His experience should cover a broad and varied field and should be drawn from all the area from which the bank draws its business.

Regardless of what else a bank director does or does not do, he can hardly perform a director's job to its fullest capacity without a variety of information about his bank.



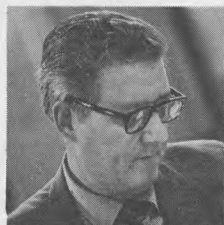
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COLORADO NEWS

ARVADA: L. I. Paulson has been appointed president of the Northwest State Bank. The newly chartered bank is scheduled for opening in its permanent quarters at 80th and Wadsworth early next year. Mr. Paulson recently was senior vice president of the United Bank of Lakewood.

DENVER: The United Bank of Denver will host a seminar for representatives from its correspondent banks on Tuesday, Jan. 15, to discuss current economic and legislative issues facing banks in the Rocky Mountain region. The seminar will begin at noon at the Cosmopolitan Hotel. It will be held in conjunction with the bank's annual Stockmen's Breakfast and the National Western Stock Show.

ENGLEWOOD: United Banks of Colorado Inc. announced it has signed a letter of intent with principal stockholders of Republic National Bank of Englewood concerning acquisition of the issued and outstanding shares of the bank by United Banks. The acquisition, if approved by the Federal Reserve and the Internal Revenue Service, would be in exchange for United Banks stock, the two parties said.

WANT ADS

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WANTED

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BANK FOR SALE

First State Bank, Battle Creek, Iowa. To settle estate and Trust sale to be held 10 A.M., January 21, 1974, at Ida County Court House, Ida Grove, Iowa. For further information contact Sam S. Killinger, Vice President & Senior Trust Officer, Farmers Loan & Trust Co., P.O. Box 57, Sioux City, Iowa 51101, phone 712/255-7926, or Dave Cray, Attorney at Law, Holstein, Iowa, phone 712/268-4552.

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POSITION AVAILABLE

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