

# NORTHWESTERN Banker Newsletter

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December 2, 1974

## Guidelines for Evaluating Bank Stocks

Should bank stocks be considered growth vehicles?

George L. Hacker, senior vice president and director of Blythe, Eastman Dillon & Co., Incorporated, addressed a meeting of the Association of Registered Bank Holding Companies in Chicago recently on this vital subject. Here are his comments:

"Bank stocks are equity securities and the general rules of analysis to determine growth stocks apply equally to bank stocks. Moreover, the concept of book value is secondary to earning power, and one should use the income statement rather than the balance sheet as a test of profitability and as the basis for forecasting prices.

"Also, a company's anticipated earnings greatly influence the market price."

Mr. Hacker explained that the concept of paying premium multiples for companies able to achieve above-average growth is not new to industrial securities. And those characteristics common to industrial securities commanding premium multiples are:

1. Dominate the market
2. Control over pricing

3. Readily understood concept of growth
4. Above-average earnings growth
5. Consistent earnings growth
6. Superior management
7. Minimal capital requirements

In applying these characteristics to bank stocks, Mr. Hacker says, "items 1 and 2 are most difficult for any bank to achieve. Given the nature of the banking business, the regulatory authorities prevent any one bank from dominating the industry. While a bank cannot be price dominant, in our opinion, there are price leaders developing as well as innovators."

He mentioned consistency of quarterly results as an important factor in the marketplace, for it reflects that the management knows how to control earnings.

"Those banks which are able to provide for future growth of equity through internally generated funds are very much at an advantage. This can be arrived at by obtaining a high return on assets and a concomitant lowering of the payout ratio."

He concluded that no bank can fulfill all of these requirements, but that those banks coming closest

will obtain the most institutional support and have the highest P/Es in the industry.

He emphasized the need of management to communicate problems to the investment community to indicate that they are aware of their problems and are keeping on top of them.

"Better information will have to be developed about the scheduled maturities of certificates of deposits, stability of categories of deposits at various stages of the economic cycle, and cash flow available from the asset structure.

"In this scenario, we believe the banks classified as market leaders will move with the industrial market stalwarts. Banks which are "fallen angels" or those trying to earn their wings may move up initially, but a waiting period will develop wherein the marketplace will take a 'show me' attitude."

### Comptroller Sends New Regulation to Register

Comptroller of the Currency James E. Smith recently sent to the Federal Register a new regulation, requiring every director or principal officer of a national bank to maintain at his bank a current  
(Turn to back page, please)

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### Iowa News

**CORNING:** Mr. and Mrs. Ivan Heaton, president, Bank of Brooks, observed their Golden Wedding Anniversary this past week.

**DECORAH:** Funeral services were held recently for Olaf J. Hanson, retired Decorah banker. Mr. Hanson retired in 1967 after having been associated with Security Trust and Savings for 30 years.

**DES MOINES:** Don Rainer, assistant vice president and ag rep for Bankers Trust Company, is recuperating at home following several weeks of hospital treatment for leg blood clots. He will be at home—920 Green St., Adel, Ia. 50003—for another two or three weeks.

**LAMONT:** Construction began recently on an addition to the Farmers State Bank.

**MAQUOKETA:** Peter Bezanson, president of the Jackson State Bank and Trust Co., has been named chairman. He succeeds Judge Arthur Janssen who resigned.

**WEST BRANCH:** The officers and directors of the West Branch State

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National Bank of Waterloo

Bank will hold an open house in their new banking quarters on Monday, Dec. 9, from 5:30 until 8 p.m., according to L. C. Rummells, bank president.

**WEBSTER CITY:** Mary Ellen Wilcox has joined the Farmers National Bank.

### Nebraska News

**BELLEVUE:** James P. Barker, a Bank of Bellevue employee since 1971, has been promoted to vice president of the loan department. He previously was assistant vice president, loan department.

**BRAINARD:** Open house was held November 30 by the Bank of Brainard in its newly remodeled quarters.

**EAGLE:** Formal open house will be held in the newly-chartered Eagle State Bank on December 6. The bank opened for business in early November.

**GRAND ISLAND:** The First National Bank has announced the promotion of Earl Merritt to manager of the Conestoga Mall Motor Bank.

**KEARNEY:** Harold Oldfather,

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chairman of the First National Bank, announces the election of Richard M. Fritz as president and director, effective January 1. Mr. Fritz currently is vice president-marketing at National Bank of Commerce, Lincoln. Previously, he held a similar position with Hawkeye Bancorporation, Des Moines-based, multi-bank holding company. First National, Kearney, is affiliated with National Bank of Commerce.

**OMAHA:** Donald J. Murphy, president of Northwestern National Bank, has announced the election of Edward A. Kohout, senior vice president, to the bank's board. Six other promotions were also announced: Paul A. Mauer, assistant vice president, promoted to vice president; John J. Krajicek, personal banking officer, to assistant vice president, and Mary B. Brown, trust operations officer, to assistant vice president and trust officer. New officers elected are Thomas O. Schirber, instalment banking officer; John R. Miller, personal banking officer and Carol Stump, operations officer. W. Beryle Lantz joined the bank as an agricultural representative.

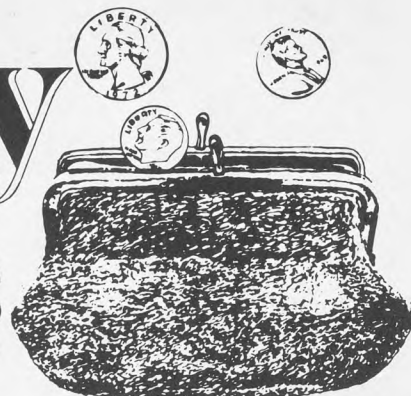
### Minnesota News

**AUSTIN:** William L. Weidner has been named vice president and director of the Sterling State Bank. He will also retain his present position as cashier of the bank. Mr. Weidner has been with the bank since November of 1970.

**MARSHALL:** Western State Bank has increased its capital stock from \$600,000 to \$900,000 by stock dividend.

**MINNEAPOLIS:** Adrian O. McLellan has been elected executive vice president and a director of First Bank System. Mr. McLellan will resign his post as president and trust officer of First National Bank in Great Falls, Mont., to assume his new responsibilities for administration of the 85 bank group. No

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successor at Great Falls has yet been named.

**MORRIS:** Citizens Bank has increased its capital stock from \$200,000 to \$250,000 by stock dividend.

**ST. PAUL:** Commercial State Bank has increased its capital stock from \$900,000 to \$1,002,000 by sale of new stock.

### Illinois News

**CHICAGO:** Samuel Wm. Sax, chairman and chief executive officer of Exchange National Bank, has announced the election of the following four bank officers: Thomas P. Marrazzo, vice president, department of the comptroller; Michael J. Mascheri, assistant vice president, loan review department; John J. Farrell, assistant cashier, department of the cashier, and John D. Hill, assistant cashier, executive department.

### North Dakota News

**BISMARCK:** The Industrial Commission has appointed John W. Fay, assistant vice president of the Bank of North Dakota, as acting head of the securities department of the bank. Mr. Fay joined the bank in January of 1972 and was in charge of the agriculture loan department.

**MOORHEAD:** Roger N. Tjosaas has been appointed assistant vice president in the instalment loan

department of the American State Bank. Timothy J. Powers has been named assistant cashier and instalment loan officer.

### South Dakota News

**ABERDEEN:** The following two promotions have been announced by C. P. (Buck) Moore, president of the First National Bank: L. Rick Kolkman, elected personal banking officer, and Michael E. Swanton, promoted to marketing officer.

**MITCHELL:** The Mitchell National Bank, by stockholder action, recently increased its common capital stock to \$1 million from \$400,000, by stock dividend. The surplus account also was increased to \$1 million. The bank also elected two men to new positions: Don Bowar, auditor, and John Patton, assistant cashier.

### Colorado News

**DENVER:** United Banks of Colorado, Inc., has announced that the names of two recently acquired banks have been changed. The former Broomfield Bank is now United Bank of Broomfield and the former First State Bank of Fountain in now United Bank of Fountain.

**DENVER:** W. Richard Scarlett has been elected president and chief executive officer of Cherry Creek National Bank, replacing Weldon B. Hamilton, who has become chairman. Munro L. Lyeth, who

  
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was chairman, has become honorary chairman.

**DENVER:** Wendy Dewitt Wim-bush has been appointed research and planning officer for Affiliated Bankshares of Colorado, Inc. Most recently Ms. Wim-bush was manager of marketing coordination with the Harris Bank in Chicago.

**DENVER:** Central Bank & Trust Co. has announced the election of two officers as executive vice presidents and the formation of a five-member executive manage-

.....  
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DROVERS  
MAN**

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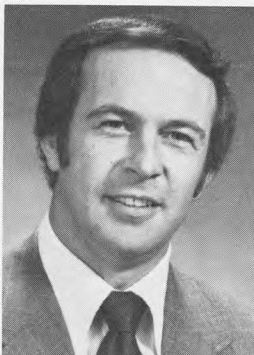
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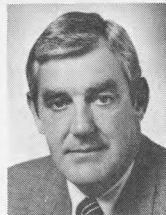
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ment committee for the bank. Named executive vice presidents are Joseph R. Lincoln, former senior vice president and resident counsel, and George G. Patterson, former vice president, human resources division. The two men join Don Hoffman, president; Max Brooks, chairman, and R. J. Nelson, executive vice president, to make up the executive management committee.

Comptroller.....  
(Continued from Page 1)  
written statement of the director's or officer's business interests outside the bank and of any relationships between those interests and the bank. These statements will be available for review by the Comptroller's national bank examiners and by the bank's directors, senior loan officers, auditors and attorneys.

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