

NORTHWESTERN Banker Newsletter

Vol. 9 No. 9

Des Moines, Iowa

June 23, 1980

Policy Supports Interstate Banking

THE Association of Bank Holding Companies is the first national banking trade association to adopt a policy in support of interstate banking. Meeting at the Conference Center in Williamsburg, Va., the member companies approved a new policy urging that bank holding companies be permitted to consolidate with other bank holding companies in contiguous states.

A bank holding company with more than \$500 million in assets would be limited to acquiring one bank holding company in each contiguous state during the first five years of the proposed law. All such consolidations would be subject to approval by the Federal Reserve Board and review by the Justice Department.

New Policy

The new policy reflects the reaction of member companies to the developments of recent years including the increased competition from foreign banks and non-depository financial institutions and the forthcoming report of the President's study of the McFadden Act and the Douglas Amendment to the Bank Holding Company Act.

The Association's members reaffirmed their support for a national policy to permit bank holding company acquisitions across state lines in the case of large failing banks and

bank holding companies.

In addition, the Congress was urged to consider the desirability of permitting bank holding companies to cross state lines to acquire thrift institutions in severe financial difficulty.

Finally, the Association recommends that the states utilize the present authority of the Bank Holding Company Act to establish reciprocal agreements permitting interstate bank holding company operations.

Profile

A profile of interstate banking was described by Frederick Deane Jr., chairman, Association of Bank Holding Companies. He commented:

"First of all, economic realities may well cause a sharp decline over the next decade in the absolute number of commercial banks and thrift institutions, and the number of 'bricks and mortar' offices. But interstate banking itself will not cause this decline; in fact, it will facilitate a more orderly consolidation and restructuring of the financial services industry.

"Because national public policy will not countenance widespread financial institution closings or failures, it will employ institutional restructuring in interstate banking as a method for integrating the weak

and the strong. With this perspective in mind, it is possible to sketch the outlines of tomorrow's 'playing field.'

"Banks will be able to operate in a natural trading area which is suitable to the size, operational capacity, managerial and professional abilities, and capital structure of each particular type bank. They will have the ability to extend a full range of credit and related financial services and the ability to purchase any type of funds. Within this broad market place, banks or regional bank holding companies must position themselves in a realistic manner so that they can carefully identify appropriate customer segments.

"How is this accomplished? It makes sense to utilize existing loan production offices or bank-related subsidiaries within a natural trading area to provide deposit and other funds acquisition services. A minimum of *de novo* activity may be needed, and some downstream mergers and consolidations with smaller commercial banks and thrifts (including finance companies). In addition, some mergers and consolidations may take place 'among equals,' probably in contiguous states.

"To round out its ability to provide a wide range of services to all sizes of customers, a regional banking organization will want to de-

INTERSTATE BANKING . . .

(Turn to page 4, please)

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ABA Plans China Trip

C. C. Hope Jr., president, and Willis Alexander, executive vice president of the American Bankers Association, and Norman Ross, senior vice president, First National Bank, Chicago, plan a trip to China August 4. The group will call on the Bank of China and other trade groups with the goal of promoting trade between America and China.

Iowa News

AKRON: The First National Bank here recently hosted an open house in their newly-remodeled facilities at 251 Reed St.

CLINTON: The First National Bank has received consent from the

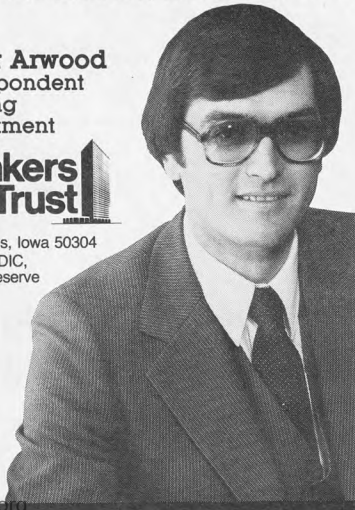
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regional administrator of national banks to open an office in the 1600 block of Lincolnway here.

COLFAX: The First National Bank recently hosted an open house in their new facilities. Featured were free bar-b-que pork sandwiches and beverages in the bank's parking lot.

JEFFERSON: Funeral services were held last week for Harlan Sterk, 44, president of the Jefferson State Bank. Mr. Sterk, who died of cancer, joined the bank in 1965 and was appointed president last December. He was a member of the board of Brenton Banks, Inc.

KALONA: Farmers Savings Bank recently hosted a public open house in their newly-remodeled facilities. The event was preceded by a special event for area bankers and principals in the construction, according to Jan M. Skola, president.

MARION: The First National Bank here has filed for permission from the regional administrator of national banks to open an office at Southgate and 33rd Avenue in Cedar Rapids.

SAC CITY: Daryl J. Stalzer will be joining the Citizens Savings Bank here as insurance agency manager on July 1. He is presently an insurance agent with the Farm Bureau in Marshalltown.

SPENCER: The Spencer National Bank has received consent from the administrator of national banks to open an office at 901 11th St. SW.

WAVERLY: Rodney Drenkow has joined the First National Bank of Waverly as trust officer. He was formerly associated with the Western State Bank in Sioux Falls, S.D., and recently completed his law degree and MBA degree at the University of Iowa.

Nebraska News

FAIRBURY: Funeral services were held recently in Fairbury for Ivan C. Riley, 80, a Nebraska banker for over 50 years. He joined the First National Bank here in 1938 and was elected president in 1940, serving in that capacity until retiring in 1972.

IMPERIAL: Roy D. Beckett has resigned as senior vice president of the Chase County Bank & Trust Co. to pursue business interests in Colorado. Chan Schwartz has joined the bank as assistant vice president. He

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was formerly with the Bank of the Panhandle in Guymon, Okla.

LINCOLN: The National Bank of Commerce has filed for permission from the regional administrator of national banks to open a CBCT unit at 17th and Court here.

OVERTON: Funeral services were held in Overton for longtime banker John L. Carter, 85. He had been associated with the Bank of Overton in Dawson County.

Minnesota News

DULUTH: Richard Gandrud was elected president of the Minnesota Bankers Association at the 90th annual convention here. He is president of the Pope County State Bank, Glenwood, and he succeeds Jim Gowan, vice president, First National Bank, St. Paul. Elected first vice president was Robert J. Welle, chairman, First National Bank, Bemidji. The new second vice president is John Ingebrand, president, Kanabec State Bank, Mora, and the new treasurer is Donald Sirek, president, State Bank of New Prague. An on-the-spot picture and news report of the convention will be featured in the July issue of the magazine.

WEST ST. PAUL: Signal Hills Associates, Inc. has received consent from the Federal Reserve Bank

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IN THE OPINION OF COUNSEL INTEREST ON THESE BONDS IS EXEMPT FROM ALL PRESENT FEDERAL INCOME TAXES AND ALL PROPERTY TAXATION IN THE STATE OF IOWA.

MATURITIES

| | | | | | | |
|-----------|------------------|-------|----|-----------|-------------------|-------|
| \$650,000 | December 1, 1981 | _____ | \$ | 925,000 | December 1, 1987 | _____ |
| 675,000 | December 1, 1982 | _____ | | 975,000 | December 1, 1988 | _____ |
| 725,000 | December 1, 1983 | _____ | | 1,050,000 | December 1, 1989 | _____ |
| 775,000 | December 1, 1984 | _____ | | 1,100,000 | December 1, 1990 | _____ |
| 825,000 | December 1, 1985 | _____ | | 1,175,000 | December 1, 1991* | _____ |
| 875,000 | December 1, 1986 | _____ | | 1,250,000 | December 1, 1992* | _____ |

*Optional in inverse order beginning December 1, 1990 at 100%.

**LEGALITY TO BE APPROVED BY AHLERS, COONEY, DORWEILER, HAYNIE & SMITH, ATTORNEYS,
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The Des Moines Water Works provides retail water service to the residents of Des Moines and some unincorporated areas surrounding the City. The Water Works also provides all of the water, on a wholesale basis, to the Cities of Clive, Johnston, Norwalk, Pleasant Hill, Urbandale, Windsor Heights, and Cumming, as well as two rural water districts and several benefited water districts. The Cities of Ankeny and West Des Moines are also served on an intermittent basis. The estimated population of the service area (270,000), equals about 10% of the State's population.

Des Moines is the capital of the State of Iowa and also the County seat of Polk County. Since its incorporation in 1851, it has served as the commercial, industrial, governmental and financial center for the State. Des Moines is the home of Drake University (enrollment 6,600) Grand View College (enrollment 1,200) and several other smaller colleges and business schools. Des Moines is an important insurance center with sixty home offices located in the City. The largest is Bankers Life Company with 2,500 employees. Also important is the printing and publishing industry; the largest employer in this category is Meredith Corporation with 2,920 employed in the printing of Better Homes and Gardens and other periodicals. Besides insurance and publishing, there are an estimated 400 factories in the area with combined sales in excess of \$500,000,000. Major industrial employers in the area include John Deere (farm equipment, 2,700 employees); Firestone Tire (tires, 2,950 employees); and Pioneer Hybrid Seed Co. (seeds, 1,700 employees). Large commercial employers located in Des Moines include Northwestern Bell Telephone (3,200 employees); Younkers Department Stores (2,000 employees); and Iowa Power & Light Co. (1,500 employees). In addition, it is estimated that the various levels of government provide employment to 17,500 people in the area. The population of Des Moines, according to the 1970 Census, was 201,404 and is presently estimated at 200,000. Des Moines is served by five airlines, six railroads and 67 truck lines. Interstate Highways No. 35 and 80 intersect in Des Moines. The area included within the City limits is approximately 65 square miles. There are twelve banks in Des Moines with total deposits in excess of \$1,770,000,000.

These bonds are being issued under the provisions of Chapter 384, Code of Iowa, 1979, as amended. The proceeds of this issue will be used to construct an intake in the Des Moines River (\$1,000,000); to construct a raw water pumping station (\$2,300,000); to construct a raw water transmission main (\$6,700,000); and to partially fund a debt service reserve fund (\$1,000,000). In the opinion of counsel, these bonds are legal and binding obligations of the Des Moines Water Works, Iowa, payable from the future net revenues of the water system. This issue represents the only bonded indebtedness of the Water Works. On May 20, 1980, the Board of Trustees authorized, by Resolution, a rate increase of approximately 30% to become effective January 1, 1981.

EARNINGS STATEMENT

| | <u>1979 Pro-forma*</u> | <u>1979 Actual</u> | <u>1978 Actual</u> | <u>1977 Actual</u> |
|----------------|------------------------|--------------------|---------------------|--------------------|
| Gross revenues | \$11,349,306 | \$8,795,009 | \$5,977,258 | \$6,075,565 |
| Expenses | 6,921,735 | 6,921,735 | 6,551,773 | 5,414,054 |
| Net revenues | <u>\$ 4,427,571</u> | <u>\$1,873,274</u> | <u>(\$ 574,515)</u> | <u>\$ 661,510</u> |

*As if 1981 rates had been in effect.

COVERAGES

(Based on 1979 pro forma net revenues)

| | | | |
|---------------------------------|-------------|---------------------------------|-------------|
| Average principal and interest | \$1,329,688 | Maximum principal and interest | \$1,337,500 |
| Coverage of average requirement | 3.33 x | Coverage of maximum requirement | 3.31 x |

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of Minneapolis to become a bank holding company by acquiring the Signal Hills State Bank here.

Illinois News

The Senate Finance and Credit Regulations Committee in Springfield recently defeated HB 1299. The bill which would have allowed multi-bank holding companies and a third banking facility was defeated by a vote of 7-4. The Illinois Bankers Association has opposed the provisions in this bill since its introduction into the House in March, 1979.

DANVILLE: The First National Bank of Danville has received consent from the administrator of na-

tional banks to open a facility at 901 N. Gilbert St.

HOFFMAN ESTATES: An application for a charter for the new First National Bank of Hoffman Estates has been approved by the Comptroller of the Currency. The bank's agent is Arthur Raphael.

Montana News

MISSOULA: George Henry, senior vice president, State Bank & Trust Co., Dillon, is in St. Patricks Hospital here following a stroke. Mr. Henry was formerly vice president and head of the correspondent department at First National Bank, Minneapolis.

SIDNEY: William A. McIntosh has been appointed vice president and cashier of 1st United Bank of Sidney. Most recently he owned a drive-in business and worked as a financial investigator for the Department of Institutions in Billings. He was previously associated with the Sidney National Bank.

Colorado News

AURORA: Buckingham Square National Bank here has received consent from the administrator of national banks to change its name to the First National Bank of Aurora.

DENVER: Boulevard Colorado National Bank has received consent from the administrator of national banks to open a CBCT unit at Leetsdale Drive and Monaco Avenue here.

North Dakota News

FARGO: Marjorie Klug has been elected vice president in charge of personnel and corporate investments at the First National Bank of Fargo. Pat Sandvik and Connie Pederson have been appointed instalment loan officers, and Margaret Williams was named a collection officer.

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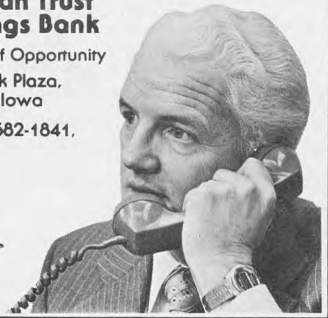
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Wyoming News

New officers of the Wyoming Bankers Association for 1980-81, elected at the 72nd annual convention at Jackson Lake Lodge June 12, are: President—George E. Cooke, director, American National Bank Powell; 1st Vice Pres.—Al E. Bradbury, president, First National Bank, Evanston, and 2nd Vice Pres.—Buzz Wassenberg, president, State Bank of Big Piney. Also, M. Clare Mundell continues as executive director with headquarters in Laramie. A full report with pictures will appear in the July magazine.

CHEYENNE: Robert T. Noel has been named president and chief executive officer of the First Wyoming Bank, N.A.-Downtown Cheyenne. Most recently he was executive vice president of Wyoming Bancorporation where he was involved in new bank activities and served as administrative officer.

CHEYENNE: Joseph Kasper Jr. has been appointed senior vice president of lending at the First Wyoming Bank, N.A.-East Cheyenne. He had been serving in various capacities at the First Wyoming Bank-Downtown.

POWELL: Organizers of the proposed First Wyoming Bank, N.A.-

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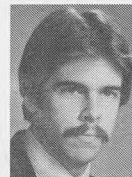
Jim McLaughlin
Asst. Vice President
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John Henderson
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Powell have filed for a national bank charter from the Comptroller of the Currency. The proposed bank, which would be capitalized at \$1 million, is being organized by five men who are officers of Wyoming Bancorporation.

INTERSTATE BANKING . . .

(Continued from front page)

velop and maintain a presence in certain markets outside its natural trading area, such as New York, Chicago, San Francisco or Atlanta. Finally, since foreign banks are at our doorstep, we must operate overseas and be on their doorstep.

Types

"Exactly which types of institutions will be involved in interstate banking? The full-service players will include traditional depository institutions, foreign banks, 'near banks' like Sears, Merrill Lynch and Beneficial Finance, and some unexpected intruders such as AT&T, IBM and RCA which will become involved in financial services through fee-based information communications.

"Some of these 'financial super-markets' will result from mergers between commercial banks and thrifts. A handful of banking organizations will become truly national banks—Chase, Citibank, Bank of America and a few others.

"Lastly, this scenario does not preclude a continuing and very successful role for smaller financial institutions. There may not be as many independent ones as there are today, but the well-managed and aggressive smaller institutions will adopt on a smaller scale strategies similar to those being pursued by the regional holding companies."

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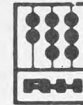
EVP—Must have solid experience and be able to run a small bank. Should have experience in commercial and ag. \$28,000

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EVP—Minnesota bank. Must have BA degree with 5+ years experience. Ideal background will have both commercial and ag lending. \$32,000

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