

NORTHWESTERN Banker Newsletter

Vol. 9 No. 18

Des Moines, Iowa

August 25, 1980

Competing in World of Tomorrow

"PREPARING Your Bank for the Future" was the subject of an address made recently by William M. Isaac of the Federal Deposit Insurance Corporation.

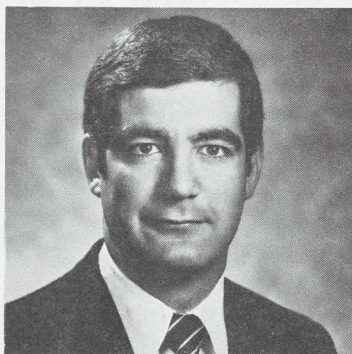
Mr. Isaac suggested five points bank executives should consider to better prepare their banks to compete in the world of tomorrow. They are:

A. Define Your Business. First, I believe that one of the most significant responsibilities of the board of directors and top management of each bank is to define the business of the institution—its mission, its purpose, its goals. In defining your bank's business it is important to look not only at your current customers and services, but also at how they will likely evolve in the years ahead. You must decide not only the kind of bank you are, but also the kind of bank you are going to be.

The process of defining your bank's business requires strategic and long-range planning. Key existing and potential markets must be identified, and strategies and products for penetrating those markets must be developed. Should you concentrate on a segment of the market or offer a full range of services? Should you expand your geographic market? If so, should it be accomplished by *de novo* growth or by

acquisition? Are your offices suitable and well located? Do you have too many branches or too few? Do you have the requisite technological resources? These are the kinds of questions that must be addressed.

B. Evaluate and Develop Managerial Resources. A second major responsibility is to evaluate and develop your bank's managerial resources. Good, strong management



WILLIAM M. ISAAC

is the key to any bank's future. A well-managed bank, no matter what its size, will be able to succeed in any future environment. A poorly-managed bank, whether large or small, will be severely tested in the years ahead.

Does your bank have the team of managers and experts necessary to meet the long-range goals you have established? If not, what steps do

you need to take to attract them? Does your bank have a plan for management succession and an effective program for management training? Has your bank established a realistic compensation program, and does the program contain well-designed incentives for senior management?

One of your bank's most valuable assets should be its board of directors. A strong board has a good proportion of entrepreneurs—people who have experience in managing successful businesses. An effective board is independent and challenges management's assumptions and conclusions. The best friend—and the best protection—that management can have is a strong and interested board that helps formulate policies and goals and participates in strategic decisions. Such a board helps management avoid serious mistakes and is more likely to share responsibility for the mistakes that will inevitably be made.

C. Adopt and Require Adherence to Sound Operating Policies. A third suggestion is that top management, in conjunction with the board of directors, adopt and require adherence to sound operating policies. While a bank's customer base may shift over time, and there may be variation in the array of services offered, the basic principles of banking do not change. Adoption of internal policies to guide the bank



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A 'BANKS OF IOWA' BANK

2 through fluctuations in the economic cycle is an important step that can be easily overlooked. Misplaced lending emphasis, inattention to liquidity, pursuit of growth at the expense of profit margins, and failure to provide adequate capital to support the bank's business are examples of liberties occasionally taken by banks. During good times, there is a temptation to bend the basic principles of sound banking without an assessment of the potential effects of materially adverse changes in the business climate. The bank's policies and business plans should be formulated with a clear sense of the downside risks.

D. Improve Accounting, Control, Information and Disclosure Systems. Fourth, as your bank grows in size and complexity, it will become increasingly important to improve its accounting system; its audit, credit review, and other control systems; its management information system; and its financial disclosure system. The accounting system should inform management what a service costs and how it must be priced to earn a profit. Good credit review and audit systems become essential as the bank grows and begins to lose intimacy with its customers and employees. The management information system should provide a means for top management and the board of directors to evaluate key personnel and business activities, to monitor credit ex-

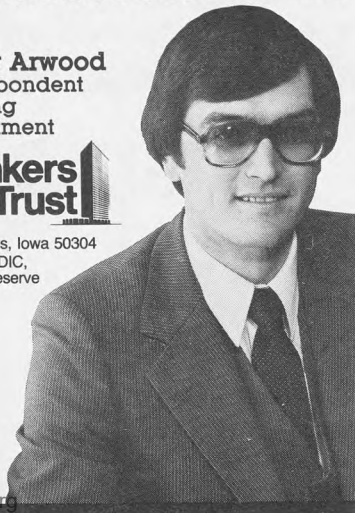
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posures and asset and liability maturities, and to control interest-rate sensitivity. Development of an accurate and complete financial disclosure system is necessary if the bank expects to turn to money or capital markets to sustain its growth.

E. Control Costs. My final suggestion relates to expense control. In an intensely competitive environment, the ability to identify and control costs could be the difference between success and failure. Control of personnel and other operating expenses is becoming one of management's most important and difficult assignments. Success in this critical area requires good information, discipline and determination. □

Fed OKs Correspondent Pass-Through of Reserves

The Federal Reserve Board has approved guidelines, effective October 30, that will permit non-Fed members to pass their required reserves through Fed member correspondent banks. The latter banks may commingle the funds of their correspondents who wish to use this service, unless they are from different Fed districts. In that case, funds for each district must be kept separate. Apparently, the funds will pass-through the correspondent immediately, with no residual benefit to the correspondent.

No tiering will be allowed; i.e., the correspondent to whom the community bank entrusts the required reserves must send them directly to the Fed, not through another city correspondent up the line.

Responsibility at this time for the liability in the pass-through arrangement will rest with the correspondent.

Iowa News

CHARTER OAK: Two top officers of the Toy National Bank, Sioux City, have purchased the Farmers State Bank of Charter Oak. They are John Van Dyke, co-chairman, and Les Olson, president. The sale is subject to regulatory approval. The Charter Oak bank will continue to operate independently with the same personnel.

DANVILLE: Richard R. Reeder has joined the Danville State Savings Bank as vice president. Previously he was cashier at the West Branch State Bank for four years and served as an examiner with the

Iowa Banking Department for 13½ years.

DAVENPORT: Northwest Bank & Trust Company will sponsor a Compliance Workshop September 9 at Jumers Castle Lodge, Bettendorf, from 9 a.m. to 4:30 p.m. for all eastern Iowa and Illinois correspondent banks. Conducting the seminar will be William Keller, FDIC review examiner, and other personnel from the Omaha regional office. Reservations may be obtained by calling the bank collect at 319/388-2608.

DES MOINES: Central National Bank's new Drive-In Bank located at the corner of Fifth and Walnut opened for business August 18. It replaces the old Motor Bank at Fifth and Grand. A grand opening celebration is scheduled for August 29 from 10:30 a.m. to 1:30 p.m. featuring refreshments and prizes.

MAPLETON: An agreement to purchase the First State Bank of Mapleton by the Security National Corporation, Sioux City, has been announced by John R. Welch, First State president. The sale is subject to regulatory approval.

WINTERSET: Funeral services were held recently for Grover Willard Mease, 60, president of the Farmers & Merchants State Bank here.

Nebraska News

CENTRAL CITY: Gary W. Webster has been named president of The Farmers National Bank of Central City. Mr. Webster succeeds Terry L. Trueblood who has assumed the presidency of the Farmers State Bank & Trust Co. of Lexington.

HEMINGFORD: The Bank of Hemingford held an open house in their new banking facility on August 15.

LINCOLN: First National Lincoln will hold its annual Correspondent Conference September 12-13 at the Lincoln Hilton Hotel, according to Gary L. Bieck, vice president and manager of the correspondent bank division. Featured will be panel discussions, one covering agribusiness today, and an appearance by Tom Osborne, University of Nebraska head football coach.

LINCOLN: South Ridge Bancshares, Inc. has received consent from the Federal Reserve Bank of Kansas City to become the bank holding company for South Ridge



NEW ISSUE

SALE DATE: August 21, 1980

MOODY'S: Aa
S & P: AA

\$18,000,000
STATE BOARD OF REGENTS OF THE STATE OF IOWA

(State University of Iowa) Hospital and Clinics
Hospital Revenue Bonds, Series 1980

Dated: September 1, 1980

Denomination: \$5,000

Both principal and semiannual interest (March 1 and September 1, first coupon due on March 1, 1981) payable at the Office of the Treasurer of the State University of Iowa, Iowa City, Iowa, or Continental Illinois National Bank & Trust Co., Chicago, Illinois.

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

MATURITIES

	<u>9.00%</u>			<u>8.00%</u>	
\$1,000,000	September 1, 1983	5.90	\$1,000,000	September 1, 1993	8.00
1,000,000	September 1, 1984	6.10		<u>8.50%</u>	
	<u>7.75%</u>		1,000,000	September 1, 1994*	8.25
1,000,000	September 1, 1985	6.30	1,000,000	September 1, 1995*	8.50
1,000,000	September 1, 1986	6.50		<u>8.90%</u>	
1,000,000	September 1, 1987	6.70	1,000,000	September 1, 1996*	8.70
1,000,000	September 1, 1988	6.90	1,000,000	September 1, 1997*	8.90
1,000,000	September 1, 1989	7.10		<u>9.00%</u>	
1,000,000	September 1, 1990	7.30	1,000,000	September 1, 1998*	9.00
1,000,000	September 1, 1991	7.50	1,000,000	September 1, 1999*	9.00
1,000,000	September 1, 1992	7.75		<u>8.00%</u>	
			1,000,000	September 1, 2000*	9.20

*Bonds maturing on and after September 1, 1994, are callable at 104% if called on or before August 31, 1994; 103% if called thereafter and on or before August 31, 1995; 102% if called thereafter and on or before August 31, 1996; and 101% if called thereafter.

LEGALITY TO BE APPROVED BY CHAPMAN & CUTLER, ATTORNEYS, CHICAGO, ILLINOIS

The State University of Iowa is located in Iowa City in the east central part of the State. The University pioneered the development of a university based medical center in the midwest. At present, it has the nation's largest university-owned teaching hospital with 1,092 beds. The University of Iowa Hospitals and Clinics serve as the primary clinical training base for the full range of health science education programs. There are no other publicly owned health science schools in the State of Iowa.

The gross income received by the hospital system at the State University of Iowa, including the proceeds of rates, fees and charges for services rendered by said hospitals, clinics, laboratories, and ancillary facilities, but excluding the proceeds of rates, fees and charges for professional services rendered by the participants of the University of Iowa College of Medicine Medical Service Plan and also excluding state appropriations to the University or the University Hospital, shall be credited upon receipt to the Hospital Revenue Fund.

These bonds are being issued pursuant to Chapter 263A of the Code of Iowa which authorizes the State Board of Regents to issue its revenue bonds to make designated improvements to the system of hospitals, medical service clinics, medical service laboratories and ancillary facilities all at the State University of Iowa at Iowa City. In the opinion of counsel, these bonds are payable solely from the gross income and funds received by the hospital system at the State University of Iowa excluding state appropriations to the University or the University Hospital.

INCOME STATEMENT

Years Ended June 30

	<u>1980</u>	<u>1979</u>	<u>1978</u>
Total Operating Revenue	\$105,391,342	\$89,937,697	\$73,907,495
Total Operating Expenses	86,947,267	77,883,139	67,683,013
Depreciation & Int. Expenses	5,872,015	4,863,589	3,571,274
Net Operating Revenue	\$ 12,572,060	\$ 7,190,969	\$ 2,653,208

COVERAGES

(Based on Year Ended June 30, 1980)

Gross Revenue vs. Debt Service, Times Covered = 21.80 x
Net Revenue vs. Debt Service, Times Covered = 4.95 x

We own and offer subject to prior sale and change in price and subject to our attorney's approving opinion:

The information contained herein is not guaranteed, but is derived from sources we deem reliable and is that on which our purchase of these bonds are based. Bonds of a particular maturity may or may not still be available or may now be available at a price or yield different from that indicated above.

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Bank. The bank has deposits of \$7.3 million.

NORFOLK: The DeLay First National Bank & Trust Co. has increased its capital \$900,000 by a stock dividend. The surplus account was increased by \$800,000 through a transfer from undivided profits. Capital and surplus as of July 1, 1980, totaled \$3.6 million. B. M. DeLay, president, reports that the bank is celebrating its 50th anniversary through 1980.

Minnesota News

BEMIDJI: Northern National Bank of Bemidji has received consent from the Comptroller of the Currency to establish an office at U.S. Highway 2 West and Ridgeway Avenue here.

DARFUR: Darfur Bancshares, Inc. has received consent from the Federal Reserve Bank of Minneapolis to become a bank holding company by acquiring the State Bank of Darfur.

MINNEAPOLIS: J. Bruce Jacobson will join Central Northwestern Bank of Minneapolis as senior vice president of the lending division effective September 1. He is currently senior vice president of the First National Bank of Fargo, N.D.

MINNEAPOLIS: Phillip D. Klone has joined Northwestern National Bank of Minneapolis as senior vice president and manager of the bank's new central operations department. Formerly he was senior vice president of operations at the Equitable Trust Company of Baltimore, Md.

MINNEAPOLIS: Riverside Com-

munity Bank has received consent from the state commissioner of banks to locate a detached banking facility near 48th Street and Chicago Avenue in south Minneapolis. This will be the bank's third facility.

Illinois News

ELGIN: The Republic National Bank of Elgin has received charter approval from the Comptroller of the Currency. Agent for the new bank is Thomas B. Hart and the move represents a corporate reorganization.

NEWTON: First National Bancshares in Newton, Inc. has received consent from the Federal Reserve Board to become a bank holding company by acquiring the First National Bank in Newton.

North Dakota News

The North Dakota Chapter of the Society for Range Management will sponsor an Ag Lenders Range Management Camp September 3-5 at Medora. The NDBA ag committee has been involved with the program planning for this session and encourages attendance by North Dakota bankers.

South Dakota News

Group Meetings of the South Dakota Bankers Association will be held in the coming weeks as follows:

Group 5—September 8, Dave's Turgeon Club, Central City. Hotel: Best Western Motor Inn, Deadwood.

Group 4—September 9, Citizens

Bank, Mobridge. Hotel: Wrangler Motor Inn, Mobridge.

Group 2—September 10, Holiday Inn, Watertown (meeting and hotel).

Group 3—September 11, Holiday Inn, Mitchell (meeting and hotel).

Group 1—September 12, Westward Ho Country Club, Sioux Falls. Hotel: Downtown Holiday Inn, Sioux Falls.

Featured will be an economic conditions workshop, seminar on utilizing your bank's human resources, federal and state banking legislative update, group business sessions and evening entertainment.

HAYTI: Al Heggelund, president of the Hamlin County Bank here, has announced his retirement from active participation in the bank's business. Denny Jensen, cashier, and Van Heggelund, assistant cashier, have been named vice presidents. Arlene Tarum, assistant cashier, has been named cashier.

Montana News

GREAT FALLS: Victor A. Weible will retire as vice president and business development officer of the First Bank Great Falls on August 29 following a 34-year career. He joined the bank in 1946 as a teller.

Wyoming News

LANDER: The newly-organized Yellowstone State Bank here has been cleared for membership in the Federal Reserve System. Orval Little, president, reports that the bank should be open for business in a temporary facility by mid-September. Principals in the new bank include Mr. Little, John Pappas and John Vidakovich.

TORRINGTON: An application by the North Platte Corporation here to acquire an additional 8.6% of Wyoming Bancorporation, Cheyenne, has been denied by the Federal Reserve Board. North Platte, headed by Roy Dinsdale, currently holds 4.6% of the stock in Wyoming Bancorp. If permission had been granted for the new request, North Platte would have owned 13.2% of the holding company and would have been the largest single shareholder.

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POSITION AVAILABLE

Ag Lending Officer, with 5 to 10 years experience and ag degree (or farm background), wanted by central Illinois bank. Vice president position with real potential for advancement.

Trust Officer needed for \$16 million central Illinois bank.

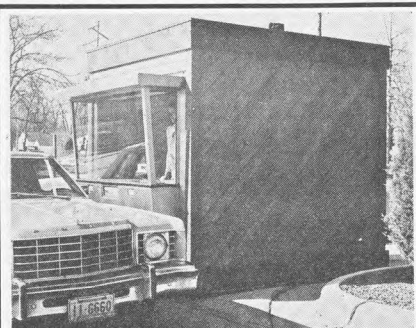
Second Man Position in Iowa community bank. Salary \$25,000 to start. Must have ag lending experience and general operations knowledge.

Auditor, with CPA or bank auditor degree, wanted by \$45 million Iowa bank.

Write or call Malcolm Freeland, Freeland Financial Service, Inc., 306 Fifteenth Street, Des Moines, Iowa 50309. Phone (515)244-8163. Employer pays fee. (PA)

Immediate opening for a CEO in a \$10 million south-western Minnesota rural bank. Primarily ag lending. Ag lending and operations experience essential. Insurance licenses an added extra but not essential as agency is competently managed now. Send resume and salary requirements to file KBW, c/o Northwestern Banker. All replies strictly confidential. (PA)

Immediate opening for a second position officer in a \$13 million south-central Minnesota rural bank. Must have strong ag lending background with good knowledge of all bank lending and operations. Send resume and salary requirements by September 15 to M. W. Smith, Peoples State Bank, Wells, MN 56097. (PA)



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CEO in midwest community bank seeks new opportunity. Proven track record and top references. Prefer growing bank under \$30 million. Investment optional.

Instalment Loan Officers with varying degrees of experience and locations. Salary requirements from \$18,000 to \$25,000.

Trust Officer in \$100 million bank wants new position where he can use 20 solid years of management experience.

Operations Officers with excellent experience will relocate in upper midwest.

Ag Lending Officers available from \$18,000 to \$25,000.

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NCR 775 proof machine; 12 pockets. Maintenance will transfer. \$10,900.

Burroughs TR-102 electronic teller machines; 2-3 years old. Upgradable to on-line. Guaranteed. \$995 each.

NCR 152-70 teller machines. Completely reconditioned. Guaranteed; 15 days free trial. \$695 each.

NCR 490 desktop check encoders. Full-field. Guaranteed. \$795 each.

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Burroughs T-100 encoders. Excellent condition. Call (512) 250-0795. (FS)

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PARTIAL LIST OF AVAILABLE POSITIONS

LENDING—Rural Iowa bank. Handle installment loans and collections. Also some ag lending. Must be able to work on own. \$15,000.

VP—Be responsible for entire loan portfolio of small ag bank. Must know lending regulations. Lending is the key to this spot; other bank experience a plus. \$16,000.

OPERATIONS—South Dakota bank needs operations officer. Supervise bookkeepers and tellers. Will handle all reports. \$17,000.

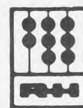
OPERATIONS—Assistant to operations officer in large Iowa bank. Must have operations experience, be aggressive and prospect-oriented. Will supervise 15. \$23,000.

EVP—#2 position in Minnesota bank. Lending is commercial with some ag. Must have experience in all areas. Equity potential for right person. \$28,000.

TRUST OFFICER—Iowa bank is establishing new department. Must be experienced in trust area and be able to set up a department. \$26,000.

AG LENDER—Real opportunity for person with 2+ years experience. Will do all ag lending for eastern Iowa bank. Bank wants person that can make decisions and operate on own initiative. \$22,000.

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POSITIONS AVAILABLE

CEO—Suburban Iowa bank. Positions requires previous administrative experience, degree and solid commercial loan background. \$45,000

AGRI LOAN—Second position in ag department of \$85MM bank. Degree desired and three to four years lending experience. \$20,000

OPERATIONS—\$30MM suburban bank with progressive management team seeks results oriented operations officer for senior position. \$25,000

CASHIER—Rural bank within 10 miles of larger community. Position is second position with duties including ag and installment loans. \$20,000

PRESIDENT—Retail oriented Rocky Mountain bank. Must have strong administrative skills and ability to handle "work out" loans. \$30,000

EXECUTIVE VICE PRES.—\$50MM bank in excellent rural area. Degree and five to seven years of solid ag lending experience. \$35,000

SECOND OFFICER—Excellent opportunity with small holding company affiliate in Rocky Mountain state. Prefer commercial and installment loan background. \$20,000

OPERATIONS—Rural bank situated in northwestern Missouri. Position requires some knowledge of lending practices. \$20,000

Many other fine opportunities available in midwestern states for experienced bankers. Salary history and resume requested.

TOM HAGAN & ASSOCIATES
OF KANSAS CITY

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