

# NORTHWESTERN Banker Newsletter

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January 5, 1987

## Minnesota Independents Oppose First Interstate Acquisition

MINNESOTA's reciprocal interstate acquisition law, enacted by the last state legislature and effective last July 1, is getting its first acquisition test by the Independent Bankers of Minnesota. When Marine Corp. of Milwaukee filed application with state commerce commissioner Michael Hatch to acquire Community State Bank of Bloomington, which has nearly \$200 million assets, IBOM challenged that acquisition, stating that Marine had not adhered to the new Minnesota law, which specifically requires an out-of-state purchaser to specify the net new funds it will bring into the state and the developmental loans it will make.

Norbert McCrady, executive vice president of IBOM said his organization is merely asking the commerce commission to require Marine to follow the new law. He said Marine is not answering those questions at this time, giving only generalized answers.

Mr. McCrady said it is important for IBOM and for the commerce commission to pursue the requirements of the new law with this first application as a precedent-setting action. "If they get by with slipping under the tent," he said, "everyone else will expect to do so and rightfully so." He feels outsiders taking

advantage of the new law should be expected to perform as socially responsible as Minnesota banks have been known to do for decades.

Mr. Hatch agreed, indicating guidelines would be needed, and that the first application sets an important precedent for those that may follow.

Mr. Hatch extended the comment period to January 21 and indicated he would schedule a hearing within 30 days of that date.

Mr. McCrady commented that "The Minnesota legislature promised this would result in net new funds and developmental loans, and until they show us they intend to act at least as well as our Minnesota banks then I think they should pack up their bags and go home."

## Moody's Downgrades Citicorp, Citibank Debt Ratings

Moody's Investors Service lowered the long-term ratings of Citicorp, its lead bank Citibank, N.A., and certain other subsidiaries on December 16. Among other changes, Citicorp's senior debt rating was lowered from Aal to Al and Citibank's senior debt rating was reduced from Aaa to Aal. The rating changes reflect Moody's concerns about Citibank's asset quality and

about Citicorp's capital adequacy and capital structure.

With respect to Citibank, Moody's expressed concern about the outlook for significant improvement in the bank's level of problem assets, which have remained high despite rising charge-offs. The rating agency also cited its expectation of continued pressure on Citibank's core profitability, which has suffered due to rising credit expense. Although the bank's reserve has been augmented substantially, it nonetheless remains low relative to the reserves of peers and to the bank's charge-offs, Moody's stated.

With respect to Citicorp, the rating reduction reflects both Moody's revised opinion with respect to Citibank and its concern about the holding company's double leverage—that is, the use of parent company debt to finance equity in its subsidiaries. Moody's said that Citicorp's double leverage, which is expected to remain at high levels, represents a significant risk element, especially in view of the company's modest consolidated capitalization, the complexity of its capital structure, and an apparent willingness on the part of federal banking regulators to sacrifice bank holding company interests in order to conserve capital at banking subsidiaries.

Moody's said it recognizes the significant progress Citicorp has made in building a substantial retail business base, which may offer more predictable returns and more stable

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funding—both important and beneficial steps. The progress that the corporation has made in building reserves and capitalization has also been beneficial, the rating agency noted. However, despite these positive steps, Moody's expects that Citicorp's performance measures will continue to be under pressure and that its reserves and capitalization will continue to lag the industry's.

Moody's lowered from Aaa to Aal the ratings on Citibank's senior debt and on long-term debt supported by its letters of credit. The bank's rating for long-term deposits was also reduced from Aaa to Aal. The ratings on Citicorp's senior debt and guaranteed senior debt were lowered from Aal to Al, subordinated debt

and guaranteed subordinated debt from Aa2 to A2, preferred stock from "aal" to "a2", and shelf registrations of senior debt from (P)Aal to (P)Al, subordinated debt from (P)Aa2 to (P)A2, and preferred stock from (P)"aal" to (P)"a2." Citicorp's Prime-1 rating for commercial paper was not under review, and Citibank's Prime-1 ratings for short-term deposits and for commercial paper programs supported by the bank were also not under review.

In connection with the above actions, Moody's lowered from Aal to Al the ratings of Citibank (New York State) N.A. and Citibank (South Dakota) N.A. for long-term deposits, in view of the units' close relationship with and partial dependence on their parent, Citicorp.

Citicorp, is the largest bank holding company in the United States and is based in New York City.

### Iowa News

The Iowa Bankers Association, for the first time, will hold a Consumer Credit School Mar. 22-27 at Drake University in Des Moines. The curriculum for the school has been developed in cooperation with the American Bankers Association, industry experts from throughout the country, ABA staff members with extensive educational background, the school advisory board and IBA staff members. Cost for the school is \$700, which includes room, meals, casebook and study materials. Contact the IBA for more information.

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Chairman of Group 11, Ed Johnstone, president of Keokuk Savings Bank and Trust Company, has announced that the 1987 Burlington Group Meeting is scheduled for Feb. 22-23 at the Holiday in Burlington. This date is *not* Washington's birthday holiday weekend. More information will be available later, but for

immediate information, contact Lisa Walsh at the Farmers and Merchants Bank and Trust in Burlington.

DUBUQUE: John K. Schmidt has been promoted to vice president, finance, at Dubuque Bank and Trust Company. He joined the bank in 1984 as auditor.

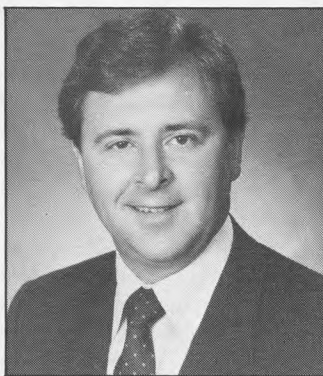
### Nebraska News

The Nebraska Bankers Association's 1987 Bank Director Forum will be held Jan. 13 at North Platte Stockman Inn; Jan. 14 at Columbus Holiday Inn, and Jan. 15 at Omaha Red Lion. Featured speakers include Robert D. Dye, senior vice president, Financial Shares Corporation, Chicago, Ill.; Charles H. Pfaff, field office supervisor, FDIC, Grand Island, and James E. Tracy, director, Omaha field office, Office of the Comptroller of the Currency. Registration fee is \$95 per registrant and will be accepted upon space availability. All senior management, presidents, CEOs and bank directors are encouraged to attend.

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"Sharing Today...Shaping Tomorrow..." is the theme of this year's NBA Bank Executive Conference, which will be held Feb. 11-15, 1987 at Marriott's Marco Beach Resort, Marco Island, Fla. Dr. John Sutherland, president, SRA Research and Strategic Planning, a subsidiary of Swanson Russell Associates, Lincoln, will present "Service Marketing-Making the Difference." Speaking on the bank and financial landscape for the 21st century will be Dr. Robert Mayer Evans, senior associate of The Naisbitt Group in Washington. Rick R. Sanders, senior vice president of Affiliated Midwest Bancs, Inc., Bellevue, will speak on "Financial Estate Planning for the Banker and Spouse." Gene Perret will entertain with "Laughing Matters." Registration fee for both bankers and spouses is \$330 per person. The conference registration form must be returned to the NBA office by Jan. 23, 1987.

LINCOLN: Jay D. Callahan has been promoted to vice president, municipal government bond division, and Charles Greenway to vice president, agricultural financial institutions division at FirstTier Bank Lincoln. Mr. Callahan joined the



Jerry Trudo

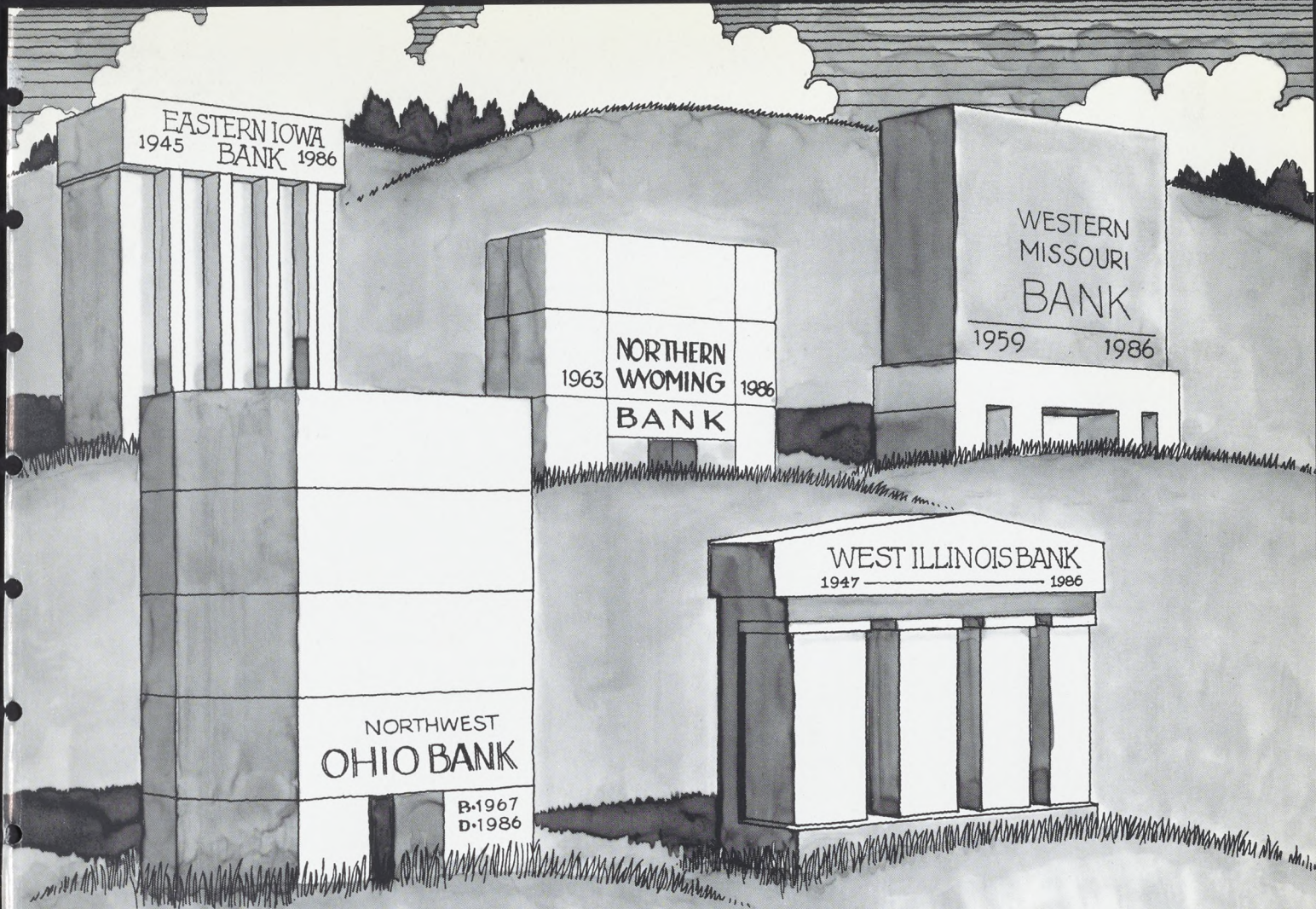
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bank in 1978, and Mr. Greenway joined the staff in 1974.

**STAMFORD:** Mark A. Mercer has been promoted from cashier to vice president at the Stamford Bank.

**WAUNETA:** An open house was held at the Wauneta Falls bank on Dec. 17 to honor J. Wiley Green, chairman, for his 50 years of service to the banking industry. Approximately 120 people attended the occasion.

**Minnesota News**

**ADAMS:** Robert D. Hanson has announced his retirement as president from The Farmers State Bank of Adams. He has been with the bank since 1967, serving as president since 1981. Succeeding him is Gordon Klaudt who has been with the bank since 1963, serving most recently as vice president-cashier. Roland Hoffert has been named as vice president-cashier. He was formerly president of American Bank, Danube, and most recently was a loan officer with Farm Credit Services in Elkhorn, Wis.

**Illinois News**

**CHICAGO:** Stephen S. Cole has been named president of MONEY STATION of Illinois, Inc., the newly consolidated automated teller network of MONEY NETWORK and CASH STATION. He most recently served as vice president and head of the electronic banking division of First National Bank of Chicago.

**Wisconsin News**

**KENOSHA:** Rudolph F. Scuglik has been elected president and chairman of the First National Bank of Kenosha, succeeding Knox D. Corrigan who retired Dec. 31, 1986. Mr. Corri-

gan joined the bank in 1966 and became president and chairman of the board in 1976. Mr. Scuglik most recently served as executive vice president of the bank.

**South Dakota News**

**ABERDEEN:** Norwest Bank South Dakota, N.A. has announced that Kenneth D. Loken has been appointed senior vice president in the bank's Aberdeen branch. He had been president of the Norwest Bank operation in Groton since 1986. He began his banking career at Norwest Bank Aberdeen in 1978.

**Colorado News**

**BOULDER:** Annette Taylor has been elected a vice president of Colorado National Bank—Boulder. She joined the bank in 1973 and is currently responsible for the bank's marketing and business development programs as well as its human resources department.

**DENVER:** United Bank has announced that Sally J. Kelly and Conrad W. Steller have been named vice presidents. Ms. Kelly, who joined the bank in 1965, manages the consumer bank's seniors and professional markets. Mr. Steller works in real estate banking. He joined the bank in June.

**DENVER:** The FDIC has approved the assumption of the deposit liabilities of Landmark National Bank, Denver, by OMNIBANK Leetsdale, a newly-chartered subsidiary of OMNIBANCORP, Denver. The failed bank's only office reopened Dec. 19, 1986, as OMNIBANK Leetsdale. Landmark National Bank, with total assets of \$10.7 million, was closed Dec. 18, 1986, by Robert J. Herrmann, senior deputy comptroller of the currency, and the FDIC

**NOTICE OF PUBLIC SALE BY SECURED PARTY**

Notice is hereby given that, by virtue of the default of ASCO, Inc. and the payment of certain indebtedness which exceeds \$1,193,000.00, 7,784 shares of common stock of Rock Rapids State Bank, Rock Rapids, Iowa ("Bank") (the "bank shares") will be sold by First National Bank in Sioux City ("Secured Party") at a public sale on January 21, 1987, at 10:00 A.M. at the offices of First National Bank in Sioux City, 5th and Pierce Streets, Sioux City, Iowa 51101, all subject to the provisions hereof. ASCO has stated that the bank shares represent all but 216 of the outstanding shares of Bank.

Any shares sold pursuant to this notice will be sold in a single block only to a single purchaser. The Secured Party reserves the right to bid and to become the purchaser at the sale and to credit against the purchase price any and all liabilities due it from ASCO. The Secured Party reserves the right to reject any bid and will not be obligated to make any sales pursuant to this notice.

The purchase (if other than the Secured Party) will be required to provide an investment letter stating that the bank shares are being acquired for the purchaser's own account and not with a view to resale or distribution. The purchaser must also establish to the satisfaction of the Secured Party that purchaser is knowledgeable and experienced in banking, business, and financial affairs and is capable of evaluating the merits and risk of its proposed purchase. Purchaser must comply with conditions or requirements which may be imposed by state or federal banking regulatory authorities.

This notice does not constitute an offer to sell or solicit an offer to buy the bank's shares in any state to any person to whom it is unlawful to make such offer to solicitation in such state.

There are additional terms and conditions of the sale. For a copy of such additional terms and conditions and information concerning Bank, please contact Gary W. Stevenson, Vice President, First National Bank in Sioux City, Iowa, (712) 277-0618 at the address stated above.

First National Bank in Sioux City  
5th and Pierce Streets  
Sioux City, Iowa 51101

was named receiver. OMNIBANK Leetsdale will assume about \$9.1 million in 1,600 deposit accounts and has agreed to pay the FDIC a purchase premium of \$37,500. It also will purchase certain of the failed bank's loans and other assets for \$7.2 million. The FDIC will advance \$3.1 million to the assuming bank and retain assets of the failed bank with a book value of about \$3.5 million.

**PUEBLO:** Kevin S. McCarthy has been elected a vice president of Colorado National Bank-Pueblo. He joined the bank in 1983 as a commercial loan officer.

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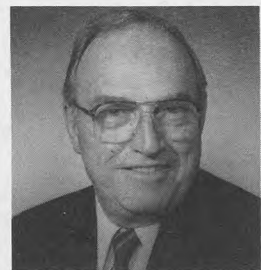
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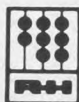
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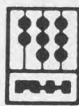
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- AG LOANS**—3-4 yr lender who has strong FHA loan knowledge for \$90m bk. \$27K.
- COMM'L LENDER**—Metro area bk has opening for strong comm'l lender w/credit anal skills. \$33K.
- VP**—Oppty for well-seasoned VP to supv 2 in both ag & comm'l w/5+ yrs exp. \$38K.
- CONSUMER LOAN DEPT**—200m+ bk in lrg SE city has opening for 7 yr consumer head w/proven mgmt to head \$30m dept. \$35K.
- AUDIT MGR**—Progressive bankers bk needs audit mgr to head up area. \$32K.
- JR COMM'L**—Light comm'l lender pos in \$50m bk in 300K+ community. \$28K.
- HEAD OF LENDING**—Run all lending in lrg 700m+ bk. Oversee comm'l, R/E, & retail. \$70K.
- BRANCH MGR**—Fast, growing S&L seeks mgr of prosperous br/supv 5 w/10m dept. S&L exp a must. \$26K.

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