



---

Comptroller of the Currency  
Administrator of National Banks

---

# 1977 ANNUAL REPORT

# Annual Report 1977

## Comptroller of the Currency



The Administrator of National Banks

**John G. Heimann**

Comptroller of the Currency

## Letter of Transmittal

---

Treasury Department,  
Office of the Comptroller of the Currency,  
Washington, D.C., November 30, 1978

Sirs: Pursuant to the provisions of Section 333 of the United States Revised Statutes, I am pleased to submit the 1977 *Annual Report of the Comptroller of the Currency*.

Respectfully,

John G. Heimann,  
*Comptroller of the Currency.*

The President of the Senate  
The Speaker of the House of Representatives





# Contents

<i>Title of Section</i>	<i>Page</i>
I. Condition of the National Banking System .....	1
II. Income and Expenses of National Banks .....	3
III. Structural Changes in the National Banking System .....	5
IV. Bank Examinations and Related Activities .....	15
V. Law Department .....	17
VI. Fiduciary Activities of National Banks .....	29
VII. International Banking and Finance .....	31
VIII. Administration .....	35
IX. Consumer Affairs .....	39
X. Other Activities .....	41
XI. Financial Operations of the Office of the Comptroller of the Currency .....	43
 <i>Appendices</i>	
A. Merger Decisions, 1977 .....	49
B. Statistical Tables .....	141
C. Addresses and Selected Congressional Testimony .....	205
 <i>Index</i> .....	 267

## Statistical Tables

<i>Table No.</i>	<i>Title</i>	<i>Page</i>
1	Assets, liabilities and capital accounts of national banks, 1976 and 1977 .....	2
2	Income and expenses of national banks, 1976 and 1977 .....	4
3	National banks and banking offices, by states, December 31, 1977 .....	6
4	Applications for national bank charters and charters issued, by states, calendar 1977 .....	7
5	Applications for national bank charters pursuant to corporate reorganizations and charters issued, by states, calendar 1977 .....	8
6	Applications for conversion to national bank charter and charters issued, by states, calendar 1977 ...	9
7	Branches of national banks, by states, calendar 1977 .....	10
8	CBCT branches of national banks, by states, calendar 1977 .....	11
9	<i>De novo</i> branch applications of national banks, by states, calendar 1977 .....	12
10	<i>De novo</i> branches of national banks opened for business, by community size and by size of bank, calendar 1977 .....	13
11	Mergers, calendar 1977 .....	13
12	Examinations of overseas branches, subsidiaries and EDP centers of national banks, 1972-1977 ...	33
13	Outstanding external currency claims of U.S. banks on foreign borrowers, December 31, 1977 .....	33
14	Office of the Comptroller of the Currency: balance sheets .....	44
15	Office of the Comptroller of the Currency: statements of revenue, expenses and Comptroller's equity ..	45
16	Office of the Comptroller of the Currency: statement of changes in financial position .....	46

# I. Condition of the National Banking System

National bank assets grew rapidly during 1977, increasing 11.7 percent, to more than \$651 billion. That growth reflects the continuing growth of the economy as a whole through the year. The rate of increase was the greatest since 1973, when assets increased 12.6 percent. The intervening year-end increases were 9.2 percent for 1974, 3.6 percent for 1975, and 7.3 percent, on an adjusted basis, for 1976.

Rapid growth in total assets was sparked by a resurgence in loan demand, which had been slow recovering from the severe recession which ended in early 1975. Increased loan demand is seen in the 13.6 percent increase in loans (net of reserves), to \$340.6 billion, during 1977 and in the steady rise of interest rates during the year. Although that \$41 billion increase in net loans accounted for more than 60 percent of the year's growth in total assets, the asset category showing the greatest rate of increase was customers' liability on acceptances outstanding, which jumped 33.6 percent. Acceptances are widely used in the financing of international trade.

During the previous 2 years, when loan demand was weak, national banks rapidly increased their holdings of securities, particularly issues of the U.S. Treasury, in an effort to maintain their earnings and improve their liquidity. In 1977, that trend was reversed, with total holdings of securities increasing only 1.7 percent, as compared to 8.4 percent in 1976 and 17.2 percent in 1975. As a result of that relatively slow growth, securities declined to 21.2 percent of total assets, from 23.3 percent the previous year. The change was more marked in investment holdings of U.S. Treasury issues. Such holdings actually declined 5.1 percent during 1977, after increasing 17.4 percent in 1976 and 63.3 percent in 1975. National banks, however, showed a greater willingness to invest in the tax-exempt issues of states and political subdivisions.

The rapid growth in national bank assets was made possible by a correspondingly rapid increase, 10.8 percent, in total deposits, which reached more than

\$520 billion. For the first time since 1969, demand deposits grew at a faster rate than time and savings deposits. Therefore, the proportion of time and savings deposits to total deposits declined slightly, from the 1976 peak of 59.9 percent to 59.3 percent at year-end 1977. That increase in banks' traditional deposit base was complemented by an even more rapid increase in purchased funds. A relatively small source of those funds, liabilities for borrowed money, increased 41.6 percent. That increase reflects the relatively favorable rates available on borrowings from the Federal Reserve Banks. Federal funds purchased and securities sold under agreements to repurchase also increased at the substantial rate of 14.8 percent, down sharply from the 35.8 percent increase experienced in 1976.

Total equity capital of national banks increased 8.9 percent during 1977, to \$45 billion. Despite that \$3.7 billion increase, approximately 85 percent of which came from retained earnings, the ratio of equity capital to total assets declined slightly, to 6.9 percent, from 1976's level of 7.1 percent. Similarly, the ratio of equity capital to risk assets, that is total assets less cash and investment holdings of U.S. Treasury and U.S. government agency issues, was 9.2 percent, down slightly from 9.4 percent the previous year. Reserves for possible loan losses increased 8.5 percent, to \$3.9 billion. Those reserves, which may be used to absorb loan losses, were equal to 1.1 percent of total loans.

In addition to the domestic assets and liabilities detailed in this section, 99 national banks operated foreign branches and subsidiaries, including Edge Act subsidiaries in the U.S., which held an additional \$145 billion in assets on a consolidated basis. Those assets and liabilities, which are detailed in Table B-30 in Appendix B, continued to increase at a substantially greater rate than those in the domestic National Banking System. During 1977, the increase was 20.2 percent, which followed an increase of 20.6 percent in 1976.

**Table 1**  
**Assets, liabilities and capital accounts of national banks, 1976 and 1977**  
(Dollar amounts in thousands)

	Dec. 31, 1976 4,737 banks		Dec. 31, 1977 4,655 banks		Change, 1976-1977	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
<b>Assets</b>						
Cash and due from banks	\$ 76,078,031	13.04	\$ 92,071,598	14.13	\$ 15,993,567	21.02
Total, investment securities	129,990,494	22.28	133,465,588	20.49	3,475,094	2.67
U.S. Treasury securities	52,612,836	9.02	49,922,441	7.66	-2,690,395	-5.11
Obligations of other U.S. government agencies and corporations	17,005,880	2.91	17,822,093	2.74	816,213	4.80
Obligations of states and political subdivisions	57,384,363	9.84	62,791,959	9.64	5,407,596	9.42
Other bonds, notes and debentures	2,987,415	.51	2,929,095	.45	-58,320	-1.95
Federal Reserve stock and corporate stock	967,304	.17	1,010,144	.15	42,840	4.43
Trading account securities	4,973,779	.85	3,813,999	.59	-1,159,780	-23.32
<i>Total securities</i>	135,931,577	23.30	138,289,731	21.23	2,358,154	1.73
Federal funds sold and securities purchased under agreements to resell	30,140,010	5.17	32,124,054	4.93	1,984,044	6.58
Total loans (excluding unearned income)	303,436,774	52.02	344,522,088	52.89	41,085,314	13.54
Reserve for possible loan losses	3,589,367	.62	3,895,860	.60	306,493	8.54
Loans, net of reserve	299,847,407	51.40	340,626,228	52.29	40,778,821	13.60
Direct lease financing	3,808,381	.65	4,406,264	.68	597,883	15.70
Bank premises, furniture and fixtures and other assets representing bank premises	9,879,953	1.69	10,797,941	1.66	917,988	9.29
Real estate owned other than bank premises	1,722,984	.30	1,821,489	.28	98,505	5.72
Investments in unconsolidated subsidiaries and associated companies	1,777,388	.31	2,249,034	.34	471,646	26.54
Customers' liability to this bank on acceptances outstanding	5,086,708	.87	6,796,548	1.04	1,709,840	33.61
Other assets	19,076,586	3.27	22,261,054	3.42	3,184,468	16.69
<i>Total assets</i>	583,349,025	100.00	651,443,941	100.00	68,094,916	11.67
<b>Liabilities</b>						
Demand deposits of individuals, partnerships and corporations	147,018,169	25.20	164,473,198	25.25	17,455,029	11.87
Time and savings deposits of individuals, partnerships and corporations	242,873,535	41.63	266,071,033	40.84	23,197,498	9.55
Deposits of U.S. government	2,126,653	.37	4,820,633	.74	2,693,980	126.68
Deposits of states and political subdivisions	38,088,306	6.53	41,964,341	6.44	3,876,035	10.18
Deposits of foreign governments and official institutions	5,917,740	1.01	5,587,928	.86	-329,812	-5.57
Deposits of commercial banks	27,332,987	4.69	30,612,999	4.70	3,280,012	12.00
Certified and officers' checks	6,051,345	1.04	6,713,892	1.03	662,547	10.95
<i>Total deposits</i>	469,408,735	80.47	520,244,024	79.86	50,835,289	10.83
Demand deposits	188,175,050	32.26	211,650,059	32.49	23,475,009	12.48
Time and savings deposits	281,233,685	48.21	308,593,965	47.37	27,360,280	9.73
Federal funds purchased and securities sold under agreements to repurchase	51,678,941	8.86	59,336,268	9.11	7,657,327	14.82
Liabilities for borrowed money	2,741,434	.47	3,882,171	.60	1,140,737	41.61
Mortgage indebtedness	406,112	.07	473,816	.07	67,704	16.67
Acceptances executed by or for account of this bank and outstanding	5,140,675	.88	6,848,094	1.05	1,707,419	33.21
Other liabilities	9,921,683	1.70	12,625,958	1.94	2,704,275	27.26
<i>Total liabilities</i>	539,297,580	92.45	603,410,331	92.63	64,112,751	11.89
Subordinated notes and debentures	2,726,628	.47	3,034,830	.46	308,202	11.30
<b>Equity Capital</b>						
Preferred stock	18,754	—	25,246	—	6,492	34.62
Common stock	9,106,275	1.56	9,551,745	1.47	445,470	4.89
Surplus	15,853,738	2.72	16,649,723	2.56	795,985	5.02
Undivided profits	15,271,833	2.62	17,733,303	2.72	2,461,470	16.12
Reserve for contingencies and other capital reserves	1,074,217	.18	1,038,763	.16	-35,454	-3.30
<i>Total equity capital</i>	41,324,817	7.08	44,998,780	6.91	3,673,963	8.89
<i>Total liabilities, subordinated notes and debentures and equity capital</i>	583,349,025	100.00	651,443,941	100.00	68,094,916	11.67

NOTE: Dashes indicate amounts less than 0.005 percent. Data reflect consolidation of all majority-owned bank premises, subsidiaries, and all significant domestic majority-owned subsidiaries, with the exception of Edge Act subsidiaries.

## II. Income and Expenses of National Banks

Total income and expenses of the National Banking System increased substantially during 1977, reflecting both the continuing increase in national bank assets and a steady rise in interest rates. The continued economic recovery was paralleled by an increase in national banks' net income of \$547.7 million, or 11.9 percent. That was the highest rate of increase for net income since 1973, and substantially exceeded last year's increase of 7.8 percent.

During 1977, total operating income increased just over 12 percent, to \$53.8 billion. That rate of increase was slightly less than that for consolidated foreign and domestic assets, which increased 13.1 percent from \$704.3 billion to \$796.9 billion. Total expenses increased 11.5 percent, totalling \$47 billion for the year. The faster growth of total operating income produced a \$915 million increase in income before taxes and securities gains. The 15.5 percent increase in net operating earnings was trimmed by a sharp increase in applicable income taxes of 23 percent, to \$1.8 billion. Also, gains on the sales of securities for the year netted only \$36 million, down considerably from the \$96 million figure for 1976. The rate of return on assets was 0.79 percent, unchanged from 1976.

Interest and fees on loans totalled \$35.4 billion in 1977, an increase of 14.2 percent compared to 1976. That increase roughly parallels the 15.3 percent increase during the year in loans at foreign and domestic offices. As a result, loan-related income rose to 65.9 percent of total operating income. The continuing growth in loan demand carried over to similar credit transactions as reflected in the rapid increase in income from direct lease financing, which jumped 31.6 percent, to \$538 million, and in income on Federal funds sold and securities purchased under agreements to resell, which increased 24.6 percent, to \$1.5 billion.

Investment securities holdings, which increased slowly during the year, accounted for 14.9 percent of total operating income. That continued the trend of decreasing reliance on income from securities which was interrupted in 1975, by the recession. Although holdings of U.S. Treasury securities actually decreased during 1977, income on those investments rose 3.9

percent; a result of the steadily rising discount rate on Treasury bills. Revenues from obligations of states and political subdivisions totalled \$2.9 billion, showing an increase of 4.6 percent over 1976 levels.

On the expense side, steadily rising interest rates during 1977 did not have an apparent effect on the cost of deposits. Total interest expense on deposits was \$23.1 billion, an increase of 10.7 percent over 1976. However, year-end 1977 total deposits in domestic and foreign offices of national banks were 12.2 percent higher than the previous December. That less than proportionate increase in expense is due, in part, to the unusual increase in demand deposits at domestic offices. Deposits in foreign offices, which equal just over 20 percent of total deposits, accounted for 30.8 percent of total interest expense for deposits.

Other interest expenses increased more rapidly. The cost of Federal funds purchased and securities sold under agreements to repurchase grew \$848 million, or 37.4 percent, during 1977. Also, the \$604 million paid in 1977 on borrowed money was 32.8 percent higher than the comparable figure for 1976. Total interest expense, including that on subordinated debt, equalled \$27 billion, which is 57.6 percent of total operating expenses.

Salaries and employee benefits increased by 10.6 percent. The proportion of total expenses that item represents declined slightly, to 20.2 percent. The most substantial improvement in expenses was the \$265 million decline in the provision for possible loan losses. That item, which increased sharply in 1975 as the result of loan problems arising from the recession, was maintained at a very high level during 1976. After the second full year of economic growth, there has been sufficient improvement in loans to allow for the reduction of that expense.

During 1977, national banks not only enjoyed a substantial growth in net income, but also, the trend toward retaining a larger portion of those earnings was continued. Cash dividends totalling \$1,994 million were paid during 1977. Those dividends equalled 38.8 percent of earnings. The comparable pay-out ratio was 39.7 percent in 1976 and 42.8 percent in 1975.

**Table 2**  
**Income and expenses of national banks, \* 1976 and 1977**  
(Dollar amounts in thousands)

	1976 4,737 banks		1977 4,655 banks		Change, 1976-1977	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
Operating income:						
Interest and fees on loans .....	\$ 31,031,046	64.62	\$ 35,446,288	65.90	\$ 4,415,242	14.23
Interest on balances with banks .....	2,946,656	6.14	3,243,048	6.03	296,392	10.06
Income on Federal funds sold and securities purchased under agreements to resell in domestic offices .....	1,229,182	2.56	1,532,133	2.85	302,951	24.65
Income on securities:	7,696,571	16.03	8,040,405	14.95	343,834	4.47
U.S. Treasury securities .....	3,193,274	6.65	3,319,382	6.17	126,108	3.95
Obligations of other U.S. government agencies and corporations .....	1,210,149	2.52	1,212,580	2.25	2,431	.20
Obligations of states and political subdivisions .....	2,801,076	5.83	2,929,628	5.45	128,552	4.59
Other bonds, notes and debentures .....	492,072	1.03	578,815	1.08	86,743	17.63
Dividends on stock .....	62,149	.13	61,291	.11	—858	—1.38
Income from direct lease financing .....	408,438	.85	537,633	1.00	129,195	31.63
Income from fiduciary activities .....	1,029,203	2.14	1,131,299	2.10	102,096	9.92
Service charges on deposit accounts in domestic offices .....	911,467	1.90	986,925	1.84	75,458	8.28
Other service charges, commissions, and fees .....	1,441,484	3.00	1,566,644	2.91	125,160	8.68
Other income .....	1,265,214	2.63	1,243,253	2.31	—21,961	—1.74
<b>Total operating income</b> .....	<b>48,021,410</b>	<b>100.00</b>	<b>53,788,919</b>	<b>100.00</b>	<b>5,767,509</b>	<b>12.01</b>
Operating expenses:						
Salaries and employee benefits .....	8,575,522	20.37	9,486,853	20.20	911,331	10.63
Interest on time certificates of deposit of \$100,000 or more issued by domestic offices .....	4,327,891	10.28	4,031,501	8.59	—296,390	—6.85
Interest on deposits in foreign offices .....	5,962,140	14.16	7,123,000	15.17	1,160,860	19.47
Interest on other deposits .....	10,595,809	25.17	11,956,920	25.46	1,361,111	12.85
Expense of Federal funds purchased and securities sold under agreements to repurchase in domestic offices .....	2,268,120	5.39	3,116,094	6.64	847,974	37.39
Interest on borrowed money .....	454,745	1.08	603,986	1.29	149,241	32.82
Interest on subordinated notes and debentures .....	179,190	.42	202,668	.43	23,478	13.10
Occupancy expense of bank premises, net .....	1,548,312	3.68	1,710,294	3.64	161,982	10.46
Furniture and equipment expense .....	1,015,489	2.41	1,140,820	2.43	125,331	12.34
Provision for possible loan losses (or actual net loan losses) .....	2,250,427	5.34	1,985,113	4.23	—265,314	—11.79
Other expenses .....	4,925,748	11.70	5,598,346	11.92	672,598	13.65
<b>Total operating expenses</b> .....	<b>42,103,393</b>	<b>100.00</b>	<b>46,955,595</b>	<b>100.00</b>	<b>4,852,202</b>	<b>11.52</b>
Income before income taxes and securities gains or losses .....	5,918,017		6,833,324		915,307	15.47
Applicable income taxes (domestic and foreign) .....	1,436,755		1,767,061		330,306	22.99
Income before securities gains or losses .....	4,481,262		5,066,263		585,001	13.05
Securities gains (losses), gross .....	168,493		52,456		—116,037	—68.87
Applicable income taxes (domestic and foreign) .....	72,596		16,000		—56,596	—77.96
Securities gains (losses), net .....	95,897		36,456		—59,441	—61.98
Income before extraordinary items .....	4,577,159		5,102,719		525,560	11.48
Extraordinary items, net of tax effect .....	13,891		36,029		22,138	159.37
<b>Net income</b> .....	<b>4,591,050</b>		<b>5,138,748</b>		<b>547,698</b>	<b>11.93</b>
Cash dividends declared:						
On common stock .....	1,820,000		1,993,176		173,176	9.52
On preferred stock .....	1,088		1,090		2	.18
<b>Total cash dividends declared</b> .....	<b>1,821,088</b>		<b>1,994,266</b>		<b>173,178</b>	<b>9.51</b>
Ratio to income before income taxes and securities gains or losses:						
Applicable income taxes .....		24.28		25.86		
Net securities gains .....		1.62		.53		
Extraordinary charges or credits .....		.23		.53		
Ratio to total operating income:						
Salaries and wages .....		17.86		17.64		
Interest on deposits .....		43.49		42.97		
All other operating expenses .....		26.33		26.69		
Total operating expenses .....		87.68		87.30		
Net income .....		9.56		9.55		

\*Includes all banks operating as national banks at year-end, and full year data for those state banks converting to national banks during the year.

# III. Structural Changes in the National Banking System

The National Banking System consisted of 4,655 banks at year-end 1977. Of that number, 2,183, or 46.9 percent operated 17,066 traditional branches. In addition to those 21,721 offices, banking services were provided at 527 customer-bank communications terminal (CBCT) locations.

During 1977, the number of banks operating with national charters declined by 82. It was the second consecutive year to show a decline in total number of national banks. There are several reasons for that trend. Two of the most important are the expense of Federal Reserve System membership and the liberalization of state branching laws. All national banks must be members of the Federal Reserve System, and that expense is inducing banks to convert out of the National Banking System as well as encouraging new banks to seek state rather than national charters. When states liberalize their branching laws, the result is often a decline in number of banks as existing banks merge to form branching systems.

The number of new national banks chartered declined for the fifth consecutive year. The total of 35 newly organized banks entering the system was the lowest since 1969, when only 16 new national banks were chartered. Texas, a large unit banking state, accounted for the most of any state, with 9 new banks and a total of 604 national banks in operation at year-end 1977. Illinois, also a large unit banking state, continued to be second in the number of operating national banks, with 423 at year-end.

Florida, which had been a unit banking state, moved to limited area branching in 1977. Because the McFadden Act permits national banks to branch only to the same extent as state banks are permitted by state law, the change in Florida's statute had a definite impact on national banks in that state. Although Florida was second in number of newly organized national banks, with four for the year, that increase was more than offset by a large number of mergers changing existing banks to branches. The result was a 14 percent decline for the year in national banks in operation; there were 263 national banks in Florida at year-end 1977.

The decline in new national banks chartered follows from a decrease of 29 percent in applications received and from an increase in the proportion of disapprovals.

Of the 78 applications concluded during 1977, almost 54 percent were rejected. That is the highest rejection rate in at least 10 years, and compares with 47 percent in 1976, 44 percent in 1975, 41 percent in 1974 and 33 percent in 1973.

The reduction in new banks starting operations under national charters is matched by a decline in existing banks switching to national charters. Only six state-chartered banks converted into the National Banking System in 1977. That is the lowest number since 1960, when there were also only six conversions to national status. The inflow from conversions was more than offset by the 44 national banks that chose to convert to state charters during 1977.

Although the number of national banks declined, national banking services were available at more locations because of the continuing growth of branch banking. During 1977, 608 *de novo* branches were opened by national banks. Florida led with 97 new branches, again the result of the changed branching statutes. Over the year, 342 branches left the system. With the 154 branches that entered the system through mergers and conversions, there was a net gain of 420 national bank branches during the year.

The *de novo* branches opened during the year were concentrated in smaller communities. Nearly 60 percent were opened in places with populations of less than 25,000 and only 19 percent were in cities with populations of over 100,000. Almost 55 percent of the new branches were established by banks with less than \$100 million in assets, compared to 44 percent in 1976. The largest national banks, those with \$1 billion or more in assets, accounted for 112, or about 18 percent of openings.

CBCT's have been used by banks for several years. However, a court ruling that those terminals are subject to the state limitations on locations made it necessary for the Office to set up certification procedures for such operations. 1977 was the first full year under those procedures, so the dramatic increase in number of CBCT branches in part represents the recognition of facilities that were in operation before the ruling. Only 12 CBCT's were certificated at the beginning of the year; however, 564 were certificated during the year. After 49 discontinued operations, 527 were left in operation at year-end 1977.

**Table 3**  
**National banks and banking offices, by states, December 31, 1977**

	National banks			Number of branches†	Number of offices†
	Total	Unit	With branches†		
All national banks .....	4,655	2,472	2,183	17,066	21,721
50 states .....	4,654	2,471	2,183	17,060	21,714
Alabama .....	97	35	62	317	414
Alaska .....	6	1	5	77	83
Arizona .....	3	1	2	308	311
Arkansas .....	72	17	55	169	241
California .....	58	14	44	2,741	2,799
Colorado .....	133	101	32	32	165
Connecticut .....	21	3	18	205	226
Delaware .....	5	2	3	4	9
District of Columbia .....	15	3	12	130	145
Florida .....	263	147	116	221	484
Georgia .....	64	14	50	322	386
Hawaii .....	2	0	2	11	13
Idaho .....	6	0	6	170	176
Illinois .....	423	297	126	145	568
Indiana .....	121	30	91	496	617
Iowa .....	99	50	49	88	187
Kansas .....	160	111	49	72	232
Kentucky .....	82	22	60	242	324
Louisiana .....	53	11	42	267	320
Maine .....	17	1	16	118	135
Maryland .....	36	6	30	338	374
Massachusetts .....	72	7	65	451	523
Michigan .....	123	17	106	835	958
Minnesota .....	204	175	29	37	241
Mississippi .....	36	2	34	233	269
Missouri .....	113	59	54	75	188
Montana .....	56	48	8	8	64
Nebraska .....	117	81	36	53	170
Nevada .....	4	1	3	82	86
New Hampshire .....	41	8	33	93	134
New Jersey .....	100	10	90	1,043	1,143
New Mexico .....	40	10	30	116	156
New York .....	127	32	95	1,505	1,632
North Carolina .....	28	6	22	801	829
North Dakota .....	43	21	22	26	69
Ohio .....	218	48	170	1,058	1,276
Oklahoma .....	193	135	58	58	251
Oregon .....	7	1	6	317	324
Pennsylvania .....	233	78	155	1,392	1,625
Rhode Island .....	5	0	5	115	120
South Carolina .....	19	5	14	307	326
South Dakota .....	32	18	14	80	112
Tennessee .....	73	8	65	358	431
Texas .....	604	596	8	8	612
Utah .....	12	7	5	107	119
Vermont .....	14	5	9	45	59
Virginia .....	103	11	92	687	790
Washington .....	21	3	18	586	607
West Virginia .....	106	83	23	23	129
Wisconsin .....	128	84	44	88	216
Wyoming .....	46	46	0	0	46
Puerto Rico .....	1	1	0	0	1
Virgin Islands .....	0	0	0	6	6
District of Columbia - all* .....	16	3	13	131	147

\*Includes national and non-national banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

†For the purposes of this table, CBCT's are not considered branches or offices. For information on those branches, see Table 8, on p. 11 of this report.



Table 4

*Applications for national bank charters\* and charters issued, by states, calendar 1977*

	<i>Received†</i>	<i>Approved</i>	<i>Disapproved</i>	<i>Withdrawn</i>	<i>Pending December 31, 1977</i>	<i>Chartered</i>
Total	120	34	42	2	42	35
Alabama . . .	5	0	1	0	4	0
Alaska . . . .	0	0	0	0	0	0
Arizona . . . .	0	0	0	0	0	0
Arkansas . . .	3	0	2	0	1	1
California . . . . .	6	0	2	0	4	2
Colorado . . . . .	4	4	0	0	0	1
Connecticut . . . . .	1	0	1	0	0	0
Delaware . . . . .	1	1	0	0	0	0
District of Columbia . .	2	1	1	0	0	0
Florida . . . . .	15	5	8	0	2	4
Georgia . . . . .	2	0	1	0	1	0
Hawaii . . . . .	1	1	0	0	0	0
Idaho . . . . .	0	0	0	0	0	0
Illinois . . . . .	1	0	0	0	1	3
Indiana . . . . .	1	0	1	0	0	1
Iowa . . . . .	0	0	0	0	0	0
Kansas . . . . .	0	0	0	0	0	0
Kentucky . . . . .	1	0	0	0	1	0
Louisiana . . . . .	4	1	0	0	3	0
Maine . . . . .	0	0	0	0	0	0
Maryland . . . . .	0	0	0	0	0	0
Massachusetts . . . . .	1	0	0	0	1	0
Michigan . . . . .	7	4	0	0	3	2
Minnesota . . . . .	0	0	0	0	0	1
Mississippi . . . . .	3	1	1	0	1	0
Missouri . . . . .	1	1	0	0	0	0
Montana . . . . .	0	0	0	0	0	0
Nebraska . . . . .	1	0	0	0	1	0
Nevada . . . . .	0	0	0	0	0	0
New Hampshire . . . . .	0	0	0	0	0	0
New Jersey . . . . .	0	0	0	0	0	2
New Mexico . . . . .	4	1	3	0	0	0
New York . . . . .	2	1	1	0	0	1
North Carolina . . . . .	0	0	0	0	0	0
North Dakota . . . . .	0	0	0	0	0	1
Ohio . . . . .	2	1	1	0	0	1
Oklahoma . . . . .	4	0	2	0	2	2
Oregon . . . . .	0	0	0	0	0	0
Pennsylvania . . . . .	0	0	0	0	0	0
Rhode Island . . . . .	0	0	0	0	0	0
South Carolina . . . . .	2	1	1	0	0	0
South Dakota . . . . .	1	0	0	0	1	0
Tennessee . . . . .	0	0	0	0	0	0
Texas . . . . .	35	11	11	1	12	9
Utah . . . . .	1	0	0	1	0	0
Vermont . . . . .	0	0	0	0	0	0
Virginia . . . . .	0	0	0	0	0	0
Washington . . . . .	1	0	0	0	1	1
West Virginia . . . . .	2	0	1	0	1	2
Wisconsin . . . . .	2	0	1	0	1	1
Wyoming . . . . .	2	0	1	0	1	0
Virgin Islands . . . . .	0	0	0	0	0	0
Puerto Rico . . . . .	2	0	2	0	0	0

\*Excludes conversions and corporate reorganizations.

†Includes 70 applications pending as of December 31, 1976.

Table 5

*Applications for national bank charters pursuant to corporate reorganizations and charters issued, by states, calendar 1977*

	Received*	Approved	Disapproved	Withdrawn	Pending December 31, 1977	Chartered
Total .....	31	23	0	0	8	25
Alabama .....	1	0	0	0	1	0
Alaska .....	0	0	0	0	0	0
Arizona .....	0	0	0	0	0	0
Arkansas .....	0	0	0	0	0	0
California .....	0	0	0	0	0	0
Colorado .....	0	0	0	0	0	0
Connecticut .....	0	0	0	0	0	0
Delaware .....	0	0	0	0	0	0
District of Columbia .....	0	0	0	0	0	0
Florida .....	0	0	0	0	0	0
Georgia .....	0	0	0	0	0	0
Hawaii .....	0	0	0	0	0	2
Idaho .....	0	0	0	0	0	0
Illinois .....	1	0	0	0	1	0
Indiana .....	0	0	0	0	0	1
Iowa .....	0	0	0	0	0	0
Kansas .....	0	0	0	0	0	0
Kentucky .....	0	0	0	0	0	0
Louisiana .....	0	0	0	0	0	0
Maine .....	0	0	0	0	0	0
Maryland .....	0	0	0	0	0	0
Massachusetts .....	2	1	0	0	1	1
Michigan .....	2	2	0	0	0	2
Minnesota .....	0	0	0	0	0	3
Mississippi .....	0	0	0	0	0	0
Missouri .....	0	0	0	0	0	0
Montana .....	0	0	0	0	0	0
Nebraska .....	0	0	0	0	0	0
Nevada .....	0	0	0	0	0	0
New Hampshire .....	0	0	0	0	0	0
New Jersey .....	0	0	0	0	0	0
New Mexico .....	0	0	0	0	0	0
New York .....	0	0	0	0	0	0
North Carolina .....	1	0	0	0	1	0
North Dakota .....	0	0	0	0	0	0
Ohio .....	8	8	0	0	0	6
Oklahoma .....	0	0	0	0	0	0
Oregon .....	0	0	0	0	0	0
Pennsylvania .....	0	0	0	0	0	0
Rhode Island .....	0	0	0	0	0	0
South Carolina .....	0	0	0	0	0	0
South Dakota .....	0	0	0	0	0	0
Tennessee .....	1	1	0	0	0	1
Texas .....	14	11	0	0	3	9
Utah .....	0	0	0	0	0	0
Vermont .....	0	0	0	0	0	0
Virginia .....	1	0	0	0	1	0
Washington .....	0	0	0	0	0	0
West Virginia .....	0	0	0	0	0	0
Wisconsin .....	0	0	0	0	0	0
Wyoming .....	0	0	0	0	0	0
Virgin Islands .....	0	0	0	0	0	0
Puerto Rico .....	0	0	0	0	0	0

\*Includes 1 application pending as of December 31, 1976.

Table 6

*Applications for conversion to national bank charter and charters issued, by states, calendar 1977*

	<i>Received*</i>	<i>Approved</i>	<i>Rejected</i>	<i>Withdrawn</i>	<i>Pending December 31, 1977</i>	<i>Chartered</i>
Total .....	13	6	1	0	6	6
Alabama .....	0	0	0	0	0	0
Alaska .....	0	0	0	0	0	0
Arizona .....	0	0	0	0	0	0
Arkansas .....	0	0	0	0	0	0
California .....	0	0	0	0	0	0
Colorado .....	0	0	0	0	0	0
Connecticut .....	0	0	0	0	0	0
Delaware .....	0	0	0	0	0	0
District of Columbia ..	0	0	0	0	0	0
Florida .....	2	0	1	0	1	0
Georgia .....	1	0	0	0	1	0
Hawaii .....	0	0	0	0	0	0
Idaho .....	1	1	0	0	0	1
Illinois .....	0	0	0	0	0	0
Indiana .....	0	0	0	0	0	0
Iowa .....	1	0	0	0	1	0
Kansas .....	0	0	0	0	0	0
Kentucky .....	0	0	0	0	0	0
Louisiana .....	0	0	0	0	0	0
Maine .....	0	0	0	0	0	0
Maryland .....	0	0	0	0	0	0
Massachusetts .....	0	0	0	0	0	0
Michigan .....	0	0	0	0	0	0
Minnesota .....	0	0	0	0	0	0
Mississippi .....	0	0	0	0	0	0
Missouri .....	0	0	0	0	0	0
Montana .....	0	0	0	0	0	0
Nebraska .....	0	0	0	0	0	0
Nevada .....	0	0	0	0	0	0
New Hampshire .....	0	0	0	0	0	0
New Jersey .....	1	0	0	0	1	0
New Mexico .....	2	2	0	0	0	2
New York .....	0	0	0	0	0	0
North Carolina .....	0	0	0	0	0	0
North Dakota .....	0	0	0	0	0	0
Ohio .....	0	0	0	0	0	0
Oklahoma .....	0	0	0	0	0	0
Oregon .....	0	0	0	0	0	0
Pennsylvania .....	0	0	0	0	0	0
Rhode Island .....	0	0	0	0	0	0
South Carolina .....	0	0	0	0	0	0
South Dakota .....	1	0	0	0	1	0
Tennessee .....	0	0	0	0	0	0
Texas .....	2	1	0	0	1	1
Utah .....	0	0	0	0	0	0
Vermont .....	0	0	0	0	0	0
Virginia .....	0	0	0	0	0	0
Washington .....	0	0	0	0	0	0
West Virginia .....	2	2	0	0	0	2
Wisconsin .....	0	0	0	0	0	0
Wyoming .....	0	0	0	0	0	0

\*Includes five applications pending from prior years.

Table 7

*Branches\* of national banks, by states, calendar 1977*

	<i>Branches in operation December 31, 1976</i>	<i>De novo branches opened for business Jan. 1 to Dec. 31, 1977</i>	<i>Branches acquired through merger or conversion Jan. 1 to Dec. 31, 1977</i>	<i>Existing branches discontinued or consolidated Jan. 1 to Dec. 31, 1977</i>	<i>Branches in operation December 31, 1977</i>
All national banks .....	16,646	608	154	342	17,066
50 states .....	16,640	608	154	342	17,060
Alabama .....	300	17	0	0	317
Alaska .....	73	6	0	2	77
Arizona .....	307	4	0	3	308
Arkansas .....	172	3	0	6	169
California .....	2,708	64	3	34	2,741
Colorado .....	25	7	0	0	32
Connecticut .....	262	0	0	57	205
Delaware .....	4	0	0	0	4
District of Columbia .....	128	3	0	1	130
Florida .....	66	97	61	3	221
Georgia .....	318	7	3	6	322
Hawaii .....	11	0	0	0	11
Idaho .....	167	1	2	0	170
Illinois .....	110	36	1	2	145
Indiana .....	483	18	0	5	496
Iowa .....	85	2	1	0	88
Kansas .....	70	4	0	2	72
Kentucky .....	228	15	0	1	242
Louisiana .....	254	16	0	3	267
Maine .....	117	2	0	1	118
Maryland .....	365	9	2	38	338
Massachusetts .....	506	7	0	62	451
Michigan .....	792	47	1	5	835
Minnesota .....	28	11	0	2	37
Mississippi .....	220	11	3	1	233
Missouri .....	69	7	0	1	75
Montana .....	7	1	0	0	8
Nebraska .....	52	1	0	0	53
Nevada .....	78	4	0	0	82
New Hampshire .....	89	6	0	2	93
New Jersey .....	1,012	25	18	12	1,043
New Mexico .....	115	1	0	0	116
New York .....	1,514	18	4	31	1,505
North Carolina .....	788	12	4	3	801
North Dakota .....	23	2	2	1	26
Ohio .....	1,018	36	5	1	1,058
Oklahoma .....	54	4	0	0	58
Oregon .....	310	9	0	2	317
Pennsylvania .....	1,369	29	8	14	1,392
Rhode Island .....	115	1	0	1	115
South Carolina .....	299	9	0	1	307
South Dakota .....	80	0	0	0	80
Tennessee .....	353	12	0	7	358
Texas .....	5	3	0	0	8
Utah .....	99	6	2	0	107
Vermont .....	47	2	0	4	45
Virginia .....	679	15	13	20	687
Washington .....	556	13	20	3	586
West Virginia .....	26	1	0	4	23
Wisconsin .....	84	4	1	1	88
Wyoming .....	0	0	0	0	0
Virgin Islands .....	6	0	0	0	6
District of Columbia - all† .....	129	3	0	1	131

\*Does not include CBCT or foreign branches. For those branches, see tables 8 and B-35.

†Includes national and non-national banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

Table 8

## CBCT branches\* of national banks, by states, calendar 1977

	Branches in operation December 31, 1976	De novo branches opened for business Jan. 1 to Dec. 31, 1977	Branches acquired through merger or conversion Jan. 1 to Dec. 31, 1977	Existing branches discontinued or consolidated Jan. 1 to Dec. 31, 1977	Branches in operation December 31, 1977
All national banks .....	12	564	0	49	527
Alabama .....	1	2	0	0	3
Alaska .....	0	2	0	0	2
Arizona .....	0	0	0	0	0
Arkansas .....	1	1	0	0	2
California .....	0	3	0	0	3
Colorado .....	0	0	0	0	0
Connecticut .....	0	0	0	0	0
Delaware .....	0	0	0	0	0
District of Columbia .....	1	0	0	0	1
Florida .....	0	31	0	1	30
Georgia .....	0	14	0	1	13
Hawaii .....	0	0	0	0	0
Idaho .....	0	1	0	0	1
Illinois .....	0	0	0	0	0
Indiana .....	0	1	0	0	1
Iowa .....	0	74	0	30	44
Kansas .....	0	30	0	0	30
Kentucky .....	0	2	0	0	2
Louisiana .....	0	3	0	0	3
Maine .....	0	0	0	0	0
Maryland .....	0	3	0	2	1
Massachusetts .....	0	1	0	0	1
Michigan .....	0	0	0	0	0
Minnesota .....	0	0	0	0	0
Mississippi .....	1	0	0	0	1
Missouri .....	0	0	0	0	0
Montana .....	0	0	0	0	0
Nebraska .....	0	73	0	0	73
Nevada .....	0	0	0	0	0
New Hampshire .....	0	0	0	0	0
New Jersey .....	1	2	0	0	3
New Mexico .....	0	0	0	0	0
New York .....	4	80	0	9	75
North Carolina .....	1	0	0	0	1
North Dakota .....	0	11	0	0	11
Ohio .....	0	13	0	0	13
Oklahoma .....	0	66	0	0	66
Oregon .....	0	8	0	0	8
Pennsylvania .....	0	1	0	0	1
Rhode Island .....	0	0	0	0	0
South Carolina .....	1	4	0	0	5
South Dakota .....	0	3	0	0	3
Tennessee .....	0	43	0	0	43
Texas .....	0	0	0	0	0
Utah .....	0	0	0	0	0
Vermont .....	0	0	0	0	0
Virginia .....	1	14	0	0	15
Washington .....	0	9	0	1	8
West Virginia .....	0	0	0	0	0
Wisconsin .....	0	69	0	5	64
Wyoming .....	0	0	0	0	0
District of Columbia - all† .....	1	0	0	0	1

\* Customer-Bank Communications Terminal branches.

† Includes national and non-national banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

Table 9

*De novo branch applications of national banks, by states, calendar 1977*

	<i>Received*</i>	<i>Approved</i>	<i>Rejected</i>	<i>Abandoned</i>	<i>Pending December 31, 1977</i>
Total .....	997	703	75	8	211
Alabama .....	30	25	1	0	4
Alaska .....	7	6	1	0	0
Arizona .....	19	16	2	0	1
Arkansas .....	16	12	0	1	3
California .....	86	69	1	0	16
Colorado .....	5	5	0	0	0
Connecticut .....	2	0	0	1	1
Delaware .....	1	1	0	0	0
District of Columbia .....	10	5	3	0	2
Florida .....	82	53	5	0	24
Georgia .....	13	9	0	0	4
Hawaii .....	0	0	0	0	0
Idaho .....	6	5	0	0	1
Illinois .....	64	55	0	1	8
Indiana .....	29	20	3	0	6
Iowa .....	7	5	0	0	2
Kansas .....	6	4	0	0	2
Kentucky .....	17	14	0	0	3
Louisiana .....	17	16	0	0	1
Maine .....	4	3	0	0	1
Maryland .....	19	10	0	1	8
Massachusetts .....	5	3	1	0	1
Michigan .....	131	45	49	1	36
Minnesota .....	58	42	2	0	14
Mississippi .....	20	20	0	0	0
Missouri .....	17	13	2	1	1
Montana .....	0	0	0	0	0
Nebraska .....	5	4	0	0	1
Nevada .....	8	5	0	0	3
New Hampshire .....	6	6	0	0	0
New Jersey .....	25	17	0	0	8
New Mexico .....	9	7	0	0	2
New York .....	18	14	0	0	4
North Carolina .....	21	15	0	1	5
North Dakota .....	2	2	0	0	0
Ohio .....	54	37	0	0	17
Oklahoma .....	13	5	0	0	8
Oregon .....	16	14	1	0	1
Pennsylvania .....	43	37	1	0	5
Rhode Island .....	1	1	0	0	0
South Carolina .....	16	5	1	0	10
South Dakota .....	3	3	0	0	0
Tennessee .....	19	18	1	0	0
Texas .....	13	11	0	0	2
Utah .....	8	5	0	1	2
Vermont .....	2	2	0	0	0
Virginia .....	16	14	1	0	1
Washington .....	13	12	0	0	1
West Virginia .....	4	4	0	0	0
Wisconsin .....	11	9	0	0	2
Wyoming .....	0	0	0	0	0

\*Includes 256 applications pending as of December 31, 1976.

Table 10

*De novo branches\* of national banks opened for business, by community size and by size of bank, calendar 1977*

<i>Population of cities</i>	<i>Branches</i>	<i>Total resources of banks (millions of dollars)</i>	<i>Branches</i>
Less than 5,000 .....	122	Less than 10.0 .....	40
5,000 to 24,999 .....	239	10.0 to 24.9 .....	77
25,000 to 49,999 .....	86	25.0 to 49.9 .....	92
50,000 to 99,999 .....	46	50.0 to 99.9 .....	125
100,000 to 249,999 .....	60	100.0 to 999.9 .....	162
250,000 to 499,999 .....	16	1,000.0 and over .....	112
500,000 to 1,000,000 .....	24	Total .....	608
Over 1,000,000 .....	15		
Total .....	608		

\*Does not include CBCT branches.

Table 11

*Mergers\*, calendar 1977*

	<i>Transactions involving two or more operating banks</i>	<i>Others pursuant to corporate reorganization</i>	<i>Total</i>
Applications received, 1977:			
Mergers .....	42	25	67
Consolidations .....	1	4	5
Purchases and Assumptions .....	24	0	24
Total received .....	67	29	96
Approvals issued, 1977:			
Mergers .....	44	23	67
Consolidations .....	0	4	4
Purchases and Assumptions .....	20	0	20
Total approvals .....	64	27	91
Denials issued, 1977:			
Mergers .....	0	0	0
Consolidations .....	0	0	0
Purchases and Assumptions .....	1	0	1
Total denials .....	1	0	1
Abandoned, 1977:			
Mergers .....	3	1	4
Consolidations .....	0	1	1
Purchases and Assumptions .....	1	0	1
Total abandoned .....	4	2	6
Consummated, 1977:			
Mergers .....	47	22	69
Consolidations .....	1	2	3
Purchases and Assumptions .....	22	0	22
Total consummated .....	70	24	94

\*Includes mergers, consolidations and purchases and assumptions where the resulting bank is a national bank.





## IV. Bank Examinations and Related Activities

By statute, all national banks are required to be examined twice in each calendar year. However, the Comptroller of the Currency, in the exercise of his discretion, may waive one such examination in each 2-year period, or may cause such examinations to be made more frequently, if considered necessary. The Code of the District of Columbia authorizes the Comptroller to examine each non-national bank and trust company located in the District.

For the year ended December 31, 1977, the Office examined 2,886 banks, 838 trust departments, 96 affiliates and subsidiaries and conducted 61 special examinations. The Office received 47 applications to establish new banks, processed 721 applications for *de novo* branches and 2 applications to convert state banks to national banking associations.

National bank examinations are designed to determine the condition and performance of banks, the

quality of their operations and the capacity of management and to enforce compliance with federal laws. At year-end 1977, the Office had fully implemented new examination policies and procedures which place greater emphasis on analysis and interpretation of financial data and less on detailed verification. Also, considerable reliance is placed on systems for internal control and work performed by internal and external auditors.

As of December 31, 1977, the Office employed 2,082 examiners, 1,939 commercial and 143 trust examiners.

A select group of examiners especially trained in computer operation and technology examine bank computer operations. This area of the examination function also has been updated to coincide with the new concepts employed by the Office in regular bank examination.



## V. Law Department

The Law Department advises the Comptroller of the Currency and his staff on legal matters arising in the administration of laws and regulations governing the National Banking System. Attorneys in the Law Department deal directly with the management of national banks, with bank attorneys and accountants and with the staffs of other government agencies and Congressional committees. The Department also participates in litigation involving the Office and exercises certain direct responsibility in enforcement and securities matters. Some of the Department's major activities are described below.

### Litigation

As of January 1, 1977, there were 56 lawsuits pending in the Litigation Division. During the year 27 new cases were filed and 28 cases were closed. As of December 31, 1977, 55 cases were pending.

Several significant cases were commenced or concluded during 1977. For only the second time since enactment of the Financial Institutions Supervisory Act in 1966, the Comptroller's authority to issue a temporary cease and desist order was challenged. In *First City National Bank of Jacksonville v. Heimann*, Civ. No. 77-729 (M.D. Fla.), the court denied a motion for a temporary restraining order to restrain the Comptroller's enforcement of the order. Two final cease and desist orders issued by the Comptroller after a hearing before an administrative law judge were also challenged. In *Groos National Bank of San Antonio, et al. v. United States, et al.*, No. 77-1398 (5th Cir.), the bank petitioned the court for review of the Comptroller's order. Oral argument in this case was scheduled for March 1978. In *First National Bank of Eden v. Department of the Treasury*, 568 F.2d 610 (8th Cir. 1978), the Eighth Circuit Court of Appeals, on a petition to review, upheld the Comptroller's order which, among other things, limited salaries paid to bank personnel and ordered the bank's president and vice president to reimburse the bank for bonuses paid to them in 1975. This is believed to be the first decision by a U.S. court of appeals on a petition to review a final order issued by a bank regulatory agency under the Financial Institutions Supervisory Act.

Two cases involving the sale of credit life insurance were filed or decided during 1977. In *First National*

*Bank of La Marque v. Smith*, 436 F. Supp. 824 (S.D. Tex. 1977), the court upheld informal directives from the Comptroller's Office instructing the banks to cease paying credit life insurance income to insiders. The court held that the income belonged to the bank, and that the Comptroller has not only the right but the obligation to bring cease and desist proceedings to halt bank insiders from taking the income for themselves. An appeal is now pending in the U.S. Court of Appeals for the Fifth Circuit. In another case, *IBAA v. Heimann*, Civ. No. 77-2189 (D. D.C.), the Independent Bankers Association of America sued to invalidate the Comptroller's regulation prohibiting payment of credit life insurance income to insiders of national banks. On December 29, 1977, the court denied the IBAA's motion for a temporary restraining order and preliminary injunction, and the regulation went into effect as scheduled on January 1, 1978. A hearing on the IBAA's motion for a permanent injunction will be held in 1978.

In the area of bank powers, the U.S. Court of Appeals for the Ninth Circuit in *M&M Leasing Corp. v. Smith*, 563 F.2d 1377 (9th Cir. 1977), upheld the Comptroller's conclusion that certain types of leasing are the functional equivalent of extensions of credit and are permissible for national banks. In *New York Stock Exchange v. Bloom*, 562 F.2d 736 (D.C. Cir. 1977), the circuit court of appeals reviewed a lower court decision which upheld an informal expression of opinion by the Comptroller that a bank automatic stock purchasing service does not violate the Glass-Steagall Act of 1933. On review, the court of appeals held that the Comptroller's opinions were not ripe for judicial review and ordered the lower court to dismiss the complaint. In *Association of Data Processing Service Organizations, Inc. v. Citibank, N.A. and Robert Bloom*, 77 Civ. 2574 (S.D. N.Y.), the complaint alleged that a national bank is selling excess capacity on its computers in violation of the National Bank Act.

In *Consumers Union of the United States, Inc. v. Robert Bloom*, Civ. No. 76-1529 (D. D.C.), the U.S. District Court for the District of Columbia rejected the argument that the disclosure policy of the Truth-in-Lending Act supercedes the exemption from disclosure accorded to bank examination reports in the Freedom of Information Act. The court held that the

Comptroller's reports of examination of national banks on the subject of consumer protection statutes need not be disclosed to the public.

In *National State Bank of Elizabeth v. Heimann*, Civ. No. 76-1479 (D. N.J.), a federal district court ruled that the Comptroller could not issue a charter to a new national bank which would exercise only trust powers. An appeal has been taken to the U.S. Court of Appeals for the Third Circuit.

*National Urban League, et al. v. Office of the Comptroller of the Currency*, Civ. No. 76-0718 (D. D.C.), a suit brought by 10 civil rights and other organizations contesting the enforcement of the fair housing laws by the federal financial institution regulatory agencies, was settled between the Comptroller's Office and the organizations on mutually satisfactory terms.

Finally, numerous cases have been brought as a result of the failure of national banks, including U.S. National Bank in San Diego and Franklin National Bank in New York. All of the federal district courts which have ruled to date have held that the examination and supervisory powers of the federal banking agencies are not intended for the specific benefit of the bank involved and do not result in an actionable duty to the bank or its shareholders on the part of the agencies.

## Enforcement

The number of formal administrative actions under the Financial Institutions Supervisory Act of 1966 in 1977, was nearly 50 percent greater than the 1976 total, with attention directed to matters ranging from violations of laws to questionable managerial practices. There were 55 administrative actions during the year; 30 of which dealt with insider transactions, seven with overdraft problems and six with possible abuse of correspondent accounts. In addition to their function of halting certain banking practices which the Comptroller's Office considers unsafe or unsound, most of the agreements and orders mandate positive action in areas such as budgeting for operating expenses, improving management competency, and developing or improving lending and investment policies. Particular attention has been paid to abuse of banks by insiders and controlling shareholders. Several cases have required further investigation by audit committees of the banks and follow-up on the findings.

As in previous years, the Law Department's enforcement staff participated in examinations leading to major white-collar crime referrals. In one case, the enforcement staff participated with other Washington and regional personnel when examiners uncovered substantial potential criminal activity on the part of a controlling stockholder. A temporary cease and desist order was issued immediately while the investigation proceeded. Four senior officials of the bank resigned during the examination. A permanent cease and desist order prohibited the controlling stockholder from operating or influencing the bank. Further examination uncovered possible links to organized crime and a potential multimillion dollar fraud involving international loans and currency. Numerous violations of banking laws and regulations were also discovered, and criminal referrals were made to the Treasury and the Justice

Departments. The Enforcement Division is continuing the coordination of that investigation with local, state and federal authorities.

In an effort to strengthen the OCC's ability to better identify factual situations that may constitute bank frauds and related white-collar crimes, a special training session was conducted under the direction of the Enforcement Division. Experienced examiners from each region received concentrated instruction in a number of subjects such as investigative techniques, presentation of evidence, methods of identifying fraud and working with investigators and prosecuting agencies. Representatives from various federal and state prosecutorial and investigative agencies presented several portions of that seminar, while experts from within the OCC handled matters concerning examinations and testifying as an expert witness. The division also is developing a computer system which will record all criminal referrals made by the Comptroller's Office. It is hoped that the system will lead to better coordination with the Department of Justice, the 94 United States Attorneys' offices and state and local prosecuting authorities.

Each of the 51 actions taken during 1977 under the Financial Institutions Supervisory Act is described below. (Similar detail is available for 1976 on pp. 228-230 of this report.)

1. A Letter Agreement was entered into with a bank requiring corrections of past violations of law including reduction of loans in excess of the bank's legal lending limit, reduction of classified assets through collection or additional collateral, formulation of a capital improvement program, correction of credit file deficiencies, an increase in the loan valuation reserve, revisions in the loan policy, and implementation of a formal audit plan. In addition, the bank was to ensure that income from the sale of credit life insurance would not be improperly diverted from the bank's earnings.
2. An Agreement prohibited further violations of the legal lending limit to bank affiliates and required correction of past violations. The bank was required to eliminate criticized loans and to draft new loan policies for the regional administrator's approval. Specific components to be included in the loan policies were listed, and the bank was required to secure adequate credit information on all loans. The Agreement required the appointment of a discount committee, an examining and audit committee, and a compliance committee, as well as the formulation of a plan for capital augmentation.
3. An Agreement prohibited further violations of the bank's legal lending limit and forbade loans to officers and directors which violated 12 USC 375a. Past violations of law were to be corrected. It required the board to adopt specific loan policies and required approval of the regional administrator before their adoption. The Agreement specifically restricted the bank's president from self-dealing practices. It also required reductions of several large concentrations of credit, elimination of criticized assets, and the maintenance of an

adequate loan valuation reserve. The bank was required to submit written policies, for regional office approval, concerning its investments, trading account, and the collection of delinquent loans.

4. A Cease and Desist Order prohibited further violations of Truth-in-Lending laws and regulations requiring credit information. The bank was required to draft a new loan policy for regional office approval. It was also required to appoint a discount committee to review loans and an examining and audit committee to ensure proper internal controls. The bank was ordered to eliminate its criticized assets, improve liquidity, and to inject capital into the bank. The Order also made provision for a new chief executive officer and required review of the chairman's excessive salary.
5. An administrative hearing was held based on a Notice of Charges which alleged that the bank had violated its legal lending limit, had made excessive out-of-trade area loans, had excessive criticized assets and past due loans, had failed to obtain adequate credit information and secure its collateral for various loans, and had inadequate capital and excessive problems with its internal controls. After 6 days of hearings, the Administrative Law Judge issued a recommended decision finding in favor of the Comptroller on all points. Based on the findings of fact and conclusions of law, the Comptroller issued a permanent Order to Cease and Desist against the bank directing the bank to correct all of the problems addressed in the Notice of Charges. The bank has filed a Notice of Appeal with the United States court of appeals.
6. A Cease and Desist Order required reduction of rate-sensitive certificates of deposit and improvement of liquidity, reduction of loans proportional to total deposits, and reductions of concentrations of credit. It prohibited further violations of the bank's legal lending limit and restricted overdrafts to officers. Past violations of law were to be corrected. New loan policies were required and were to be subject to regional office approval. Criticized assets were to be eliminated, and a compliance committee was ordered to oversee implementation of the provisions of the Order.
7. An Agreement prohibited further violations of the bank's legal lending limit and restricted overdrafts to officers as well as the purchase of illegal investment securities. Past violations of law were to be corrected. It required a written investment policy subject to regional office approval, the elimination of criticized assets, reduction of concentrations of credit, and a written program for internal control. The Agreement forbade payments to management resulting from credit life insurance sales and also limited loans to certain individuals.
8. An Agreement prohibited further violations of the bank's legal lending limit and improper loans to executive officers. Past violations of law were to be corrected. The bank was to hire a new chief executive officer, to eliminate classified loans and to formulate a new loan policy for approval by the regional administrator. Past due loans were to be

collected and collateral exceptions eliminated. Liquidity and the loan valuation reserves also were to be increased. Written earnings and investment programs were requested. Additional articles addressed capital and internal control procedures. Noncompliance with this Agreement resulted in a second Agreement with new owners of the bank which addressed the bank's noncompliance, the self-dealing transactions of the new owners and the continued deterioration in the bank's condition. That Agreement required capital, a budget, a comprehensive external audit, a schedule of salaries and bonuses for the regional administrator's approval, and reimbursement of the unwarranted expenses charged to the bank for housing and for charter applications for other banks.

9. Six Agreements were entered into with six separate banks and boards of directors which prohibited extensions of credit to certain shareholders of the holding company and prohibited payment of management fees to the bank's holding company without prior regional office approval. An investment committee was required for each bank. The authority of certain individuals at the banks was curtailed. All six agreements were modified to prohibit the payment of dividends by any of the banks without the prior written approval of the regional administrator. An additional Agreement between one of these banks and the holding company required an immediate subordinated deposit by the holding company to partially recapitalize the bank.
10. An Agreement required a new chief executive officer subject to regional office approval, a budget, improved internal control procedures, and an increase in equity capital. It prohibited the bank from paying dividends without regional office approval and required analysis of the valuation reserve, elimination of criticized assets and a written investment policy.
11. An Agreement required the board to elect an executive committee which excluded directors whose loans were criticized, to raise equity capital for the bank, and to refrain from further violations of the bank's legal lending limit and of limits on loans to affiliated insiders. Past violations of law were to be corrected. It forbade the payment of dividends, without regional office approval, and required reduction of criticized assets and concentrations of credit.
12. An Agreement prohibited further violations of the bank's legal lending limit and required correction of past violations. It also required the elimination of criticized assets and the acquisition of credit information and adequate collateral for all loans. The bank was to hire a new chief executive officer and a new operations officer, subject to regional office approval, and the board of directors was required to submit a new loan policy and an investment policy for regional office review. An outside auditor was to be hired to evaluate internal control procedures and a new internal control plan was to be submitted for regional office approval.

Payment of management fees was prohibited, as was diversion of credit life insurance sale proceeds to officers of the bank. The bank was further required to correct deficiencies in its trust department, to reduce concentrations of credit, to develop an operating budget and to secure additional capital.

13. After issuance of a Notice of Charges and a Temporary Order to Cease and Desist, a permanent Order to Cease and Desist was consented to by the bank. The permanent Order directed the bank to refrain from making loans in excess of its legal lending limit, to stop making loans to its affiliates in excess of the limits set by law, to make loans to executive officers in compliance with the statutory provisions and to accept drafts or bills of exchange only as prescribed by 12 USC 372. Past violations of law were to be corrected. The Order also directed the bank to procure statements of its directors' interests, limited its transactions with certain, specific entities, restricted the payment of dividends and required the bank to hire a new chief executive officer. The bank was also to adopt new lending policies, define its position regarding overdrafts, formulate a capital improvement program, evaluate and increase its valuation reserve for loan losses, obtain adequate credit information and secure its collateral on all loans, maintain current information on file concerning its affiliates, provide adequate fidelity insurance coverage and reduce fees paid to its directors to a reasonable level.
14. An Agreement was entered into with an individual and a bank restricting the individual's participation in the management of the bank and limiting his financial dealings with that bank.
15. An Agreement prohibited further violations of the bank's legal lending limit and required correction of past violations. It also required that a written loan policy be submitted and that a new lending officer be hired, both subject to regional office approval. In addition, the board was to eliminate criticized assets, obtain satisfactory credit information and collateral for all loans and correct internal control deficiencies.
16. An Agreement prohibited further violations of the bank's legal lending limit and required correction of past violations. It also required that written loan and overdraft policies be submitted for regional office approval, criticized assets be eliminated, a new chief executive officer be hired, subject to regional office approval, a complete external audit be performed and satisfactory credit information and collateral for all loans be obtained.
17. An Agreement prohibited violations of the bank's legal lending limit and of laws governing borrowing by bank affiliates. Past violations of law were to be corrected. It also required statements of directors' business interests, filed in accordance with 12 CFR 23, and enforcement of Federal Reserve Board Regulation U. Preferential loans to bank directors and officers and their interests were forbidden, and the board was directed to collect loans extended to certain individuals. In addition, an executive committee was to approve all loans above \$25,000, transactions in international finance were restricted, and the board was to hire a new chief executive officer subject to regional office approval.
18. A Cease and Desist Order ordered the bank to submit both a general investment policy and an investment trading policy for regional office approval and required accurate valuation of foreign government bonds held by the bank. The bank was forbidden to trade in securities until those actions were taken.
19. A Cease and Desist Order forbade further violations of the bank's legal lending limit, required the bank to conform with state laws in accepting state deposits and required the bank to adhere to its contract in handling deposits for the U.S. Customs Service. Past violations of law were to be corrected. Criticized loans to directors were to be removed. The bank's liquidity position was to be improved and equity capital was to be injected. The Order required reductions of large concentrations of credit, collection of past due loans, and acquisition of satisfactory credit information for all loans.
20. An Agreement prohibited the bank from exceeding its legal lending limit and required correction of past violations. It also required a liquidity program and elimination of criticized assets. The bank was prohibited from permitting any overdrafts, and was required to inject new equity capital.
21. A Cease and Desist Order prohibited the bank from extending credit to certain individuals and their interests. It also limited the authority of the bank's president. It further required the board to eliminate criticized assets and mandated accurate accounting for interest accrual accounts.
22. An Agreement prohibited the bank from making further loans in violation of its legal lending limit and from violating laws governing loans to bank affiliates. Correction of past violations of law was required. In addition, the board was required to raise additional capital, to evaluate officers' salaries, to eliminate criticized assets and to obtain satisfactory credit information on all loans. An external audit was necessary to remedy internal control deficiencies.
23. A Cease and Desist Order prohibited further violations of the bank's legal lending limit and required correction of past violations. Loans to specific individuals and their interests were restricted. The Agreement also limited directors' fees, required corrections of violations of law involving loans to directors and officers, and mandated reimbursement to the bank by the board of improper expenses. The Order also forbade acquisition of fixed assets, maintenance of certain large correspondent accounts with other banks, and violation of the Bank Secrecy Act. Removal of criticized assets was required, as was acquisition of satisfactory credit information on all loans. The bank was

prohibited from lending outside its trade area, diverting proceeds from credit life insurance sales to its officers, hiring additional officers, and increasing officer's salaries without regional office approval. Written investment and capital augmentation programs were to be submitted for regional office approval.

24. An Agreement required a new chief executive officer, the training of bank officers, upgrading of the bank's electronic data processing system, securing of additional capital and removal of classified loans. Improved liquidity was required and a new internal control policy was to be implemented. The Agreement also required satisfactory credit information for loans and an increase in the loan valuation reserve.
25. An Agreement prohibited further violations of the bank's legal lending limit, excess credit or overdrafts to affiliates, and the purchase of government bonds. Past violations of law were to be corrected. It also required removal of classified loans, acquisition of satisfactory credit information for all loans and that a loan policy be submitted to the regional administrator for approval. The bank was to secure additional capital, refrain from paying dividends without regional office approval, and improve its liquidity position. A review of management was required, as was a program of improve internal control procedures.
26. A Notice of Charges and a Temporary Order to Cease and Desist was served which prohibited the bank's chief executive officer from making loans, authorizing expenditures of bank funds, investing bank funds and participating in the management of the bank. The board of directors subsequently consented to enter into a permanent Cease and Desist Order.
27. An Agreement was entered into under which certain depositors agreed to subordinate their rights to those of other creditors at the bank for a certain period of time in order to strengthen the capital position of the bank.
28. An Agreement required the bank to raise capital through the use of subordinated certificates of deposit and required the bank's compliance with regulations governing HEW-guaranteed student loans. A new chief executive officer was to be hired, subject to regional office approval.
29. A Cease and Desist Order required the bank to review the adequacy of its management and to raise new equity capital. Criticized assets were to be eliminated and the loan valuation reserve was to be increased. The Order required that a new loan policy be submitted for regional office approval, that past due loans be collected, that satisfactory credit information for loans be acquired, and that internal control deficiencies be corrected.
30. A Cease and Desist Order required the removal of loans to certain individuals and forbade loans to certain other individuals and their interests. It also prohibited further violations of the bank's lending limit and required conformance with 12 USC 375a in loans to insiders. Past violations of law were to

be corrected. The Order also prohibited bank employees from acting as shareholder proxies and required directors to file financial statements. It further required adherence to state law in loans made to municipalities, a full external audit of the bank, formulation of a plan to raise additional capital, a review of management salaries, a new lending policy, elimination of criticized loans and correction of deficiencies in the bank's electronic data processing system. Payment of dividends without prior regional office approval was also forbidden.

31. An Agreement required the bank to hire a new chief executive officer, subject to regional office approval, to formulate a new budget, and to correct deficiencies in its internal control system. The bank was also required to increase its loan valuation reserve, to reduce large concentrations of credit, and to eliminate criticized assets. The Agreement prohibited the bank from investing in speculative precious metals or foreign securities, and mandated close supervision of HEW-guaranteed student loans.
32. A Notice of Charges and Temporary Order to Cease and Desist required the bank to stop violating the bank's legal lending limit and making improper loans to bank officers. The Order required a reduction of classified loans to insiders. The bank, after unsuccessfully seeking a temporary restraining order in U.S. District Court, against the Temporary Cease and Desist Order, consented to a permanent Cease and Desist Order.
33. An Agreement prohibited further violations of the bank's legal lending limit and required correction of past violations of law. Compliance with the Truth-in-Lending Act and implementing regulations was also required. A new chief executive officer was to be hired subject to regional office approval and the bank was required to raise additional capital. Statements of directors' business interests were to be filed and satisfactory credit information and collateral for all loans was to be obtained. The Agreement further required an increase in the bank's loan valuation reserve, a budget, fidelity insurance, and the elimination of criticized loans, particularly those to directors, executive officers and their interests. Internal control deficiencies were to be corrected, a loan and discount committee to be established, and a compliance committee to be formed to implement and monitor adherence to the requirements of the Agreement.
34. A Cease and Desist Order, prohibited lending limit violations and required loans to officers to conform with the requirements of applicable law. Loans to certain directors were to be removed and extensions of credit to certain individuals and their interests were prohibited. The Order also required that two directors be relieved of all decision-making authority, and that all expenses paid by the bank for the personal benefit of directors be repaid. A new chief executive officer was to be hired, subject to regional office approval. A new loan policy was to be formulated and the bank

was instructed to limit extensions of credit to its trade area. In addition, criticized assets were to be eliminated and liquidity increased. Payment of dividends was prohibited unless approved by the regional office, and internal control deficiencies were to be corrected.

35. An Agreement required that a new chief executive officer be hired, that additional capital be provided, that credit extended to directors and their interests be limited, that past violations of law be corrected, that dividend payments be restricted, that a program to improve earnings be adopted, that the bank increase its loan valuation reserve, and that an internal auditor be hired for the bank's staff.
36. A Letter Agreement required the bank to hire a new chief executive officer and prohibited the chairman of the board from participating in the bank's operations. An investment committee was charged with developing an investment policy, subject to regional office approval, as well as a lending policy covering specific areas. Criticized assets were to be eliminated and an adequate loan valuation reserve established. A liquidity improvement program and audit program were to be submitted for regional office approval.
37. An Agreement prohibited further legal lending limit violations and required correction of past violations. Additional capital was to be raised, the payment of dividends was prohibited, except with regional office approval, and the loan valuation reserve was to be increased. The Agreement required that the bank improve its liquidity position, eliminate criticized loans, develop a budget, and evaluate management salaries. Satisfactory credit information for all loans was required, as was the development of a plan to improve internal controls.
38. An Agreement required that an asset and liability management plan be submitted to the regional administrator. The bank was also to eliminate criticized loans, appoint an executive committee composed of non-officers, amend its lending policies, define its trade area, increase its loan valuation reserve, and evaluate officers' salaries. The Agreement further required the bank to adopt an investment policy, establish a personnel committee, and develop a policy for supervision of internal operations.
39. An Agreement required the bank to hire a new chief executive officer and to formulate an earnings program. Further violations of the bank's legal lending limit were prohibited and corrections of past violations were required. Additional capital was to be provided and criticized loans were to be eliminated. The Agreement required a new loan policy and the obtaining of satisfactory credit information and collateral for loans.
40. An Agreement required regional office approval of a new president to be hired by the bank, quarterly review of the bank's loan valuation reserve, and elimination of criticized assets. Liquidity was to be increased, a new loan policy was required, and a financial forecast was to be submitted for regional

office review. Dividends were prohibited unless approved by the regional office, and a compliance program related to consumer laws was to be established.

41. An Agreement prohibited loans to certain individuals and their interests, prohibited the bank's president from granting loans over \$25,000, except with board approval, and forbade the bank's dealings with other entities. Violations of the lending limit were prohibited and correction of past violations of law required.
42. An Agreement prohibited violations of the bank's legal lending limit and violations of credit information regulations. Past violations were required to be corrected. Additional equity capital was required, as was regional office approval prior to the payment of dividends. Liquidity was to be improved and the board was required to submit a new loan policy for regional office approval. The Agreement further required the board to reduce criticized assets and to maintain satisfactory credit information for all loans. An audit committee was to be established and the bank was required to pursue claims against its bonding company.
43. An Agreement dealt with numerous bank problems, primarily involving insider abuses. Among the problems addressed were violations of the bank's legal lending limit; the necessity for an external audit relating to salaries paid, leasing of personal property and loans on preferential terms to insiders; establishment of a compliance committee to secure restitution to the bank in various areas; sale of a luxury automobile purchased by the bank for a director; general investigation of leasing operations at the bank; definition of the bank's trade area; and, reductions of concentrations of credit. Internal control deficiencies were to be corrected, the bank was prohibited from paying dividends without regional office approval, and new loan policies were to be developed and submitted for regional office review.
44. An Agreement with another bank, controlled by the same individual as the bank discussed in 43, above, dealt with substantially similar problems.
45. An Agreement required the bank to hire a new chief executive officer, subject to regional office approval, to review its management structure and to raise new equity capital. The Agreement halted the payment of dividends, unless approved by the regional office, and required that the bank develop an earnings program. Criticized loans were to be eliminated and the loan valuation reserve to be increased.
46. An Agreement prohibited further violations of the bank's legal lending limit and required correction of past violations. Loans to specific individuals were to be removed from the bank and the bank was required to bring loans to executive officers into compliance with 12 USC 375a. An external CPA audit was required to study loans to directors, payment of questionable bank expenses, officers' salaries and legal fees paid by the bank. The Agreement required the bank to se-



cure interest payments lost through loans granted at preferential interest rates, to secure restitution of excessive legal fees, and to adjust salaries of officers to be commensurate with services performed. The loan valuation reserve was to be increased, as was capital, and the payment of dividends was prohibited except with regional office approval.

47. A Cease and Desist Order required the board to provide a new chief executive officer subject to regional office veto, to formulate an earnings program, and to halt and correct all violations of the bank's legal lending limit. An overdraft policy was required, as was elimination of criticized assets. Collection of delinquent loans and current credit information on all loans was required, as was an increase in the loan valuation reserve. The Order required the issuance of additional equity capital and reductions of a large concentration of credit. Better internal control procedures and a new loan policy were to be adopted, both subject to regional office approval. An oversight committee was to monitor compliance with the Order.
48. An Agreement required formulation of a program to improve earnings, development of a loan pricing policy, increase of the bank's loan valuation reserve, a comprehensive audit, modification of the bank's lending policies, a program to eliminate criticized assets, justification for the bank's computer system and restrictions on the bank's future investments in fixed assets.
49. A permanent Cease and Desist Order was consented to after the issuance of a Notice of Charges and a Temporary Cease and Desist Order. This permanent Order prohibited further violations of the bank's lending limit and required the bank to conform to 12 USC 375a in making loans to insiders. Past violations of law were to be corrected. In addition, correspondent accounts were to be limited, and the Order directed the board to withdraw all lending authority from two executive officers. A new chief executive officer was to be hired and a review of directors' expenses charged to the bank was ordered. This Order also required reimbursement of improperly paid expenses, payment of interest on insider overdrafts, and elimination of bonuses paid to directors. The bank was prohibited from extending credit to specified individuals and their related interests and from giving preferential interest rates on loans to insiders. Liquidity was to be increased, as was the loan valuation reserve, and new capital was to be raised.
50. An administrative hearing was held in 1976 in connection with a Notice of Charges. After receiving a favorable recommendation from the Administrative Law Judge, a permanent Cease and Desist Order was issued which required the board to reimburse the bank for excessive salaries paid to the bank's two top officers. The case was appealed to the United States Court of Appeals for the Eighth Circuit by the bank. Oral argument was heard by that court and a favorable decision was

rendered in early 1978 which affirmed the Comptroller's power to order reimbursement. The opinion also held that the testimony of three national bank examiners and the fact that the bank had repeatedly ignored warnings from the Comptroller over an extended period of time to correct its criticized practices constituted substantial evidence in support of the Comptroller's Order to Cease and Desist. Consequently, the Order could only be altered if it was shown to have been issued in an arbitrary or capricious manner, which the court did not find was the case.

51. During 1977, this Office also terminated or removed two Cease and Desist Orders and seven Agreements in cases where banks had complied with their provisions or circumstances had materially altered the relevance of their provisions in some other way.

## Securities Disclosure

Approximately 340 national banks have a class of securities registered pursuant to the Securities Exchange Act of 1934 (1934). The Securities Disclosure Division has reviewed registration statements, annual and special meeting proxy materials, periodic reports and materials required to be filed in connection with tender offers and election contests for those banks. Reports of beneficial ownership, changes in beneficial ownership and changes in control have been recorded, and a public file of 1934 Act filings has been maintained.

During 1977, the division prepared proposed amendments to 12 CFR 11, "Securities Exchange Act Rules," designed to make the Comptroller's regulations under the 1934 Act substantially similar to rules of the Securities and Exchange Commission (SEC), in response to statutory mandate.

Five regional conferences were presented in Chicago, Atlanta, Richmond, New York and San Francisco for the benefit of national banks having a class of securities registered with the Comptroller pursuant to the 1934 Act. Those conferences were designed to assist banks in complying with the reporting requirements of the 1934 Act, and to inform them of proposed changes in 12 CFR 11 and regulations of the (SEC) which will affect banks.

A new regulation, 12 CFR 10, "Municipal Securities Dealers," was adopted under Section 15B of the 1934 Act on September 9, 1977. That regulation concerns the registration and qualification of persons associated with national bank municipal securities dealers. Those bank dealers must also comply with rules adopted by the Municipal Securities Rulemaking Board (MSRB) subject to oversight of the SEC and enforced by the Comptroller of the Currency. The division coordinated with other bank regulatory agencies to consider and comment upon proposed MSRB rules as they relate to banks and participated informally in the development of MSRB rules. The division assisted banks in complying with the new registration and qualification requirements.

The Division assisted the Trust Operations Division of the Comptroller's Office in federal securities law matters. Participation in a seminar for trust examiners

was designed to help examiners recognize possible violations of Section 10b of the 1934 Act and SEC Rule 10b-5, thereunder. The division assisted with the drafting of proposed amendments to 12 CFR 9, "Fiduciary Powers of National Banks and Collective Investment Funds," relating to variable amount master notes, securities handling procedures and use by trust departments of material inside information available to the bank as a result of its commercial banking activities. The revision of 12 CFR 9.7(d), which requires national banks with fiduciary powers to adopt written policies and procedures to ensure that they will not use material inside information in connection with any decision or recommendation to purchase or sell any security, was adopted on February 16, 1978.

The division suspended trading in the stock of two national banks pending the public dissemination of information which might affect the market price of the banks' stocks. The division assisted the SEC in enforcement actions against national banks allegedly in violation of the federal securities laws.

The division also had numerous meetings and discussions with the SEC on such matters as access to and disclosure of bank examination reports, activities of trust departments, and 1934 Act filings of bank holding companies which are parents of national banks. The division assisted in advising the SEC in connection with its report on bank securities activities and participated in the special subcommittee of the Interagency Supervisory Committee for the purpose of responding to the recommendations of the report.

Accountants assigned to the division, along with representatives of other banking agencies, advised the SEC concerning the impact of its proposed revision of its accounting regulation on quarterly condition reports required by banking agencies. Division accountants advised the Comptroller's Office and national banks on various accounting matters, including sale-lease back transactions, accounting for dividends, accounting treatment relating to the establishment of charitable trusts and accounting for leases, and assisted in the preparation of Banking Circular 95, "Lease Reporting Requirements of National Banks."

In February 1977, the division implemented a revised 12 CFR 16, "Securities Offering Disclosure Rules," which expanded the disclosure requirements for offering circulars used by existing and organizing national banks to offer and sell their own securities. The scope of the regulation was expanded to include equity as well as debt securities. Approximately 39 offering circulars of existing banks were reviewed and declared effective under the new regulation. Regional counsel have been assisted by the division in the review of offering circulars of organizing banks.

### Legal Advisory Services

Legal advice on a wide variety of questions arising under the banking laws is provided to the Comptroller, to national banks, and to the public by the Legal Advisory Services Division, the largest unit in the Law Department. As of year-end 1977, the division had received 2,140 written inquiries. That figure does not re-

flect the large number of telephone calls answered, interim correspondence or supporting memoranda required for many inquiries, or the numerous meetings attended by members of the legal staff.

Separate records maintained by the division's consumer protection branch indicate that 3,553 consumer inquiries were received during 1977. Of those, 286 were received from members of Congress or referred to this Office by the White House. About 1,088 inquiries received from sources other than the Congress or the Executive Branch were referred to the proper regional counsel for appropriate handling. In 1977, division staff responded to 2,465 consumer inquiries.

Members of the division participated in numerous meetings with bankers, banking lawyers, consumers and federal and state regulatory authorities, as well as representatives of other branches of the federal government, to discuss various topics affecting national banks and their regulation. Topics covered at those meetings included lending limits, branching, CBCT's, electronic transfer of funds, investment securities, the Bank Protection Act, the National Flood Insurance Program, Federal Reserve Regulations B and Z, fair housing, redlining and privacy. In addition, members of the staff attended regular interagency meetings with representatives of the Federal Reserve Board, Federal Trade Commission and Department of Housing and Urban Development, among others, in an effort to coordinate activities and inform those agencies of OCC views.

During 1977, the division drafted and published in the *Federal Register* a proposed revision of the Interpretive Ruling 7.3400 concerning the application of lending limits to lease transactions; an amendment to Interpretive Ruling 7.6125 concerning the meaning of "bad debt" as used in 12 USC 56, which governs payment of dividends; Interpretive Ruling 7.7479 relating to charitable contributions; and a procedural amendment to 12 CFR 1 — Investment Securities. The division also participated in drafting a proposed enforcement policy jointly issued by the three banking agencies to cure violations of the Truth-in-Lending Act and Regulation Z. Papers were prepared addressing the application of 12 USC 82 and 371d to lease transactions; the legality of proposed branch offices under the laws of several different states; the Arab boycott; and redlining. Division members worked on the interagency task forces studying proposed revisions to 12 USC 371c, the Bank Protection Act and the Community Reinvestment Act. Other legal issues addressed during 1977 included CBCT's; electronic funds transfer; fair housing; travel services; forward and futures contracts backed by U.S. Treasury bills, GNMA mortgages and other financial instruments; and the authority of a national bank to participate in the development and restoration of urban real estate. Assistance was also rendered in the sale of Midland National Bank, Milwaukee, Wisc., and the closings of Republic National Bank of New Orleans, La., and Drovers National Bank, Chicago, Ill.

Staff attorneys also participated in the preparation of the *Comptroller's Handbook for Consumer Examina-*

tions and assisted as instructors at the consumer examination school for examiners.

## Antitrust

On May 26, 1977, the Department of Justice filed suit to block a merger of The Second National Bank and Trust Company of Lexington and Bank of Lexington in Lexington, Kentucky. *United States v. The Second National Bank and Trust Company of Lexington and Bank of Lexington, Inc.*, Civ. No. 77-87. The complaint alleged that the merger would violate Section 7 of the Clayton Act by eliminating competition between the two banks in Fayette County, Ky., and in the surrounding five counties. Because the Comptroller had approved the merger, the Office exercised its right under the Bank Merger Act to intervene as a full party.

In another development, the Federal Trade Commission affirmed the decision of an administrative law judge holding that Perpetual Federal Savings and Loan Association, Washington, D.C., had violated Section 5 of the Federal Trade Commission Act by having on its board persons who were simultaneously directors of three commercial banks in that city. A petition to review the Commission's decision has been filed with the U.S. Court of Appeals for the Fourth Circuit. Separately, the Department of Justice appealed to the U.S. Court of Appeals for the Ninth Circuit on an adverse ruling by a lower court in another case, *United States v. Crocker National Corporation*, 422 F. Supp. 686 (N.D. Cal. 1976), which held that Section 8 of the Clayton Act does not prohibit interlocking directorates between a commercial bank and an insurance company. Although the Comptroller's Law Department participated in neither case, the litigation is being studied with a view to advising national banks and Congressional committees on pending legislation.

## Legislative Counsel

The principal responsibilities of the Legislative Counsel Division relate to the legal aspects of legislation. The subject matter covers virtually every area of the Office's jurisdiction and almost every legislative measure of interest to national banks. In addition, the division deals with matters of intergovernmental and operational interest. In connection with those general responsibilities, the division maintains such information as status of bills, reports on bills, press information and the primary legislative documents, as well as files on Public Laws passed in the current and immediately preceding Congresses.

Division attorneys prepare testimony to be given before Congressional committees and letters of comment on pending bills to be sent to members of Congress. They draft legislation and write memoranda and briefing papers concerning various legislation. Division attorneys are in frequent contact with members of Congress and their staffs; personnel in Treasury, Office of Management and Budget and other federal and, occasionally, state agencies; Office staff in the regions and in Washington; and public representatives who want information on banking legislation. They also attend relevant hearings on the Hill and participate in

meetings with Treasury and other agencies to consult on and keep abreast of legislation of interest to this Office. In addition, division attorneys speak to various groups, including bar associations, foreign bankers and Office staff, on legislative matters.

The following are the legislative initiatives of the 95th Congress which are of significance to the Comptroller's Office.

**Fair Debt Collection Practices Act of 1977** (P.L. 95-109; Sept. 20, 1977) — This Act amends the Consumer Credit Protection Act to protect borrowers from abusive debt collection practices such as threatening telephone calls and disclosure of a customer's personal affairs to third persons. The prohibitions of the Act apply only to debts for personal, family or household purposes, but the Act does reach bank reciprocal collection agreements.

**Housing and Community Development Act of 1977** (P.L. 95-147; Oct. 28, 1977) — Title VIII of this Act contains the Community Reinvestment Act which requires the federal bank regulatory agencies to consider an institution's record of meeting the credit needs of its community when acting on an application for a charter or branch. The Act also requires the agencies to submit reports to Congress outlining their actions under the Act as well as to issue appropriate regulations implementing the Act.

**Extensions of Regulation Q** (P.L. 95-22; April 19, 1977; P.L. 95-188, Nov. 16, 1977) — P.L. 95-22 extended through December 15, 1977, the authority of the Federal Reserve Board, in consultation with the FDIC and the FHLBB, to set interest rate ceilings. This law also expands the powers of credit unions. P.L. 95-188 further extended Regulation Q through December 15, 1978, and also provides for Senate confirmation of the Chairman and Vice-Chairman of the Federal Reserve Board beginning in January 1979.

**Export Administration Act Amendments of 1977** P.L. 95-52; June 22, 1977) — This Act makes it illegal to refuse to employ or transact business with any U.S. person on the basis of race, religion, sex or national origin. American companies are also prohibited, with broad exceptions, from collaborating in any boycott against other American firms.

**Overseas Bribes** (P.L. 95-213; Dec. 22, 1977) — Title I of this Act requires that issuers subject to SEC jurisdiction maintain reasonably complete records of all of the issuer's transactions. Title I also makes it a crime for U.S. companies to make payments to a foreign government official for specific corrupt purposes. Title II requires increased disclosure by those already filing with the SEC in order to uncover foreign ownership of U.S. companies.

**Tax and Loan Accounts** (P.L. 95-147; Oct. 28, 1977) — This law permits the Secretary of the Treasury to invest excess operating cash balances of the United States in either interest-bearing obligations of financial institutions which hold tax and loan accounts or obligations of the U.S. or its agencies.

**Banking Agency Enforcement Powers** (S. 71) — This bill is designed to strengthen the enforcement powers of the federal bank regulators. It would grant broad cease and desist and removal powers and would per-

mit the agencies to order individual directors to halt unsafe or unsound practices. Civil money penalties could be imposed for violations of banking laws or cease and desist orders and regulations. Loans to bank officers, directors and principal shareholders would be limited, and loans to all bank insiders, including directors, could not be made on preferential terms.

In another respect, the bill would prohibit interlocking directorates between depository institutions and unaffiliated depository holding companies of a certain size or geographical location. Heads of the federal banking agencies would be prohibited from working in the banking industry for 2 years after leaving office unless a full term has been served. Remaining titles deal with credit union restructuring and standby letters of credit.

S. 71 was passed by the Senate on August 5, 1977. The Comptroller's Office supports the provisions of S.71 relating to agency enforcement powers. However, it opposes the treatment of standby letters of credit in the last title of the bill.

**Safe Banking Act of 1977 (H.R. 9600)** — This bill incorporates many of the provisions of S.71 with major modifications and additions. Generally, the provisions of the bill are stricter than those in S. 71. For example, loans to a bank's directors and their businesses, in addition to loans to its officers and principal shareholders, would be severely limited. A broader prohibition would be imposed against interlocking directorates of banks, bank holding companies and other companies. The bill would authorize the federal banking agencies to approve or deny changes in control of banks they supervise. Other titles cover correspondent banking relationships; disclosure of material facts, including classified loans; establishment of a financial institutions examination council; financial privacy; federal chartering of mutual savings banks; and bank holding company activities.

The Comptroller's Office supports most of the provisions in Title I of H.R. 9600, except for aggregation of loans to outside directors and their businesses and an overall cap on insider loans. We have a multitude of technical and substantive problems with provisions in the remaining 12 titles, which are the continuing subject of debate and revision.

**Comptroller of the Currency Housekeeping Bill (Titles VI and VII, H.R. 9450)** — H.R. 9450 is patterned after S. 71 with respect to strengthening the enforcement powers of federal banking agencies. Titles VI and VII contain fundamentally non-controversial provisions designed to streamline OCC operations and certain activities of national banks. The Comptroller would be permitted to schedule national bank examinations at appropriate intervals; extend the 5 year real estate holding period for an additional 5 years; delegate any of his powers; revoke national bank trust powers; and dispose of the funds he holds as successor to receivers of closed national banks. The bill also reaffirms the Comptroller's authority to issue rules and regulations. As the principal draftsman of Titles VI and VII, the Comptroller's Office fully supports those provisions.

**International Banking Act of 1978 (H.R. 10899)** — This bill would permit the Comptroller of the Currency to

charter federal branches and agencies of foreign banks which would be regulated and supervised like national banks. The bill would require special federal review of applications by foreign banks to establish facilities within the U.S. A Committee amendment, grandfathering branches in operation prior to May 1, 1976, would subject foreign branches to the same location limitations as domestic banks. Another Committee amendment would subject federally chartered foreign branches to the same requirements as member banks. The Federal Reserve Board, after consultation with state authorities, could impose reserve requirements on state-chartered foreign branches.

Federal deposit insurance would be required for federally chartered foreign branches and for those state branches located in states requiring such insurance for state-chartered banks. In addition, the FDIC could require a surety bond or pledge of assets to protect against the additional risks involved in insuring a foreign branch. Finally, existing securities affiliates of foreign banks would be permanently grandfathered. The Comptroller's Office generally supports H.R. 10899.

**Nationwide NOW Accounts (S. 2055)** — This proposed legislation provides for the nationwide extension of authority to offer negotiable orders of withdrawal which resemble interest-bearing checking accounts. In an attempt to stem the attrition of membership in the Federal Reserve System, the bill also would permit the payment of interest on the reserves which member banks must maintain on deposit at Federal Reserve Banks. Federal chartering of mutual savings banks also would be initiated. The bill was reported to the Senate floor on August 17, 1977, and awaits action there. The Department of the Treasury, on behalf of the Administration, supports this legislation.

**Federal Banking Agency Audit Act (H.R. 2176)** — This bill would authorize the General Accounting Office (GAO) to conduct audits of the federal bank regulatory agencies. The bill would prohibit on-site examinations by GAO without written agency consent. GAO would also be required to protect the identity of banks and their customers and to submit advance drafts of its report to the agencies. GAO would be permitted access to a sampling of bank examination reports and GAO employees with such access would be subject to the same criminal sanctions as federal bank regulators and their employees. The bill has passed the House and been ordered favorably reported by the Senate Governmental Affairs Committee.

The Comptroller's Office does not object to periodic reviews by GAO provided there are sufficient safeguards to protect our ability to carry out our regulatory functions. Accordingly, we have urged deletion of that provision of the bill which would permit disclosure of the identities of banks and their customers to Congressional committees when sitting in executive session.

**Federal Bank Commission Act (S. 684)** — This bill would establish a Federal Bank Commission consisting of a Chairman and four other members, one of whom would be designated by the Chairman of the Federal Reserve. One year after its creation, the examination

functions of OCC, FDIC and the Federal Reserve would be transferred to the Commission. The Commission would be required to grant deposit insurance for state-chartered banks which are not members of the Federal Reserve System based solely upon a charter granted by a state whose supervisory authority is adequate to assure the safety and soundness of its banks. The Commission would also be subject to the Congressional appropriations process. The Comptroller's Office has opposed the creation of a single Federal Bank Commission at least until such time as the state system develops as an effective alternative.

**Federal Bank Examination Council Act (S. 711)** — This bill would establish a three-member Federal Bank Examination Council composed of the Comptroller of the Currency, the Chairman of the Board of Directors of the FDIC, and the Chairman of the Board of Governors of the Federal Reserve System. The Council would be authorized to create uniform federal bank examination standards and procedures in order to achieve greater consistency in the operations of the three federal banking agencies. The bill also would provide for a liaison committee composed of state bank supervisory representatives to work with the Council to promote uniformity of federal and state examination standards and procedures. Hearings on the bill were held in September 1977 before the Senate Banking Committee.

The Comptroller's Office has endorsed the concept of a Federal Bank Examination Council in the event sufficient progress is not forthcoming on various matters of financial institution regulation. However, the Office has recommended amending S. 711 to expand the Council's membership, to provide for the rotation of the Chairmanship among the Council members, and to make clear that the Council's recommendations would not be binding on the agencies.

**Truth-In-Lending Simplification Act (S. 2802)** — This bill would simplify the truth in lending disclosure statement. It is an attempt to make compliance with the Act substantially easier for creditors by authorizing the

Federal Reserve Board to promulgate model forms and clauses. A creditor's civil liability would be limited only to non-disclosures of central importance to understanding the costs or terms of a credit transaction. Administrative enforcement of the Act also would be strengthened.

The Comptroller's Office has supported simplification of the Truth-in-Lending Act. We have offered technical suggestions concerning the bills in testimony before a Subcommittee of the House Banking Committee. **Competition in Banking Act of 1977 (S. 72)** — This bill is intended to restrict concentration in banking by legislating standards for bank mergers and for bank holding company acquisitions of banks. The standards for bank mergers would be uniform for all federal banking agencies. The bill would prohibit the approval of a proposed merger or acquisition where the resulting bank or bank holding company would hold more than 20 percent of the assets held by all banks in the state in which the bank or bank holding company is located.

The Comptroller's Office opposes enactment of this legislation. There has been no clear trend toward concentration of banking assets in this country. In addition, no other industry is subject to such a strict numerical standard for determining the illegality of a proposed merger or acquisition.

**Electronic Fund Transfers (H.R. 8753, S. 2065, S. 2546)** — These bills and others deal with the burgeoning field of electronic funds transfers. Most of the bills contain provisions designed to implement the recommendations of the National Commission on Electronic Fund Transfers. The issues addressed include disclosure, documentation of transfers, revocation and reversibility of transfers, error resolution, liability for unauthorized use and privacy.

The Comptroller's Office has endorsed most of the provisions of S. 2065. However, as to the issues of stop payment and reversibility, the Office has suggested it would be wiser to treat those transactions as cash transactions. The Office has also suggested that the federal legislation pre-empt state regulation.



## VI. Fiduciary Activities of National Banks

The Trust Operations Division has completed its first full year of experience in using the new trust examination procedures. By year-end 1977, 45 percent of the 1,824 active trust departments had been examined. Those trust departments managed 53 percent of the fiduciary assets in the National Banking System.

The effectiveness of the new trust examinations was scrutinized throughout the year. Minor modifications and clarifications of the procedures were transmitted periodically to field personnel through the trust newsletter. Formal revisions to the *Comptroller's Handbook for National Trust Examiners* were developed so that an updated version could be issued in 1978. Almost every region conducted a training program in the new examination procedures for its trust personnel. Various regional directors for trust operations and other field examiners gave formal presentations to the fiduciary sections of their local banking associations. Seventeen representatives of the Office presented three 1-day regional clinics to 600 bankers and auditors in cooperation with Bank Administration Institute. A task force of examiners was temporarily assigned to Washington to develop educational courses for newly hired examiners. Twenty-six people took those courses at a 2-week trust orientation school in Kansas City, Mo., during September. Nineteen trust examiners received formal training during the year. That was the largest number of trust personnel that has attended formal schools at any one time.

The year marked a period of increased coordination with the other bank regulatory agencies. That coordination included the joint collection of trust department statistics, coordination of examination procedures, development of a uniform rating system for trust departments, and development of uniform proposed regulations concerning disclosure of securities transactions and trading records. In December the first interagency trust school was held. The Comptroller of the Currency, The Board of Governors of the Federal Reserve System, and The Federal Deposit Insurance Corporation each sent seven trust examiners to participate in that school, which concerned federal securities laws and regulations.

The division's operating objectives were furthered by increased interface with other divisions of the Comptroller's Office. Several significant matters were acted upon in conjunction with the Enforcement and Com-

pliance Division of the Law Department. Creation of automated data processing standards and compliance with those standards by trust departments and outside providers were coordinated with the EDP Examination Division. The Consumer Affairs Division developed trust examination procedures to monitor national banks' compliance with consumer laws and regulations when acting as fiduciary. The Consumer Affairs Division also revised their examination procedures to include examination of trust department transactions for compliance with consumer laws and regulations.

Throughout the year several regulatory proposals were published for comment. The Office proposed an amendment to revise Section 18(c)(2)(ii) of Regulation 9 to require that all variable amount notes be issued only on a demand basis. That action was based upon comments received on the proposal to limit variable amount notes to 10 percent of a bank's capital and surplus. Another regulatory proposal published for comment was a revision of section 7(d) of Regulation 9 requiring that trust departments establish policies and procedures to insure that material inside information is not used in connection with any decision or recommendation to purchase or sell securities.

In November, the Office proposed an amendment to Regulation 9 which would rescind the requirement for filing an annual report of equity holdings and a quarterly report of equity transactions with this Office. That action was taken in contemplation of the Securities and Exchange Commission's (SEC) institution of similar reporting requirements for all institutional investors. In December, a proposed amendment to Regulation 9 was signed, requiring national banks to establish uniform procedures and records relating to the handling of securities transactions for trust department accounts and for customers. That proposed regulation would require confirmations of all securities transactions, except those in obligations of the U.S., federal agencies, or municipalities, which are effected for customers and non-discretionary agency accounts. Specific data, including the bank's compensation for effecting the transactions would be required. The Comptroller also proposed to require national banks to establish and maintain uniform procedures providing for proper safeguards to permit effective supervision by the banks and by bank supervisors, and to protect the interests of bank customers. Those proposals, in part,

result from the recommendations in the final report on bank securities activities by the Securities and Exchange Commission.

During 1977, examination procedures and regulations were implemented to ensure the prompt and safe handling of securities. Of major importance were: (1) the SEC Regulation 240.17A 1-7 which deals with the turnaround and processing of securities, (2) the expiration of the time period for fingerprinting banking personnel involved in securities transactions, and (3) the implementation of the lost and stolen security pro-

gram. Discussions were also held with other banking agencies and the SEC in reference to the transfer agent registration form (Form TA-1). That form was substantially revised to make it more convenient for registered transfer agents to use and to ensure prompt processing. In the area of clearing agencies, this Office, in conjunction with the other banking agencies and the SEC, promulgated supervisory regulations. In addition, regulations were proposed concerning the uniform registration of clearing agencies. That proposal was still pending at year-end.



## VII. International Banking and Finance

Although economic and financial conditions stabilized in many parts of the world during 1977, most countries still struggled to restore order to their economies after the unprecedented disturbances of the mid-1970's. Because of those disruptions, including surging inflation, severe recession and the world oil crisis, the international economic situation at year-end 1977 remained unsatisfactory by past standards.

With the exception of the United States and a few other highly industrialized countries, 1977 economic growth was generally beneath pre-recession peaks, in an environment of high unemployment, excess plant capacity, lagging investment and lingering inflation. Government policies in most countries were aimed at reducing inflation, absorbing the unemployed, and adjusting external payments imbalances. The stronger industrialized nations were able to compensate satisfactorily for the increasing consumption/price of oil, inflation and recession. However, their weaker counterparts — industrial, developing and planned economies — were forced to continue borrowing to finance their 1977 external deficits.

The non-oil producing, developing nations continued to face depressed commodity prices and persistent payments imbalances. Deficits, which collectively amounted to \$37 billion in 1977, were substantially lower than 1976's \$56 billion. The stronger, less-developed nations financed their needs through private bank sources, sometimes with the assistance of multinational institutions. The weaker, less-developed countries relied on direct credit from international institutions, aid from foreign governments, and private credits guaranteed by official agencies.

The world financial community, prompted by the payments imbalances caused by OPEC surpluses; non-oil producing, developing country deficits; inflation; recession; and unemployment, continued to cope with the pressures of recycling the funds without disturbing world financial markets and with the decline in the value of the world's primary reserve currency, the United States dollar. That decline was attributed to concern about the United States' ability to effectively deal with its two primary problems, energy consumption and inflation.

International banking issues which confronted the Office of the Comptroller of the Currency during 1977 included the rapid growth in foreign assets/deposits/

earnings, substantial lending to foreign public sector borrowers and the applicability of the statutory legal lending limit to such credits, and expanded international money market and foreign exchange activity.

As of year-end 1977, foreign loans of United States banks and bank holding companies aggregated \$194 billion. Sixty-five percent of that total represented extensions of credit to borrowers in industrialized developed countries and offshore banking centers. Credits to borrowers in non-oil producing, developing nations aggregated \$47 billion, or 24 percent, of the total.

By the end of 1977, the international assets of national banks were estimated to total over \$175 billion, and total assets of the 629 foreign branches of national banks aggregated \$162 billion, a 20 percent increase over the \$135 billion held at the end of 1976. During the year, the number of foreign branches of national banks showed an overall net decrease of six, mainly because of the consolidation of several branch systems into subsidiary banks. National banks also continued to hold investments in foreign financial institutions, either directly or through Edge Act subsidiaries.

Within the Office of the Comptroller of the Currency, the International Operations Division is responsible for supervising the international activities of national banks. The Office's primary bank supervisory tool is the examination function. Examinations of international divisions, foreign branches, and foreign affiliates are especially tailored to the organizational, geographical and reporting structure of the national bank organizations under examination. Examiners evaluate the quality of international loan and investment portfolios, analyze foreign exchange activities and reporting procedures, accounting and bookkeeping systems, and the adequacy of internal controls and audit programs. International examination procedures, especially developed during 1976, were fully implemented in 1977. Approximately 150 national bank examiners regularly participate in examinations of international banking divisions within the 14 regions. During 1977, 101 examiners also traveled overseas to 20 countries to examine 58 foreign branches. The assets of the remaining branches, including "shell" branches in the Caribbean, were examined using records maintained at bank head offices. Two foreign subsidiaries and two

electronic data processing centers were also examined on-site. The Office continued to maintain a permanent staff of six examiners in London, responsible for continuously supervising the activities of the branches of 24 national banks there.

The uncertain and sensitive area of direct and indirect lending by national banks to foreign governments, especially those in the developing world, continued to present a supervisory issue for the Office. The accurate and uniform assessment of the quality of such credits held in the loan portfolios of national banks remained the task of the Office Foreign Public Sector Credit Review Committee, working in conjunction with the International Operations Division. The Comptroller's Office, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation began developing an interagency approach to evaluating foreign public sector credits, as well as the assessing of country risk in general.

During 1977, the three bank regulatory agencies developed and implemented a joint, semiannual, Consolidated Country Exposure Report that shows, by country, the foreign claims held by United States banks and bank holding companies. Information from that report permits the systematic monitoring of overseas lending by United States banks. The monthly Foreign Currency Report continued to be used by the International Operations Division to monitor the foreign exchange trading activities of national banks.

To meet the ever-increasing need for international examiners, during 1977, the International Operations Division conducted two training schools in Washington. Those were on the subjects of international banking and foreign exchange. During 1978 and 1979, those schools will be incorporated into the Office's continuing education program. To keep field examiners and other staff informed, the

International Operations Division prepared and circulated a twice-monthly "International Report" containing news articles and other reference data. That report was mailed to approximately 300 national bank examiners in all 14 regions, as well as to selected staff of the Comptroller's Office, the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Treasury, and members of Congress. Division staff participated in outside international conferences and seminars held in London, England; Washington, D.C.; San Francisco, Calif.; Seattle, Wash.; New Hampshire; and Puerto Rico. The Office was also represented at the 1977 annual meeting of the Banker's Association for Foreign Trade.

The division arranged for examiners to attend outside seminars and schools on international banking. Those schools included the Colgate Darden Graduate School/Banker's Association for Foreign Trade international lending seminars, various Robert Morris Associates international workshops, and the American Bankers Association's School for International Banking at the University of Colorado.

During 1977, the International Operations Division represented the Office on international banking matters with other United States government departments and agencies, foreign bank supervisors, Congressional staff members, outside private agencies, and American and foreign bankers. The International Operations Division continued to work closely with the Congress, the Federal Deposit Insurance Corporation, the Federal Reserve System, the Bankers' Association for Foreign Trade, and foreign officials and bankers to strengthen the quality and supervision of the National Banking System throughout the world by strengthening both supervisory techniques and communications among the regulatory agencies, bankers, and foreign governments.

Table 12

*Examinations of overseas branches, subsidiaries, and EDP centers of national banks, 1972-1977*

Year	Examinations		Banks	Countries	Examiners
	Branches and subsidiaries	EDP centers			
1972	184	4	16	24	58
1973	92	3	22	28	59
1974	137	4	23	26	96
1975	80	15	23	25	153
1976	145	13	25	37	215
1977	60	2	25	20	101

Table 13

*Outstanding external currency claims of U.S. banks on foreign borrowers, December 31, 1977*  
(Dollars in billions)

Type of Country	By residence of borrower				Percent of Total
	Banks	Other Public Borrowers	Other Private Borrowers	Total	
Industrialized .....	\$55.5	\$10.1	\$29.0	\$94.5	48.8
Developing, by income group:					
High income .....	14.5	4.2	5.7	24.4	12.6
Upper middle income .....	9.2	5.9	9.9	25.0	12.9
Middle income .....	7.4	11.3	9.4	28.1	14.5
Lower middle income .....	1.3	1.8	3.7	6.8	3.5
Low income .....	.6	1.7	1.0	3.3	1.7
Oil exporting surplus .....	.9	.4	.6	1.9	.9
Centrally planned .....	3.0	2.3	.5	5.5	2.8
Other .....	3.6	.3	.5	4.4	2.3
Total .....	96.0	38.0	60.0	194.0	100.0
Percent of total claims .....	49.6	19.6	30.9	100	.....



# VIII. Administration

The Administration Department is responsible for providing a range of administrative services which support the on-going functions of the Office of the Comptroller of the Currency. The Department is headed by the Deputy Comptroller for Administration and is divided into three primary operating divisions — Finance and Administration, Bank Organization and Structure, and Human Resources. The functions of the Personnel Management Division were assumed by the new Human Resources Division in January. A fourth division, Financial Accounting and Reporting, is organizationally authorized; however, it was not staffed during 1977 and its duties were accomplished by other units.

## Bank Organization and Structure Division

The Bank Organization and Structure Division is responsible for supervising the processing of bank structure applications. The division, consists of four branches: new banks, new branches, capital increase, and mergers. 1977 was the first full year of operations under the Comptroller's revised corporate activity procedures, developed to improve efficiency and to expand the role of the regional offices in the decision-making process, particularly in the area of branching. Initial review of the year's activities indicate that the new procedures have resulted in more expeditious processing of applications, more consistent application of policy, and improved analyses. It is expected that 1978 will see further improvement in those areas.

The division staff continues to monitor industry changes as a result of innovations in technology and marketing practices and changes in law. The Community Reinvestment Act of 1977 is expected to have a significant effect on division activities. That Act, which was signed by the President in late 1977, requires federal financial institution regulators to encourage the institutions they regulate to meet the credit needs of their communities, including low and moderate income neighborhoods. It also requires regulators to take an institution's record in meeting those needs into account when deciding on applications for deposit facilities. Division staff members and representatives of other divisions and the other regulatory agencies are currently engaged in developing regulations and procedures to implement the Act. Regulations must be effective by November 1978.

Technology also affects the division. As a result of court decisions ruling that customer-bank communications terminals constitute branches, the division certified over 500 such branches in 1977.

## Finance and Administration Division

The Finance and Administration Division is responsible for accounting and promoting optimum utilization of the Office of the Comptroller of the Currency's financial and physical resources such as accounting, budgeting, contracting, office space leasing and management, and publications control and distribution. The division was reorganized in April 1977 and was expanded to include four branches — financial management, procurement and contracting, distribution services, and administrative services.

The Financial Management Branch develops policy for and directs Office fiscal and budgetary operations. In 1977, that branch refined the computer-based financial information system (FIS), which was developed in 1976 and became fully operational in 1977. The FIS is based on the concept of cost center responsibility accounting, which helps to promote optimum utilization of financial and physical resources. The system provides managers with financial information to use in evaluating and controlling the costs of their operations. More stringent internal controls were also established in 1977, which will result in substantial error reduction in 1978.

The Financial Management Branch also further refined the computerized budget monitoring system which compares actual versus budgeted expenses by individual expense account in monthly budget performance reports for each organizational unit. That system, which was fully operational in 1977, also identifies potential areas where cost savings may be effected and increases managers' awareness of the need to control expenses.

The first year's results under the Office's new budget process were very satisfactory. Actual 1977 expenses were 4.5 percent under budget and revenues were 0.1 percent under budget.

The Procurement and Contracting Branch is responsible for purchasing goods and services for the Office. During 1977, the branch concentrated on developing more comprehensive and consistent policies and procedures. As a result, significant improvements were

made in contract quality and documentation and in controlling procurement costs.

The Distribution Services Branch provides printing and supply operations and mail and messenger services for the Office. In 1977, the branch developed and implemented a mail distribution accountability system which identified internal mail and postal cost areas. As a result of that accountability system, mailing consolidations and folding procedures were instituted and increased postal costs were avoided despite a substantial increase in mailing volume.

Productivity significantly increased in the Distribution Services Branch in 1977 because of divisional coordination and work requirement planning. Printing requirements increased by 100 percent, but overtime costs decreased by \$55,000, with no permanent staff increases.

The Administrative Services Branch has a dual function, it provides both facilities management and records management services. Growth and organizational changes in the Office required the Facilities Management Section of the Administrative Services Branch to oversee construction management and space design projects to renovate and relocate several departments in the Washington headquarters. Five regional offices — Dallas, New York, Memphis, Cleveland and Kansas City — were also relocated and redesigned in 1977 because of increased space requirements.

The Facilities Management Section also arranged for the installation of a new telephone system which allows direct dialing of certain employees. The system utilizes less expensive computer software rather than large multi-button telephone hardware. Cost savings and higher secretarial productivity are expected in 1978 as a result of that system.

The Publications and Records Section conducted a word processing/administrative support study in cooperation with the Law Department. Function and equipment recommendations are to be effected in 1978. The section, in conformance with the Presidential management initiative, also reduced all Office records retention schedules by 10 percent in 1977.

## **Human Resources Division**

With the approval of the Department of the Treasury on January 18, 1977, the Office of the Comptroller of the Currency (OCC) began implementation of its human resources programs. To accomplish that massive undertaking, six functional groups were created within the new Human Resources Division. Under the group concept, the Office has been successful in establishing ongoing programs in staff analysis, national recruitment, compensation, employee relations, personnel development, and staffing and operations. To improve communications, regional directors of human resources were designated in each of OCC's 14 regional offices.

The Staff Analysis Program is designed to identify and analyze the OCC's present and future staff and skills needs. Through the development and maintenance of a computer-based human resources information system (HRIS), staff analysis will soon be capable of providing management with projections, personnel

trends, and skill searches. HRIS is expected to become fully operational in 1978. The system will support position and job monitoring so that career ladders, training and development activities, and recruiting can be scheduled to coincide with continuously changing staff and skill requirements. In addition to the continuous development of the HRIS, staff analysis was responsible for coordinating the Office's conversion to the Treasury Personnel/Payroll System (TPPIS). TPPIS has provided OCC with an automated system for payroll and personnel management information which will be totally compatible and fully integrated with HRIS.

To recruit the highest caliber applicants for the supervision and regulation of national banks, the Human Resources Division implemented a National Recruitment Program. Because of professional/financial community competition, national recruitment is a multiphased program for identifying and locating highly qualified candidates most suited to careers in bank examination. National and regional recruiters were designated and were provided with professional training in interviewing techniques. The college and university relations program was implemented to better acquaint university placement officials and faculty members with the Office. As a result of those recruitment efforts, over 2,000 direct-mail applications were received and 185 colleges and universities were visited by regional recruiters. The success of the national recruitment program is reflected by the 1,550 initial interviews conducted by regional recruiters. Those interviews produced 310 prospective candidates who were invited to regional offices for follow-up interviews and further screening. In conjunction with the national recruitment effort, the Office has established a minority placement program to identify and attract highly qualified minorities to careers in bank examination.

In keeping with our goal of attracting only the most highly qualified individuals, the Compensation Group was charged with the responsibility for developing a compensation program which will be comparable to that in the professional/financial community. A line management committee, comprised of deputy comptrollers, regional administrators, and Department of the Treasury representatives, was designated to develop salary administration policies based on the value of work performed. Development of that system requires accurate position information and a factor evaluation system for all professional, administrative, and technical positions. Design of the salary administration program is projected for completion by the summer of 1978. Implementation plans will then be finalized for a smooth transition of the new program.

The Employee Relations Program has been established to provide solutions to employee problems and to recognize deserving employees in a positive management relations environment. The program is designed to bring traditional government personnel programs to the attention of all personnel, supervisors and employees alike, as well as to promote employee well-being and to identify emerging problems. Primary emphasis for the Employee Relations Program has been placed on the development of new and uniform

policies for the administration of adverse and disciplinary actions, grievances, incentive awards, employee travel, performance evaluation, and job-related expenses. Although those new policies will not be firmly established until 1978, employee relations is providing advice and guidance to employees and management officials. They also are responsible for employee counseling, health benefits, and retirement information.

High quality performance was highlighted in 1977 when four employees received the Department of the Treasury Meritorious Service Awards. Additionally, 26 employees were recognized by the Secretary of the Treasury for outstanding or exemplary service which served to effect significant monetary savings, increase efficiency, or improve government operations. Internally, 232 employees received either cash awards or high quality increases for outstanding performance or special acts.

The Human Resources Division has implemented a comprehensive Personnel Development Program to ensure that all professional and technical employees develop to their maximum potential and keep abreast of current trends and changing procedures. Accomplishments for 1977 include the implementation of the Introductory Bank Examiner School, which provided training for 220 newly appointed commercial examiners. The Introductory Trust Examiner School also was implemented and trained 27 newly appointed trust examiners. An Advanced Development Center was established to provide management training for senior employees, and four sessions were conducted. A Senior Development Center was also established to focus on individual career development plans for the Office's highest level managers.





# IX. Consumer Affairs

The Consumer Affairs Division was established in March 1974, almost one year before it was legislatively mandated by the Federal Trade Commission Improvements Act of 1974. By September 1974, the division was fully operational. Responsibility for enforcement of consumer laws with respect to national banks rests with the Consumer Affairs Division. In fulfilling that responsibility the division performs several basic functions:

- Advising the Comptroller of the Currency on consumer-related policy matters.
- Resolving consumer complaints and responding to inquiries.
- Coordinating and monitoring the consumer examination program.
- Implementing corrective action for violations discovered during the examination.
- Monitoring electronic funds transfer (EFT) developments.
- Maintaining liaison with consumer groups, trade associations and other agencies.
- Developing consumer education materials.
- Compiling new and revised laws and regulations and disseminating them to banks and the public.

The Comptroller has publicly expressed his commitment to protecting the rights of consumers. Consumers' rights can best be protected by guaranteeing that national banks comply with consumer laws and by informing consumers of their rights and available remedies.

In 1977, the Associate Deputy Comptroller for Consumer Affairs continued to serve as the Comptroller's representative on the National Commission on Electronic Fund Transfers. During the year, his involvement with the Commission expanded to include the role of Chairman of the Consumer Affairs Committee. The Committee studied the possible effects of EFT on consumers in areas such as privacy, convenience and cost.

## Compliance

Compliance is achieved through the bank examination process and by the review and resolution of consumer complaints. Through the complaint handling process, the division is notified of particular problem areas

which may need greater scrutiny in future examinations.

In 1977, 8,224 written complaints, a 25 percent increase over 1976 figures, were received in the Washington Office and the 14 regions. A large but undetermined number of complaints were also received by telephone and walk-ins.

Written complaints are handled by staff attorneys who contact the bank and review the documentation and explanations of both parties. If warranted, an examiner will visit the bank and conduct a more thorough investigation. All complaints are entered into an automated system known as the consumer complaint information system (CCIS). The CCIS categorizes complaints by region, bank and nature of complaint. That information is furnished to regional offices and is then made available to consumer examiners for use in consumer bank examinations.

The Consumer Affairs Division began preparations of a consumer complaint pamphlet for consumers to use in filing complaints against national banks with this Office. The pamphlet briefly describes state and federal consumer banking laws and explains how to file a complaint. A tear-out postage-paid form is provided for the consumer to fill out and mail to the appropriate regional office. The pamphlet will be available in lobbies of national banks.

The second means by which compliance is achieved is the consumer bank examination process. Since the inception of the consumer compliance examination program in late 1976, 69 percent of all national banks (3,196) have been examined. A computer information system has been developed to streamline the recording and processing of consumer law violations and resulting corrective action. The consumer examination information system (CEIS) captures, stores and categorizes information obtained from consumer examinations. Analyses of the information provide data on such topics as number of customers affected, dollar impact of violations, and total number of violations in a specific category.

The consumer examination has been expanded in two specific areas, fair housing and trust department consumer loans. Comprehensive procedures have been developed for processing fair housing complaints. Those procedures are triggered by consumer

complaints and are supplemental to the fair housing portion of the regular consumer examination. The expanded fair housing procedures were field tested in a series of six joint fair housing pilot examinations with representatives from the Civil Rights Division of the Department of Justice acting as observers. The Department of Justice observers accompanied national bank examiners into six national banks to view the fair housing examination process. The observers later offered their comments and suggestions and collaborated with this division in refining the procedures to the present form.

The consumer examination program broadened its scope to include consumer transactions of bank trust departments. Trust department consumer loans are reviewed in the same manner as all other consumer loans.

The Consumer Affairs Division conducted six more 2-week schools across the country this year to train assistant national bank examiners in consumer laws. The schools stress examination techniques and rely heavily on case studies to give the examiners a good functional background in consumer laws and regulations. Particular emphasis is placed on evaluating policies and practices to detect unlawful discrimination. Representatives from bank trade associations, consumer groups and federal and state regulatory agencies were also invited to attend the schools.

*The Comptroller's Handbook for Consumer Examinations* was revised in 1977, from its original form in 1976. The finalized handbook, the first of its kind, was published in September 1977. The handbook is divided into 14 sections, each relating to a specific law, regulation or banking practice. Examination and verification procedures are provided in each section. Although the handbook was designed primarily as an examining tool for consumer bank examiners, it has been made widely available to interested groups. Among those who received complimentary copies were all national banks, consumer groups, public libraries, state banking commissions and banking trade associations. The handbook is also available to the public.

The division participated in two interagency consumer schools with the Federal Reserve Board and the Federal Deposit Insurance Corporation. The purpose of those schools was to give administrators from each agency an overview of the consumer compliance program.

Favorable resolution of consumer complaints and corrective action resulting from consumer examinations had a monetary impact of \$799,298 for 13,022 consumers during 1977. In 1977, 1,043 complaints involving \$371,563 were resolved in favor of bank customers. Generally, reimbursements to consumers for violations of law have been made by banks on a voluntary basis. The Comptroller had the authority to issue

cease and desist orders and has referred several cases of willful violations to the Justice Department.

The Office of the Comptroller of the Currency has participated in an interagency task force established to develop uniform Truth-in-Lending enforcement guidelines. The proposed guidelines were published for comment in the *Federal Register* on October 18, 1977. The proposed guidelines describe the circumstances under which an institution must make reimbursement and detail the procedures it must follow when reimbursing consumers for violations. Enforcement of guidelines for Regulation B are also being drafted by the agencies.

## Legislation

In 1977, the Consumer Credit Protection Act (CCPA) was expanded by the enactment of the Fair Debt Collection Practices Act (the Act), Title VIII of the CCPA. Although the Federal Trade Commission has primary enforcement authority, the Office of the Comptroller of the Currency is responsible for enforcement of the Act with respect to national banks. Members of the division participated in an interagency task force to study the Act and prepare a banking circular and examination procedures. The banking circular (No. 100) contains a fact sheet, question and answer summary and a copy of the Act. The examination procedures will be used by consumer examiners in testing for bank compliance.

The Community Reinvestment Act of 1977 requires the Office of the Comptroller of the Currency, along with other financial regulatory agencies, to assess a bank's record of meeting the credit needs of its community when making decisions to grant or deny charters, branch applications, relocation approvals and mergers. A series of public hearings have been scheduled to receive comments and recommendations from interested parties on the implementation of the Act.

## Liaison

The Consumer Affairs Division maintains continuing liaison with federal regulatory agencies, state banking departments, consumer interest groups and industry associations. Consumer groups contribute significantly to program planning, supplying feedback on the needs of consumers. In August, the Comptroller of the Currency met with representatives from 22 consumer and civil rights groups to discuss areas of mutual concern. That meeting represents the prominence of consumer interests in the policies of the Office of the Comptroller of the Currency.

Preparations have begun on a consumer booklet describing consumer rights and responsibilities under consumer credit and fair lending laws. Libraries, consumer groups, schools and banks are among the intended recipients of the booklet.

## X. Other Activities

### Operations Review

During 1977, the range of Operations Review activity was widened to include: (1) development and use of programs designed to assess the effectiveness and efficiency of functions other than examinations; (2) performance of investigations of a special, non-recurring nature; and (3) implementation of review procedures for solicitation of comments from national banks. Plans were developed for 1978 to reemphasize the peer review concept through the conduct of on-site reviews to assess examiner compliance with revised examination procedures.

Review emphasis in 1977 was placed on the Office's consumer affairs activity. Following a review of approximately 100 consumer reports of examination and a sampling of consumer complaints received by the Office, a formal report was issued. The report contained recommendations to revise examiner instruction and administrative controls in ways that would promote consistency in preparation of the examination reports and recommendations designed to simplify and, therefore, speed the process of responding to consumer complaints.

Procedures were instituted to supplement self-assessment of Office performance with the views of regulated national banks. A short questionnaire was developed to solicit comments about benefits derived from the examination, areas requiring more emphasis, and the relationship between banks and the Office. Approximately 900 responses were received covering all types of examinations. From those responses, periodic reports were prepared and issued to the Deputy for Operations Review and to regional administrators. The reports provided a cross-section of the responses received. A similar questionnaire, put in place late in the year, is being sent to national banks who have recently received decisions on applications to charter, branch, merge, change location or title or to increase capital. The questionnaire solicits comments on the timeliness of the decision, obstacles in the process and adequacy of the explanation of the decision. Protestants of the same applications were sent questionnaires to ask if they had adequate opportunity to be heard. It is anticipated that the questionnaire format will continue with periodic changes made in subject matter.

The Internal Audit Staff of the Office of the Comptrol-

ler of the Currency is assigned to the Deputy Comptroller for Operations Review. The Deputy Comptroller, in addition to auditing, has overall responsibility for reviewing, evaluating, and monitoring the quality and effectiveness of the OCC supervisory and regulatory functions.

Audit assignments during 1977 included the verification of securities; the examination of activities relating to assessment and investment policies; tests of outstanding travel advances; and reviews of financial statements, selected expenditures, procurement practices and accounting controls. All recommendations on the financial and operations systems have been implemented or are in the process of being included in management plans to improve Office activities.

### Operations Planning

The Operations Planning Department, under the direction of the Deputy Comptroller for Operations Planning, manages the process by which each functional and operational unit prepares results-oriented operating plans for the oncoming budget year and the three years thereafter. As each 18-month cycle begins, assumptions pertaining to the ever-changing economic, political, social and technological environments in which the Office and the banking industry operate are compiled and distributed to all units. Those assumptions, together with the policy objectives set and updated by the Comptroller and operating goals established by functional unit heads in support of those objectives, form the base for results-oriented, measurable, realistic performance targets and action programs set out in the unit plans. Those unit plans are consolidated into an overall Office plan, and the performance of each unit is periodically monitored to see the extent to which planned results are achieved.

During 1977, the department continued conducting orientation sessions for newly appointed key executives and planning personnel in Washington and in the regions, to ensure the effective functioning of the planning process. Through feedback sessions with planning associates and extensive research on available authorities and other planning systems, the planning process was refined and paperwork requirements substantially reduced. By year-end, the operations planning guide was completely revised and now reflects the best current thought on planning systems.



# XI. Financial Operations of the Office of the Comptroller of the Currency

Total revenue of the Office of the Comptroller of the Currency for 1977 was \$87.9 million, an increase of 6.1 percent over 1976, compared to a 40.6 percent increase in the previous year. Assessment receipts, which account for 92 percent of total revenue, amounted to \$80.9 million, an increase of \$4.8 million due principally to an increase in national bank assets. Revenue from trust examinations totaled \$2,747,000, an increase of \$220,000. Revenue from applications for new charters and mergers and consolidations increased by \$22,000 and \$32,000 respectively. Fees for special supervisory examinations and applications for new branches declined \$144,000 and \$25,000 respectively. Interest on investments increased \$149,000, a rise of 5.8 percent, to a total of \$2,696,000. The other revenue categories remained at substantially the same levels as in 1976.

Total expenses amounted to \$83.9 million, compared to \$80.4 million for 1976, an increase of \$3.5 million. That represents only a 4.4 percent increase in 1977, compared to the 17.1 percent increase from 1975 to 1976.

Salaries, personnel benefits and travel expenses amounted to \$70.1 million, or 83.6 percent of total ex-

penses for the year. Those three expenses amounted to \$66.3 million in 1976. Salary increases were caused by a full year under the government-wide general pay increase of 4.8 percent, effective October 1976; another general pay increase of 7.05 percent, effective October 1977; and an increase in our examining staff and support personnel. Travel expenses totaled \$10.7 million, a decline of \$1.5 million from 1976.

The remaining expenses totaled \$13.7 million, a decrease of \$289,000 from the previous year. The most significant changes occurred in rent, which increased \$535,000, and consultants, which decreased \$1.8 million. The 1976 consultants expense included the cost of implementing the procedures study recommendations.

The equity account is in reality a reserve for contingencies. Financial operations in 1977 increased that reserve by the \$3.9 million excess of revenue over expenses, to \$30.4 million at year-end. That represents a 4-month reserve for operating expenses, based on the level of expenses during the last 3 months of 1977. The equity account has been administratively restricted in the amount of \$2,511,000, as explained in note 2 to the financial statements.

Table 14  
COMPTROLLER OF THE CURRENCY  
BALANCE SHEETS

	<u>December 31</u>	
	<u>1977</u>	<u>1976</u>
<u>ASSETS</u>		
Current assets:		
Cash .....	\$ 1,436,692	\$ 167,876
Obligations of U.S. government, at amortized cost (approximates market value) (Note 1) .....	13,336,032	15,619,372
Accrued interest on investments .....	344,474	410,908
Accounts receivable .....	726,793	506,308
Travel advances .....	725,636	589,041
Prepaid expenses and other assets .....	313,809	317,227
Total current assets .....	<u>16,883,436</u>	<u>17,610,732</u>
Long-term obligations of U.S. government, at amortized cost (approximates market value) (Note 1) ....	<u>17,990,955</u>	<u>13,426,442</u>
Fixed assets and leasehold improvements, at cost (Note 1):		
Furniture and fixtures .....	3,453,415	2,719,323
Office machinery, equipment and software .....	1,250,094	934,731
Leasehold improvements .....	5,005,914	4,394,285
	<u>9,709,423</u>	<u>8,048,339</u>
Less accumulated depreciation and amortization .....	2,051,371	1,517,084
	<u>7,658,052</u>	<u>6,531,255</u>
Total assets .....	<u>\$42,532,443</u>	<u>\$37,568,429</u>
<u>LIABILITIES AND COMPTROLLER'S EQUITY</u>		
Current liabilities:		
Accounts payable and accrued expenses .....	\$ 3,161,167	\$ 2,065,099
Taxes and other payroll deductions .....		193,881
Accrued travel and salaries .....	<u>2,425,071</u>	<u>2,759,575</u>
Total current liabilities .....	5,586,238	5,018,555
Long-term liabilities:		
Accumulated annual leave .....	3,804,739	3,377,354
Closed Receivership Funds (Note 2) .....	<u>2,705,716</u>	<u>2,705,297</u>
Total liabilities .....	<u>12,096,693</u>	<u>11,101,206</u>
Comptroller's equity:		
Administratively restricted (Note 2) .....	2,511,000	2,330,000
Unrestricted .....	<u>27,924,750</u>	<u>24,137,223</u>
	<u>30,435,750</u>	<u>26,467,223</u>
Total liabilities and Comptroller's equity ....	<u>\$42,532,443</u>	<u>\$37,568,429</u>

See notes at end of tables.

Table 15

COMPTROLLER OF THE CURRENCY  
STATEMENTS OF REVENUE, EXPENSES AND COMPTROLLER'S EQUITY

	Year ended December 31	
	1977	1976
Revenue (Note 1):		
Semiannual assessments .....	\$80,890,627	\$76,128,296
Examinations and investigations .....	3,911,277	3,828,929
Investment income .....	2,695,547	2,546,640
Examination reports sold .....	105,058	219,977
Other .....	247,922	85,682
	<u>87,850,431</u>	<u>82,809,524</u>
Expenses:		
Salaries .....	54,207,151	49,305,710
Retirement and other employee benefits (Note 3) .....	5,280,343	4,898,077
Per diem .....	6,072,674	7,972,002
Travel .....	4,580,710	4,152,614
Rent and maintenance (Note 3) .....	3,512,347	2,977,690
Communications .....	1,389,048	1,219,463
Moving and shipping .....	908,311	1,095,522
Employee education and training .....	1,641,971	1,700,485
Data processing .....	1,950,627	1,690,655
Printing, reproduction and subscriptions .....	1,215,583	993,668
Office machine repairs and rentals .....	474,167	425,457
Depreciation and amortization .....	635,063	498,720
Supplies .....	439,162	431,249
Consulting services .....	747,899	2,525,685
Conferences .....	157,435	162,144
Remodeling .....	384,724	49,407
Other .....	284,689	260,132
	<u>83,881,904</u>	<u>80,358,680</u>
Excess of revenue over expenses .....	3,968,527	2,450,844
Comptroller's equity at beginning of year .....	26,467,223	24,016,379
Comptroller's equity at end of year .....	<u>\$30,435,750</u>	<u>\$26,467,223</u>

See notes at end of tables.

Table 16

COMPTROLLER OF THE CURRENCY  
STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31	
	1977	1976
Financial resources were provided by:		
Excess of revenue over expenses .....	\$3,968,527	\$2,450,844
Charges and (credits) not affecting working capital in the period:		
Additions to accumulated annual leave .....	805,397	391,114
Depreciation and amortization .....	635,063	498,720
Amortization of premium and accretion of discount on long-term U.S. government obligations, net .....	24,007	(16,872)
Net loss (gain) on sale of fixed assets .....	(2,559)	207
Working capital provided by operations for the period .....	5,430,435	3,324,013
Long-term U.S. government obligations transferred to current assets .....	2,554,204	5,682,382
Proceeds from sale of fixed assets .....	12,006	8,448
Net closed receivership fund receipts .....	419	554
Total .....	7,997,064	9,015,397
Financial resources were used for:		
Purchase of long-term investments .....	7,142,725	
Purchase of leasehold improvements .....	611,629	481,088
Purchase of fixed assets .....	1,159,678	458,011
Payment of accrued leave .....	378,011	315,180
Total .....	9,292,043	1,254,279
Increase (decrease) in working capital .....	<u>\$(1,294,979)</u>	<u>\$7,761,118</u>
<b>Analysis of Changes in Working Capital</b>		
Increase (decrease) in current assets:		
Cash .....	\$1,268,816	\$ (435,390)
Obligations of U.S. government .....	(2,283,340)	9,617,424
Accrued interest .....	(66,434)	(59,930)
Accounts receivable .....	220,485	164,571
Travel advances .....	136,595	8,184
Prepaid expenses and other assets .....	(3,418)	91,849
	<u>(727,296)</u>	<u>9,386,708</u>
(Increase) decrease in current liabilities:		
Accounts payable and other accruals .....	(1,096,068)	(1,002,793)
Taxes and other payroll deductions .....	193,881	17,863
Accrued travel and salaries .....	334,504	(640,660)
	<u>(567,683)</u>	<u>(1,625,590)</u>
Increase (decrease) in working capital .....	<u>\$(1,294,979)</u>	<u>\$7,761,118</u>

See notes on next page.



## Notes to Financial Statements December 31, 1977 and 1976

### *Note 1—Organization and Accounting Policies*

The Comptroller of the Currency (Comptroller's Office) was created by an Act of Congress for the purpose of establishing and regulating a National Banking System. The National Currency Act of 1863, rewritten and re-enacted as The National Banking Act of 1864, created the Comptroller's Office, provided for its supervisory functions and the chartering of banks. The revenue of the Comptroller's Office is derived principally from assessments and fees paid by the national banks and interest on investments in U.S. government obligations. Assessments paid by national banks are not construed to be government funds. No funds derived from taxes or federal appropriations are allocated to or used by the Comptroller's Office in any of its operations. The Comptroller's Office is exempt from federal income taxes.

The accounts of the Comptroller's Office are maintained on the accrual basis. Furniture, fixtures, office machinery and equipment are depreciated on the straight-line basis over estimated useful lives of 5 to 10 years. Leasehold improvements are amortized over the terms of the related leases (including renewal options) or the estimated useful lives, whichever is shorter. Premiums and discounts on investments in U.S. government obligations are amortized or accreted ratably over the terms of the obligations. U.S. government obligations having a maturity date more than 12 months from the date of the financial statements are classified as long-term investments.

### *Note 2—Closed Receivership Funds*

Prior to the assumption of closed national bank receivership functions by the Federal Deposit Insurance Corporation in 1936, the Comptroller of the Currency appointed individual receivers for all closed national banks. After settling the affairs of the closed banks and issuing final distributions to the creditors of the banks (principally depositors), the receivers transferred to the custody of the Comptroller's Office all remaining funds which represented distributions which were undeliverable or had not been presented for payment. Closed Receivership Funds in the accompanying balance sheets represent the potential claims for such funds by the original creditors of the receiverships. Since inception of the receivership function, unclaimed funds have been invested in U.S. government securities. The income from investments has been applied as an offset to expenses incurred by the Comptroller's Office in performing this function and accordingly has been recorded as revenue in the statements of revenue, expenses and Comptroller's equity. Through December 31, 1977, income has exceeded direct expenses by approximately \$2,511,000 (including \$180,000 and \$170,000 in 1977 and 1976, respectively), which excess amount is included in the Comptroller's equity. An analysis of allocable indirect expenses has not been made.

In its reexamination of the legal status of Closed Receivership Funds and related excess income earned thereon, the Comptroller's

legal staff has been unable to locate any definitive statutory or case law which specifies the ultimate disposition of such funds. In the absence of legal precedent, the legal staff is unable to currently give a definitive opinion as to the appropriate disposition of either the unclaimed receivership funds or the excess income from investment of such funds. The Comptroller is in the process of seeking legislative resolution of these matters.

Pending a resolution of the legal uncertainties and legislative action surrounding these funds, the Comptroller's Office has included a liability for Closed Receivership Funds in its balance sheets and recognized income from investment of such funds as revenue in its statements of revenue, expenses and Comptroller's equity. In recognition of these uncertainties, the Comptroller had administratively restricted a portion of the Comptroller's equity in an amount that approximates the excess income earned from investment of Closed Receivership Funds since custody of the funds commenced.

### *Note 3—Commitment and Contingencies*

Regional and sub-regional offices lease office space under agreements which expire at varying dates through 1992. Minimum rental commitments under 100 leases in effect at December 31, 1977 aggregate approximately \$1,586,000 for 1978 and varying lesser amounts each year thereafter, to approximately \$837,000 for 1982, \$2,388,000 for the period 1983-1987, and \$664,000 for the period 1988-1992. In addition, the Comptroller's Office occupies office space in Washington, D.C., under a lease agreement which provided for an initial 5-year term with five consecutive 5-year renewal options. The Comptroller's Office has exercised two of its options through 1989. Rent is at an annual rate of \$1,753,000. Certain of the leases provide that annual rentals may be adjusted to provide for increases in taxes and other related expenses.

The Comptroller's Office contributes to the Civil Service retirement plan for the benefit of all its eligible employees. Contributions aggregated \$3,697,700 and \$3,381,600 in 1977 and 1976, respectively. The plan is participatory, with 7 percent of salary being contributed by each party.

The accompanying balance sheets include a liability for annual leave accumulated within specified limits, which if not taken by employees prior to retirement is paid at that date.

Various banks in the District of Columbia have deposited securities with the Comptroller's Office as collateral for those banks entering into and administering trust activities. These securities, having a par or stated value of \$13,318,000 are not assets of the Comptroller's Office and accordingly are not included in the accompanying financial statements.

The Comptroller's Office is a defendant, together with other bank supervisory agencies and other persons, in litigation generally related to the closing of certain national banks. In the opinion of the Comptroller's legal staff, the Comptroller's Office will be able to defend successfully against these complaints and no liability is expected to result therefrom.

## OPINION OF INDEPENDENT ACCOUNTANT

To the Comptroller of the Currency

In our opinion, the accompanying balance sheets, the related statements of revenue, expenses and Comptroller's equity and of changes in financial position present fairly the financial position of the Comptroller of the Currency at December 31, 1977 and 1976, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation of securities owned at December 31, 1977 and 1976, by correspondence with the custodians.

Price Waterhouse & Co.

Washington, D.C.  
March 31, 1978.



## APPENDIX A

# Merger Decisions, 1977



# Merger\* Decisions, 1977

## I. Mergers consummated, involving two or more operating banks

	Page		Page
Jan. 1, 1977:		Jan. 31, 1977:	
Barnett Bank of Miami Beach National Association, Miami Beach, Fla.		First Security Bank of Utah, National Association, Ogden, Utah	
Barnett Bank of Bay Harbor Islands, National Association, Bay Harbor Islands, Fla.		First Security State Bank of Springville, Springville, Utah	
Barnett Bank at Westchester, National Association, Unincorporated area of Dade County, Fla.		Purchase . . . . .	62
Barnett Bank of Miami, Miami, Fla.		Feb. 1, 1977:	
Barnett Bank at Midway, National Association, Unincorporated area of Dade County, Fla.		Sun First National Bank of Delray Beach, Delray Beach, Fla.	
Merger . . . . .	55	Sun Second National Bank of Delray Beach, Delray Beach, Fla.	
Jan. 1, 1977:		Merger . . . . .	62
Barnett Bank of Ocala, National Association, Ocala, Fla.		Mar. 1, 1977:	
Barnett Bank of East Ocala, National Association, Ocala, Fla.		Deposit National Bank, Dubois, Pa.	
Merger . . . . .	56	Farmers and Merchants Bank, St. Marys, Pa.	
Jan. 1, 1977:		Merger . . . . .	63
Barnett Bank of Winter Haven, National Association, Winter Haven, Fla.		Mar. 3, 1977:	
Barnett Bank of Cypress Gardens, National Association, Winter Haven, Fla.		United Virginia Bank /Seaboard National, Norfolk, Va.	
Merger . . . . .	56	National Bank of Northampton, Nassawadox, Va.	
Jan. 1, 1977:		Merger . . . . .	64
Barnett Bank of Winter Park, National Association, Winter Park, Fla.		Mar. 4, 1977:	
Barnett Bank of Orlando, Orlando, Fla.		Dominion National Bank, Fairfax County, Va.	
Barnett Mall Bank, National Association, Winter Park, Fla.		Potomac Bank and Trust Company, Fairfax, Va.	
Barnett Bank of West Orlando, Orlando, Fla.		Merger . . . . .	66
Barnett Bank of South Orlando, Orlando, Fla.		Mar. 24, 1977:	
Merger . . . . .	57	Peoples National Bank of Washington, Seattle, Wash.	
Jan. 1, 1977:		Bank of Yakima, Yakima, Wash.	
City National Bank of Miami, Miami, Fla.		Purchase . . . . .	67
City National Bank of Miami Beach, Miami Beach, Fla.		Mar. 25, 1977:	
The City National Bank of Coral Gables, Coral Gables, Fla.		Metropolitan National Bank, Richmond, Va.	
City National Bank of North Miami, North Miami, Fla.		Second National Bank of Richmond, Richmond, Va.	
City National Bank of South Dade, Unincorporated area of Dade County, Fla.		Merger . . . . .	68
Purchase . . . . .	58	Mar. 31, 1977:	
Jan. 1, 1977:		American National Bank and Trust Company of Fort Lauderdale, Fort Lauderdale, Fla.	
The First National Bank of Homestead, Homestead, Fla.		Sunrise American National Bank of Fort Lauderdale, Fort Lauderdale, Fla.	
First National Bank of Princeton-Naranja, Princeton-Naranja, Fla.		Southport American National Bank of Fort Lauderdale, Fort Lauderdale, Fla.	
Merger . . . . .	59	Merger . . . . .	69
Jan. 1, 1977:		Mar. 31, 1977:	
Sun Bank of Semoran, National Association, Unincorporated area of Seminole County, Fla.		Central Bank, National Association, Oakland, Calif.	
Sun Bank of Seminole, Altamonte Springs, Fla.		Peninsula National Bank, Burlingame, Calif.	
Merger . . . . .	59	Purchase . . . . .	70
Jan. 3, 1977:		Mar. 31, 1977:	
The Citizens National Bank, Laurel, Md.		The First National Bank of Maryland, Baltimore, Md.	
Belair National Bank, Bowie, Md.		The Hancock Bank, Hancock, Md.	
Consolidation . . . . .	60	Merger . . . . .	71
Jan. 3, 1977:		Apr. 1, 1977:	
Landmark Union Trust Bank of St. Petersburg, National Association, St. Petersburg, Fla.		Flagship Bank of St. Petersburg, N.A., St. Petersburg, Fla.	
Landmark Bank of Clearwater, National Association, Clearwater, Fla.		Flagship Bank North of St. Petersburg, N.A., St. Petersburg, Fla.	
Landmark Bank of Seminole, National Association, Unincorporated area of Pinellas County, Fla.		Flagship Bank South, St. Petersburg, St. Petersburg, Fla.	
Landmark Bank at Tyrone, St. Petersburg, Fla.		Merger . . . . .	72
Landmark Bank of Tarpon Springs, National Association, Tarpon Springs, Fla.		Apr. 1, 1977:	
Merger . . . . .	61	The National Bank of Washington, Washington, Iowa	
		Ainsworth State Bank, Ainsworth, Iowa	
		Merger . . . . .	73
		Apr. 1, 1977:	
		Southern National Bank of North Carolina, Lumberton, N.C.	
		Lafayette Bank & Trust Company, Fayetteville, N.C.	
		Merger . . . . .	74

Apr. 1, 1977:	Page	July 1, 1977:	Page
Wachovia Bank and Trust Company, N.A., Winston-Salem, N.C.		Sun First National Bank of Orlando, Orlando, Fla.	
Town and Country Bank, Lumberton, N.C.		Sun Bank of South Orlando, National Association, Orlando, Fla.	
Merger .....	75	Sun Bank of College Park, National Association, Orlando, Fla.	
Apr. 29, 1977:		Sun Bank of East Orlando, National Association, Orlando, Fla.	
Old National Bank of Washington, Spokane, Wash.		Sun Bank of Pine Hills, National Association, Unincorporated area of Orange County, Fla.	
The Industrial Park Branch of First National Bank in Spokane, Spokane, Wash.		Sun Bank of Central Park, National Association, Unincorporated area of Orange County, Fla.	
Purchase .....	77	Merger .....	93
May 2, 1977:		July 5, 1977:	
First National Bank of Pompano Beach, Pompano Beach, Fla.		First Peoples National Bank of New Jersey, Haddon Township (P.O. Westmont), N.J.	
First National Bank of Broward County, Lighthouse Point, Fla.		Independent National Bank, Stone Harbor, N.J.	
First National Bank of Margate, Margate, Fla.		Merger .....	93
First National Bank on the Beach, Pompano Beach, Fla.		July 8, 1977:	
Merger .....	77	Southeast National Bank of Bradenton, Bradenton, Fla.	
May 13, 1977:		Southeast Bank of West Bradenton, National Association, Unincorporated area of Manatee County, Fla.	
First National Bank of Mansfield, Mansfield, Ohio		Merger .....	95
The Peoples National Bank of Plymouth, Plymouth, Ohio		July 23, 1977:	
Merger .....	78	The National Bank of Wisconsin in LaCrosse, LaCrosse, Wisc.	
May 20, 1977:		Midland National Bank, Milwaukee, Wisc.	
The First National Bank of Atlanta, Atlanta, Ga.		Purchase .....	96
The First Augusta Bank and Trust Company, Augusta, Ga.		July 29, 1977:	
Purchase .....	83	Rainier National Bank, Seattle, Wash.	
May 27, 1977:		The Sixth Avenue Branch of North Pacific Bank, Tacoma, Wash.	
The National Bank of Northern New York, Watertown, N.Y.		Purchase .....	97
The First National Bank of Mexico, Mexico, N.Y.		Aug. 1, 1977:	
Merger .....	84	Columbus National Bank, Columbus, N. Dak.	
June 1, 1977:		First National Bank of Crosby, Crosby, N. Dak.	
Sun First National Bank of Melbourne, Melbourne, Fla.		Purchase .....	98
Sun First National Bank of Palm Bay, Palm Bay, Fla.		Aug. 13, 1977:	
Merger .....	85	The Central Trust Company of Northeastern Ohio, N.A., Canton, Ohio	
June 10, 1977:		The Dime Bank, Canton, Ohio	
The First National Bank of Allentown, Allentown, Pa.		Purchase .....	98
The Northampton National Bank of Easton, Easton, Pa.		Aug. 15, 1977:	
Purchase .....	85	Garden State National Bank, Paramus, N.J.	
June 17, 1977:		Shore National Bank, Brick Township, N.J.	
Valley National Bank, Passaic, N.J.		Purchase .....	100
Bankers National Bank, Elmwood Park, N.J.		Aug. 15, 1977:	
Purchase .....	87	Southeast National Bank of Naples, Naples, Fla.	
June 30, 1977:		Southeast Bank of Naples, N.A., Naples, Fla.	
First National Bank of Florida, Tampa, Fla.		Merger .....	101
First Financial National Bank of Tampa, Unincorporated area of Hillsborough County, Fla.		Aug. 22, 1977:	
Merger .....	88	Merchants and Farmers Bank, Portsmouth, Va.	
June 30, 1977:		First National Bank of Tidewater, Norfolk, Va.	
First National Bank of Lakeland, Lakeland, Fla.		Merger .....	101
Second National Bank of Lakeland, Lakeland, Fla.		Aug. 31, 1977:	
Merger .....	89	First Security Bank of Utah, National Association, Ogden, Utah	
June 30, 1977:		First Security Bank of Bountiful, National Association, Bountiful, Utah	
The Russell National Bank, Lewistown, Pa.		Merger .....	102
The Reedsville National Bank, Reedsville, Pa.		Aug. 31, 1977:	
Merger .....	90	Kentwood National Bank, Kentwood, Mich.	
July 1, 1977:		Kentwood Bank, N.A., Kentwood, Mich.	
First National Bank in Venice, Venice, Fla.		Purchase .....	103
First State Bank of Sarasota County, Unincorporated area of Osprey, Fla.		Sept. 1, 1977:	
Merger .....	91	Los Angeles National Bank, Los Angeles, Calif.	
July 1, 1977:		The Silverlake /Sunset Branch of the Hongkong Bank of California, San Francisco, Calif.	
Landmark First National Bank of Fort Lauderdale, Fort Lauderdale, Fla.		Purchase .....	103
Landmark Bank of North Fort Lauderdale, National Association, Fort Lauderdale, Fla.		Sept. 9, 1977:	
Landmark Bank of Plantation, National Association, Plantation, Fla.		Puget Sound National Bank, Tacoma, Wash.	
Landmark Bank of West Broward, National Association, Plantation, Fla.		Valley National Bank of Auburn, Auburn, Wash.	
Landmark Bank at the Ocean, National Association, Fort Lauderdale, Fla.		Purchase .....	104
Landmark Bank of Sunrise, National Association, Sunrise, Fla.		Sept. 30, 1977:	
Landmark Bank of Pompano Beach, N.A., Pompano Beach, Fla.		Century National Bank of Broward, Fort Lauderdale, Fla.	
Merger .....	92	Century National Bank of Fort Lauderdale, Fort Lauderdale, Fla.	
		Merger .....	105

Sept. 30, 1977:	Page	The Biloxi Branch of Southern National Bank of Hattiesburg, Hattiesburg, Miss.	Page
Century National Bank of Broward, Fort Lauderdale, Fla.		Purchase .....	114
Lauderdale Lakes National Bank, Lauderdale Lakes, Fla.		Dec. 30, 1977:	
Broward National Bank of Plantation, Plantation, Fla.		Deposit Guaranty National Bank, Jackson, Miss.	
Purchase .....	106	Southern National Bank of Hattiesburg, Hattiesburg, Miss.	
Sept. 30, 1977:		Merger .....	115
Colonial First National Bank, Red Bank, N.J.		Dec. 30, 1977:	
The First National Bank of Hamilton Square, Hamilton Square, N.J.		The Florida National Bank and Trust Company at Miami, Miami, Fla.	
Merger .....	107	Florida National Bank at Coral Gables, Coral Gables, Fla.	
Nov. 7, 1977:		Florida First National Bank at Opa-Locka, Opa-Locka, Fla.	
The Florida First National Bank at Pensacola, Pensacola, Fla.		Merger .....	116
Florida First National Bank at Brent, Brent (P.O. Pensacola), Fla.		Dec. 30, 1977:	
Merger .....	108	Pan American Bank of Miami, Miami, Fla.	
Nov. 14, 1977:		Pan American Bank of Dade County, Dade County, Fla.	
The Boatmen's National Bank of St. Louis, St. Louis, Mo.		Pan American Bank of Miami Beach, Miami Beach, Fla.	
The National Stock Yards National Bank of National City, National City, Ill.		Pan American Bank of West Dade, Dade County, Fla.	
Purchase .....	108	Pan American Bank of Kendale Lakes, National Association, Dade County, Fla.	
Nov. 14, 1977:		Merger .....	116
First National Bank at East St. Louis, East St. Louis, Ill.		Dec. 31, 1977:	
The National Stock Yards National Bank of National City, National City, Ill.		Atlantic National Bank of West Hollywood, Hollywood, Fla.	
Purchase .....	110	Atlantic National Bank of Hollywood, Hollywood, Fla.	
Nov. 28, 1977:		Atlantic National Bank of Davie, Davie, Fla.	
The Fishkill National Bank, Beacon, N.Y.		Atlantic National Bank of Fort Lauderdale, Fort Lauderdale, Fla.	
The Dover Plains National Bank, Dover Plains, N.Y.		Merger .....	117
Merger .....	111	Dec. 31, 1977:	
Nov. 30, 1977:		First & Merchants National Bank, Richmond, Va.	
Flagship National Bank of Miami, Miami, Fla.		Mountain Trust Bank, Roanoke, Va.	
Flagship National Bank of Westland, Hialeah, Fla.		Merger .....	118
Merger .....	111	Dec. 31, 1977:	
Nov. 30, 1977:		First Bank and Trust Company of Boca Raton, National Association, Boca Raton, Fla.	
Virginia National Bank, Norfolk, Va.		University National Bank of Boca Raton, Boca Raton, Fla.	
Virginia National Bank /Fairfax, Springfield, Va.		First Bank of West Boca Raton, Boca Raton, Fla.	
Merger .....	112	Merger .....	119
Dec. 1, 1977:		Dec. 31, 1977:	
Florida Coast Bank of Margate, Margate, Fla.		First National Bank of San Diego County, Escondido, Calif.	
Florida Coast Bank of Coral Springs, National Association, Coral Springs, Fla.		Balboa Bank, Chula Vista, Calif.	
Merger .....	113	Merger .....	119
Dec. 1, 1977:		Dec. 31, 1977:	
The Third National Bank of Circleville, Circleville, Ohio		Heritage Bank National Association, Cherry Hill, N.J.	
TNB National Bank, Circleville, Ohio		Pineland State Bank, Brick Town, N.J.	
Purchase .....	113	Purchase .....	120
Dec. 19, 1977:			
First National Bank of Jackson County, Ocean Springs, Miss.			

## II. Mergers consummated, involving a single operating bank

Mar. 16, 1977:	Page	First National Interim Bank of Albany, Georgia, Albany, Ga.	Page
The First National Bank of Athol, Athol, Mass.		Merger .....	124
First Bank of Athol (National Association), Athol, Mass.		July 1, 1977:	
Merger .....	121	The National Bank of Commerce of Jackson, Jackson, Tenn.	
May 2, 1977:		The Fourth National Bank of Jackson, Jackson, Tenn.	
Dallas National Bank in Dallas, Dallas, Tex.		Merger .....	125
3300 Commerce National Bank, Dallas, Tex.		July 28, 1977:	
Merger .....	122	City National Bank of Austin, Austin, Tex.	
May 2, 1977:		New City National Bank, Austin, Tex.	
First National Bank in Garland, Garland, Tex.		Merger .....	125
Glenbrook & Avenue A National Bank, Garland, Tex.		Aug. 1, 1977:	
Merger .....	122	The First National Bank of Brunswick, Brunswick, Ga.	
May 31, 1977:		First National Interim Bank of Brunswick, Brunswick, Ga.	
The Iron River National Bank, Iron River, Mich.		Merger .....	126
The First Iron River National Bank, Iron River, Mich.		Aug. 1, 1977:	
Merger .....	123	The Millikin National Bank of Decatur, Decatur, Ill.	
June 7, 1977:		Second National Bank of Decatur, Decatur, Ill.	
The First National Bank of Lapeer, Lapeer, Mich.		Merger .....	126
Lapeer Bank, N.A., Lapeer, Mich.		Aug. 29, 1977:	
Consolidation .....	123	The First National Bank of Yarmouth, Yarmouth, Mass.	
July 1, 1977:			
The First National Bank of Albany, Albany, Ga.			

The Yarmouth Bank, National Association, Yarmouth, Mass.	Page
Merger .....	127
Sept. 1, 1977:	
Midway National Bank of Grand Prairie, Grand Prairie, Tex.	
Parkway National Bank, Grand Prairie, Tex.	
Merger .....	128
Sept. 12, 1977:	
Main Street National Bank of Dallas, Dallas, Tex.	
Main Street Commerce Bank National Association, Dallas, Tex.	
Merger .....	128
Sept. 30, 1977:	
National Union Bank, Columbiana, Ohio	
X National Bank, Columbiana, Ohio	
Consolidation .....	129
Oct. 11, 1977:	
Bellefontaine National Bank, Bellefontaine, Ohio	
The Huntington National Bank of Bellefontaine, Bellefontaine, Ohio	
Merger .....	130
Oct. 17, 1977:	
University National Bank, Rockville, Md.	
New University National Bank, Rockville, Md.	
Merger .....	130
Oct. 24, 1977:	
The Central National Bank of London, London, Ohio	
The Huntington National Bank of London, London, Ohio	
Merger .....	131

### III. Mergers approved but in litigation

Apr. 27, 1977:	Page
Second National Bank and Trust Company of Lexington, Lexington, Ky.	
Bank of Lexington, Lexington, Ky.	
Merger .....	136

Nov. 1, 1977:	Page
The City National Bank of Bryan, Bryan, Tex.	
New City National Bank of Bryan, Bryan, Tex.	
Merger .....	131
Dec. 2, 1977:	
First National Bank of Mercer County, Celina, Ohio	
The Central Trust Company of Mercer County, Celina, Ohio	
Merger .....	132
Dec. 29, 1977:	
The First National Bank, Dayton, Ohio, Dayton, Ohio	
New National Bank, Dayton, Ohio	
Merger .....	133
Dec. 30, 1977:	
American National Bank, Humble, Tex.	
Allied Humble Bank, N.A., Humble, Tex.	
Merger .....	133
Dec. 30, 1977:	
The First National Bank of Newton, Newton, Tex.	
Allied First National Bank, Newton, Tex.	
Merger .....	134
Dec. 31, 1977:	
The Franklin National Bank, Franklin, Ohio	
The Huntington National Bank of Franklin, Franklin, Ohio	
Merger .....	135
Dec. 31, 1977:	
Randolph Field National Bank, Universal City, Tex.	
Randolph Field Bank of Commerce, N.A., Universal City, Tex.	
Merger .....	135

### IV. Mergers denied

Dec. 1, 1977:	Page
First Peoples National Bank of New Jersey, Haddon Township, N.J.	
The Mainland Bank, Linwood, N.J.	
Purchase .....	139



## I. Mergers consummated, involving two or more operating banks.

### BARNETT BANK OF MIAMI BEACH, NATIONAL ASSOCIATION,

Miami Beach, Fla., and Barnett Bank of Bay Harbor Islands, National Association, Bay Harbor Islands, Fla., and Barnett Bank at Westchester, National Association, Unincorporated area of Dade County, Fla., and Barnett Bank of Miami, Miami, Fla., and Barnett Bank at Midway, National Association, Unincorporated area of Dade County, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Barnett Bank of Bay Harbor Islands, National Association, Bay Harbor Islands, Fla. (15413), with	\$ 49,409,000	1	_____
and Barnett Bank of Miami, Miami, Fla., with	39,555,000	1	_____
and Barnett Bank at Midway, National Association, Unincorporated area of Dade County, Fla. (15870), with	21,995,000	2	_____
and Barnett Bank at Westchester, National Association, Unincorporated area of Dade County, Fla. (15337), with	46,596,000	1	_____
and Barnett Bank of Miami Beach, National Association, Miami Beach, Fla. (13828), which had	101,624,000	2	_____
merged Jan. 1, 1977, under charter of the latter bank (13828) and title "Barnett Bank of Miami, National Association." The merged bank at date of merger had	259,179,000	_____	7

### COMPTROLLER'S DECISION

Barnett Bank of Bay Harbor Islands, National Association, Bay Harbor Islands, Fla. ("Bay Harbor Islands Bank"); Barnett Bank of Miami, Miami, Fla. ("Miami Bank"); Barnett Bank at Midway, National Association, Unincorporated area of Dade County, Fla. ("Midway Bank"); Barnett Bank at Westchester, National Association, Unincorporated area of Dade County, Fla. ("Westchester Bank") (collectively, "Merging Banks"); and Barnett Bank of Miami Beach, National Association, Miami Beach, Fla. ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the charter of Barnett Bank of Miami Beach, National Association, and with the title of "Barnett Bank of Miami, National Association," with headquarters in Miami. The instant application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Bay Harbor Islands Bank, with deposits aggregating approximately \$37 million as of June 30, 1976, was chartered as a national banking institution on October 26, 1964. Miami Bank is a state-chartered banking institution and has total commercial bank deposits of \$30.7 million. With total deposits of \$14.3 million, Midway Bank was organized on June 30, 1970; and Westchester Bank with deposits of \$40 million was chartered on June 11, 1964. Charter Bank holds total deposits of \$82.5 million and was chartered as a national bank on November 6, 1933. Collectively, the combined deposits of the new bank, Barnett Bank of Miami, National Association, will be approximately \$184 million.

Because of the common ownership and control which exists among the proponent banks (Merging Banks and Charter Bank are subsidiaries of the second largest commercial banking organization headquartered in Florida, Barnett Banks of Florida, Inc., Jacksonville, Fla.), no meaningful competition exists among the banks, nor is there any potential for increased competition in the future.

Essentially a corporate reorganization, this application would result in certain economies of scale and increased efficiency of operation among certain subsidiaries of Barnett Banks of Florida, Inc. Those economies and efficiencies of operation should better serve the banking community as sources of full-service banking. Accordingly, applying the statutory criteria as outlined in 12 USC 1828(c), it is the opinion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved. Although this proposal is in compliance with the Florida state banking statutes, the proposal may not be consummated prior to January 1, 1977, the effective date of the newly enacted branching statute.

November 30, 1976.

### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are all wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

**BARNETT BANK OF OCALA, NATIONAL ASSOCIATION,  
Ocala, Fla., and Barnett Bank of East Ocala, National Association, Ocala, Fla.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Barnett Bank of East Ocala, National Association, Ocala, Fla. (15647), with . . . . .	\$56,020,000	1	_____
and Barnett Bank of Ocala, National Association, Ocala, Fla. (10578), which had . . . . .	22,344,000	1	_____
merged Jan. 1, 1977, under charter and title of the latter bank (10578). The merged bank at date of merger had . . . . .	78,034,000	_____	2

**COMPTROLLER'S DECISION**

Barnett Bank of East Ocala, National Association, Ocala, Fla. ("Merging Bank"), and Barnett Bank of Ocala, National Association, Ocala, Fla. ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the charter and with the title of, Barnett Bank of Ocala, National Association. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging Bank was organized in September 1966, and as of June 30, 1976, had total commercial bank deposits of \$18.8 million. Charter Bank was chartered as a national banking association on July 7, 1914, and had deposits of \$42.2 million as of mid-year 1976.

Both Charter Bank and Merging Bank are subsidiaries of Barnett Banks of Florida, Inc., Jacksonville, Fla., a registered multi-bank holding company (the second largest banking organization domiciled in Florida) with 58 commercial banking subsidiaries that had combined deposits of approximately \$2 billion as of year-end 1975. Inasmuch as both of the proponent banks are owned and controlled by the same bank holding company, approval of this proposal will not

have the effect of eliminating any meaningful degree of existing competition, or of foreclosing the potential for future competition between the two banks.

The subject proposal must be regarded essentially as a corporate reorganization whereby Barnett Banks of Florida, Inc., is consolidating its banking interests in an effort to produce a more efficient and less costly manner of operation. Additionally, consummation of the instant proposal will be in accord with Florida's newly enacted banking statutes.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that the intent of the subject application is not adverse to the public interest and should be, and hereby is, approved. The merger may not be consummated prior to January 1, 1977, the date that the Florida state banking statutes become effective.

November 30, 1976.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

**BARNETT BANK OF WINTER HAVEN, NATIONAL ASSOCIATION,  
Winter Haven, Fla., and Barnett Bank of Cypress Gardens, Winter Haven, Fla.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Barnett Bank of Cypress Gardens, National Association, Winter Haven, Fla. (15270), with . . . . .	\$19,991,000	1	_____
and Barnett Bank of Winter Haven, National Association, Winter Haven, Fla. (13383), which had . . . . .	50,398,000	2	_____
merged Jan. 1, 1977, under charter of the latter bank (13383) and title "Barnett Bank of East Polk County, National Association." The merged bank at date of merger had . . . . .	50,398,000	_____	3

**COMPTROLLER'S DECISION**

Barnett Bank of Cypress Gardens, National Association, Winter Haven, Fla. ("Merging Bank"), and Barnett Bank of Winter Haven, National Association, Winter Haven, Fla. ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the charter of Barnett Bank of Winter Haven, National Association, and with the title of "Barnett Bank of East Polk County, National Association." The subject application rests upon an agreement

executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

Merging Bank, a subsidiary of Barnett Banks of Florida, Inc., Jacksonville, Fla., the second largest commercial banking organization in Florida, was chartered as a national banking association on February 25, 1964, and as of June 30, 1976, had total deposits of approximately \$17 million.

Charter Bank, also a subsidiary of Barnett Banks of Florida, Inc., was organized as a national bank on October 11, 1929. At mid-year 1976, Charter Bank's com-

mercial bank deposits aggregated \$43.2 million. Because of the common ownership, control and affiliation existing between Merging Bank and Charter Bank, approval of this proposal would not have the effect of eliminating a significant degree of existing competition, or of foreclosing the potential for increased competition between the two banks.

The subject application must be regarded as a portion of a corporate reorganization whereby Barnett Banks of Florida, Inc. is consolidating its banking interests in order to provide a more streamlined, efficient operation. Also, this proposal does not appear to be in violation of the recently enacted Florida branching statutes.

It is, therefore, the opinion of this Office that the banking public is well served by approval of this application and that the application should be, and hereby is, approved. This merger may not be consummated prior to January 1, 1977, the effective date of the new state branching statute.

November 30, 1976.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

#### BARNETT BANK OF WINTER PARK, NATIONAL ASSOCIATION,

Winter Park, Fla., and Barnett Bank of Orlando, Orlando, Fla., and Barnett Mall Bank, National Association, Winter Park, Fla., and Barnett Bank of West Orlando, Orlando, Fla., and Barnett Bank of South Orlando, Orlando, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Barnett Bank of Orlando, Orlando, Fla., with . . . . .	\$ 11,296,000	1	_____
and Barnett Bank of South Orlando, Orlando, Fla., with . . . . .	7,006,000	1	_____
Barnett Bank of West Orlando, Orlando, Fla., with . . . . .	9,796,000	1	_____
and Barnett Mall Bank, National Association, Winter Park, Fla. (15900), with . . . . .	10,142,000	2	_____
and Barnett Bank of Winter Park, National Association, Winter Park, Fla. (14767), which had . . . . .	137,518,000	2	_____
merged Jan. 1, 1977, under charter of the latter bank (14767) and title "Barnett Bank of Orlando/Winter Park, National Association." The merged bank at date of merger had . . . . .	175,758,000	_____	7

#### COMPTROLLER'S DECISION

Barnett Bank of Orlando, Orlando, Fla. ("Orlando Bank"); Barnett Bank of South Orlando, Orlando, Fla. ("South Orlando Bank"); Barnett Bank of West Orlando, Orlando, Fla. ("West Orlando Bank"); Barnett Mall Bank, National Association, Winter Park, Fla. ("Mall Bank") (collectively, "Merging Banks"); and Barnett Bank of Winter Park, National Association, Winter Park, Fla. ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the charter of Barnett Bank of Winter Park, National Association, and with the title of, "Barnett Bank of Orlando/Winter Park, National association." The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Orlando Bank, South Orlando Bank and West Orlando Bank are all state-chartered commercial banking institutions which, as of June 30, 1976, had total deposits of \$9.2 million, \$5.1 million and \$8.3 million, respectively. Mall Bank and Charter Bank are both national banking associations. Chartered on September 28, 1971, as of June 30, 1976, Mall Bank had deposits of \$9.1 million. Charter Bank had deposits aggregating \$115.7 million as of the same date.

All five of the proponent banks are subsidiaries of the second largest commercial banking organization in

Florida, Barnett Banks of Florida, Inc., Jacksonville, Fla. Given the fact of common ownership and control of these banks, there is no existing competition among the banks, nor is there any potential for the development of increased competition, absent the termination of their present affiliation.

This application must be considered essentially as a corporate reorganization whereby Barnett Banks of Florida, Inc., is realigning and consolidating its banking interests in the Orlando/Winter Park area in an attempt to improve the efficiency, effectiveness and profitability of five of its subsidiary banks. Furthermore, consummation of this proposal will be in accord with recently enacted branching statutes for commercial banks in the state of Florida.

Accordingly, it is the conclusion of this Office that the banking public is well served by the end result of the instant proposal and that the application should be, and hereby is, approved. The merger may not be consummated prior to January 1, 1977, the date that the Florida branching statutes become effective.

November 30, 1976.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are all wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

# **CITY NATIONAL BANK OF MIAMI,**

Miami, Fla., and City National Bank of Miami Beach, Miami Beach, Fla., and The City National Bank of Coral Gables, Coral Gables, Fla., and City National Bank of North Miami, North Miami, Fla., and City National Bank of South Dade, Unincorporated area of Dade County, Fla.

<i>Names of banks and type of transaction</i>	<i>Total assets *</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The City National Bank of Coral Gables, Coral Gables, Fla. (14792), with	\$ 49,538,000	1	_____
and City National Bank of Miami Beach, Miami Beach, Fla. (15173), with	134,293,000	1	_____
and City National Bank of North Miami, North Miami, Fla. (16530), with	11,868,000	1	_____
and City National Bank of South Dade, Unincorporated area of Dade County, Fla. (16447)			
with	6,070,000	1	_____
were purchased Jan. 1, 1977, by City National Bank of Miami, Miami, Fla. (14718) which	248,378,000	1	_____
had.			
After the purchase was effected, the receiving bank had	421,229,000	_____	5

## **COMPTROLLER'S DECISION**

City National Bank of Miami, Miami, Florida ("Purchasing Bank"), has applied to the Comptroller of the Currency for prior permission to purchase all of the assets and assume all of the liabilities of The City National Bank of Coral Gables, Coral Gables, Fla. ("Coral Gables Bank"); City National Bank of Miami Beach, Miami Beach, Fla. ("Miami Beach Bank"); City National Bank of North Miami, North Miami, Fla. ("North Miami Bank"); and, City National Bank of South Dade, Unincorporated area of Dade County, Fla. ("South Dade Bank") (collectively, "Selling Banks"). The instant application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

Purchasing Bank, with total deposits of approximately \$237 million as of March 31, 1976, serves as the lead bank for the 16th largest commercial banking organization domiciled in the state of Florida, City National Bank Corporation, Miami, Fla. As of December 31, 1975, City National Bank Corporation controlled five subsidiary banks, Purchasing Bank and Selling Banks, which had deposits aggregating \$420.4 million.

Coral Gables Bank was chartered as a national banking association on September 24, 1956, and as of March 31, 1976, had total deposits of \$41 million. Miami Beach Bank was organized on August 15, 1963, and as of March 31, 1976, held total deposits of \$112.6 million. Chartered on December 12, 1975, North Miami Bank's deposits aggregated \$8.3 million

\* Asset figures are as of call dates immediately before and after transaction.

at the end of the first quarter of 1976. The smallest of the subject banks, with deposits of approximately \$3 million, South Dade Bank was chartered on April 2, 1975. In view of the affiliation and common ownership and control existing among the proponent banks, there is no meaningful existing competition nor any potential for increased competition among these banks.

The subject application therefore must be considered essentially as a corporate reorganization whereby City National Bank Corporation is realigning and consolidating its banking interests in an effort to improve the efficiency, effectiveness and profitability of its operations. Also, consummation of this proposal will allow the bank holding company's largest subsidiary to avail itself of the applicable provisions of Florida's recently enacted state branching statutes.

Accordingly, it is the conclusion of the Office of the Comptroller of the Currency that this application is not adverse to the public interest and that consummation of the proposal will provide the banking public with a financially sound, well-managed, convenient source of full-service banking. The application is, hereby, approved, but may not be consummated prior to January 1, 1977, the effective date of the Florida branching statutes.

November 11, 1976.

## **SUMMARY OF REPORT BY ATTORNEY GENERAL**

The banks involved are all wholly-owned subsidiaries of the same bank holding company. As such, the proposed transactions are essentially corporate reorganizations and would have no effect on competition.

\* \* \*

**THE FIRST NATIONAL BANK OF HOMESTEAD,  
Homestead, Fla., and First National Bank of Princeton-Naranja, Princeton-Naranja, Fla.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Princeton-Naranja, Princeton-Naranja, Fla. (15469), with . . . . .	\$ 5,050,000	1	_____
and The First National Bank of Homestead, Homestead, Fla. (13641), which had . . . . .	44,086,000	1	_____
merged Jan. 1, 1977, under charter and title of the latter bank (13641). The merged bank at date of merger had . . . . .	49,136,000	_____	2

**COMPTROLLER'S DECISION**

First National Bank of Princeton-Naranja, Princeton-Naranja, Fla. ("Merging Bank") and The First National Bank of Homestead, Homestead, Fla. ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the charter and with the title of The First National Bank of Homestead. The subject application rests upon an agreement executed between the proponent banks, which is incorporated herein by reference, the same as if fully set forth.

Charter Bank was chartered as a national banking association on October 24, 1932, and as of March 31, 1976, had commercial bank deposits aggregating \$39.6 million.

Merging Bank, which had total deposits of \$4.8 million on March 31, 1976, was organized in 1965 at the direction and under the guidance of Charter Bank's senior management. Since the time of Merging Bank's organization, a close working relationship has existed between Merging Bank and Charter Bank; the same individual is the chairman and president for both banks. Additionally, the two banks have four directors in common and the same group of shareholders own the majority of the stock of each bank involved in this proposal. Consequently, consummation of the proposed merger would not have the effect of eliminating

any meaningful degree of existing competition between Merging Bank and Charter Bank. Furthermore, due to the existing affiliation between the two proponent banks, there does not appear to be any possibility for increased competition in the foreseeable future.

Consummation of this proposal should result in certain efficiencies, and increase profitability through certain economies of scale to be realized by the combined institution. Also, the banking public would be served by a financially sound, well-managed source of banking services.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved. It is further concluded that consummation of the instant proposal will be in order with Florida's recently enacted state branching statutes; the merger may not, however, be consummated prior to January 1, 1977, the date that the Florida branching statutes become effective.

November 11, 1976.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

We have reviewed this proposed transaction and conclude that it would have no consequential adverse effects upon competition.

\* \* \*

**SUN BANK OF SEMORAN, NATIONAL ASSOCIATION,  
Unincorporated area of Seminole County, Fla., and Sun Bank of Seminole, Altamonte Springs, Fla.**

Names of banks and type of transaction	Total assets *	Banking offices	
		In operation	To be operated
Sun Bank of Seminole, Altamonte Springs, Fla., with . . . . .	\$10,105,000	1	_____
and Sun Bank of Semoran, National Association, Unincorporated area of Seminole County, Fla. (16108), which had . . . . .	33,407,000	1	_____
merged Jan. 1, 1977, under charter of the latter bank (16108) and title "Sun Bank of Seminole, National Association." The merged bank at date of merger had . . . . .	36,083,000	_____	2

**COMPTROLLER'S DECISION**

Sun Bank of Seminole, Altamonte Springs, Fla. ("Merging Bank"), and Sun Bank of Semoran, National Association, Unincorporated area of Seminole County, Fla. ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to effectuate a

merger under the charter of Sun Bank of Semoran, National Association, and with the title of "Sun Bank of Seminole, National Association." The instant application rests upon an agreement executed between the proponent banks, which is incorporated herein by reference, the same as if fully set forth.

Merging Bank was organized *de novo* by Sun Banks of Florida, Inc., Orlando, Fla and commenced business on July 17, 1975 Sun Banks of Florida, Inc., the third

\* Asset figures are as of call dates immediately before and after transaction.

largest of 32 multi-bank holding companies operating in the state of Florida, presently has 40 commercial banking subsidiaries that control 6.2 percent of total state deposits. As of March 31, 1976, Merging Bank had deposits aggregating \$5.8 million.

Charter Bank was also organized *de novo* by Sun Banks of Florida, Inc., Orlando, Fla. and commenced business as a national banking association on April 17, 1973. Like Merging Bank, Charter Bank is also wholly-owned (except for directors' qualifying shares) by the same bank holding company. Charter Bank, at the end of the first operating quarter for 1976, had total commercial bank deposits of \$7.6 million. In view of the affiliation and common ownership existing between the two proponent banks, there is no existing competition nor any potential for increased competition between the two banks.

Essentially, the instant application represents a corporate reorganization whereby Sun Banks of Florida,

Inc., is realigning and consolidating its banking interests in an effort to improve the efficiency, effectiveness and profitability of two of its banking subsidiaries. Also, consummation of this proposal will be in order with Florida's newly enacted branching statutes..

Accordingly, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved. The merger may not be consummated prior to January 1, 1977, the date that the Florida branching statutes become effective.

October 26, 1976.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

#### THE CITIZENS NATIONAL BANK, Laurel, Md., and Belair National Bank, Bowie, Md.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Belair National Bank, Bowie, Md. (15285), with	\$22,366,000	4	_____
and The Citizens National Bank, Laurel, Md. (4364), which had	73,637,000	11	_____
consolidated Jan. 3, 1977, under charter and title of the latter bank (4364). The			
consolidated bank at date of consolidation had.	94,936,000	_____	15

#### COMPTROLLER'S DECISION

The Citizens National Bank, Laurel, Md. ("CNB"), the charter bank, and Belair National Bank, Bowie, Md. ("Belair Bank"), the selling bank, have applied to the Comptroller of the Currency for prior permission to effectuate a consolidation under the charter and with the title of The Citizens National Bank. The instant application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

CNB became a national banking association on July 11, 1890, and as of December 31, 1975, had total commercial bank deposits of \$65.8 million. The charter bank operates 11 offices domiciled in northern Prince Georges County, western Anne Arundel County, eastern Howard County and the extreme eastern portion of Montgomery County.

Belair Bank was chartered as a national banking association on March 24, 1964, and at year-end 1975 controlled deposits aggregating \$19.3 million. The bank operates a total of four banking offices that serve Bowie, Crofton and Mitchellville, Md.

Both the charter bank and the selling bank are subsidiaries of Mercantile Bankshares Corporation, Baltimore, Md. ("Mercantile"), the sixth largest banking institution operating in the state of Maryland, with ten banking subsidiaries which have total deposits of \$622

million, approximately 7.1 percent of the state's total commercial bank deposits.

Although the geographic markets of the proponent banks are nearly adjacent, competition between the subject banks is virtually nonexistent because of their common ownership and control. The subject application, therefore, essentially represents a corporate reorganization whereby Mercantile is realigning its banking interests in an attempt to produce a more economically efficient operation.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that the subject proposal is not adverse to the public interest and that consolidation of CNB and Belair Bank will improve the efficiency of the operations of the banks and enhance their ability to provide better banking services. The resulting bank will, thereby, become a more viable and effective competitor that will better meet the convenience and needs of the banking public. The application is, hereby, approved.

October 15, 1976.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The consolidating banks are both majority-owned subsidiaries of the same bank holding company. As such, their proposed consolidation is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

LANDMARK UNION TRUST BANK OF ST. PETERSBURG, NATIONAL ASSOCIATION, St. Petersburg, Fla., and Landmark Bank of Clearwater, National Association, Clearwater, Fla., and Landmark Bank of Seminole, National Association, Unincorporated area of Pinellas County, Fla., and Landmark Bank at Tyrone, St. Petersburg, Fla., and Landmark Bank of Tarpon Springs, National Association, Tarpon Springs, Fla.

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Landmark Bank of Clearwater, National Association, Clearwater, Fla. (15426), with . . . . .	\$ 18,273,000	1	_____
and Landmark Bank of Seminole, ational Association, Unincorporated area of Pinellas County, Fla. (16036), with . . . . .	14,916,000	1	_____
and Landmark Bank at Tyrone, St. Petersburg, Fla., with . . . . .	12,183,000	1	_____
Landmark Bank of Tarpon Springs, National Association, Tarpon Springs, Fla. (16391), with . . . . .	6,215,000	1	_____
and Landmark Union Trust Bank of St. Petersburg, National Association, St. Petersburg, Fla. (15507), which had . . . . .	290,239,000	1	_____
merged Jan. 3, 1977, under charter and title of the latter bank (15507). The merged bank at date of merger had . . . . .	340,193,000	_____	5

## COMPTROLLER'S DECISION

Landmark Bank of Clearwater, National Association, Clearwater, Fla. ("Clearwater Bank"); Landmark Bank of Seminole, National Association, Unincorporated area of Pinellas County, Fla. ("Seminole Bank"); Landmark Bank at Tyrone, St. Petersburg, Fla. ("Tyrone Bank"); Landmark Bank of Tarpon Springs, National Association, Tarpon Springs, Fla. ("Tarpon Springs Bank") (collectively, "Merging Banks"); and, Landmark Union Trust Bank of St. Petersburg, National Association, St. Petersburg, Fla. ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the charter and with the title of Landmark Union Trust Bank of St. Petersburg, National Association. The instant application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

Clearwater Bank was chartered as a national banking association on November 12, 1964, and as of June 30, 1976, held total commercial bank deposits of \$14.9 million. Seminole Bank, which as of the same date had deposits of \$12.1 million, was chartered on November 8, 1972. Tyrone Bank was organized as a state-chartered institution in 1972 and currently has deposits of approximately \$10 million. Tarpon Springs Bank, which has total deposits of \$3 million, became a national bank on October 18, 1974. Charter Bank was chartered on April 28, 1965, and now has deposits aggregating \$201.7 million. All five of the proponent

banks are wholly-owned (except for directors' qualifying shares), banking subsidiaries of Landmark Banking Corporation of Florida, Fort Lauderdale, Fla., a registered multi-bank holding company that, as of December 31, 1975, had 16 subsidiary banks with deposits of \$953.5 million. In view of the affiliation and common ownership and control existing among the banks, there is no present competition nor any potential for increased competition.

The subject application essentially represents a corporate reorganization whereby Landmark Banking Corporation of Florida is realigning and consolidating its banking interests in an effort to improve the efficiency, effectiveness and profitability of five of its banking subsidiaries. Additionally, consummation of this proposal will be in order with Florida's newly enacted state branching statutes.

Accordingly, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved. The merger may not be consummated prior to January 1, 1977, the date that the Florida branching statutes become effective.

November 5, 1976.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

**FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION,  
Ogden, Utah and First Security State Bank of Springville, Springville, Utah**

Names of banks and type of transaction	Total assets *	Banking offices	
		In operation	To be operated
First Security State Bank of Springville, Springville, Utah, with . . . . .	\$6,619,000	1	_____
was purchased Jan. 31, 1977, by First Security Bank of Utah, National Association, Ogden, Utah (2597), which had . . . . .	1,125,970,000	59	_____
After the purchase was effected, the receiving bank had . . . . .	1,190,374,000	_____	60

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior permission for First Security Bank of Utah, National Association, Ogden, Utah ("Purchasing Bank"), to purchase the assets and assume the liabilities of First Security State Bank of Springville, Springville, Utah ("Selling Bank"). The instant application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Purchasing Bank was chartered as a national banking association on December 9, 1881. As of December 31, 1975, the subject bank held total commercial bank deposits of \$900.6 million and operated a total of 62 offices in 20 of 29 counties in the state.

Selling Bank was organized in 1971 by officers and directors of First Security Corporation, Salt Lake City, Utah, the largest registered multi-bank holding company in Utah. Selling Bank controls commercial bank deposits aggregating \$4.8 million at its only office in Springville.

Applicable Utah state branching statutes provide home office protection to banks in communities which have populations of less than 100,000 persons. Thus, state statutes prevented entry into Springville via *de novo* branching but made allowance for the formation and establishment of a new banking institution in the community. Also, state law prevents the sale, merger or purchase of a newly organized bank by another

bank for a period of 5 years from the time of establishment of the new bank.

Both Purchasing and Selling Banks are wholly-owned subsidiaries of First Security Corporation. Inasmuch as Selling Bank has now been in operation for the minimum required period of 5 years, the bank holding company is desirous of consolidating its banking interests through the combination of the subject banks. This application, therefore, essentially represents a corporate reorganization. In consideration of their common ownership and control, there is no significant existing competition nor any potential for increased competition between Purchasing Bank and Selling Bank. Likewise, consummation of this proposal would not alter the share of deposits held in any relevant market by the parent bank holding company.

Approval of this proposal will increase the legal lending limit of the surviving institution, and the Springville banking public will benefit from the more comprehensive services available from a larger, well-managed and financially sound bank.

Accordingly, applying the statutory criteria, it is the conclusion of this Office that this application is not adverse to the public interest and should be, and hereby is, approved.

December 14, 1976.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

Since both banks are subsidiaries of, and more than 98 percent owned by First Security Corporation, a bank holding company, the proposed transaction is simply a corporate reorganization and would have no competitive effect.

\* \* \*

**SUN FIRST NATIONAL BANK OF DELRAY BEACH,  
Delray Beach, Fla., and Sun Second National Bank of Delray Beach, Delray Beach, Fla.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Sun Second National Bank of Delray Beach, Delray Beach, Fla. (15787), with . . . . .	\$ 14,349,000	1	_____
and Sun First National Bank of Delray Beach, Delray Beach, Fla. (14556), which had . . . . .	88,493,000	2	_____
merged Feb. 1, 1977, under charter and title of the latter bank (14556). The merged bank at date of merger had . . . . .	102,842,000	_____	3

**COMPTROLLER'S DECISION**

Sun Second National Bank of Delray Beach, Delray Beach, Fla. ("Merging Bank"), was chartered as a na-

tional banking association on February 27, 1970, and as of December 31, 1975, controlled commercial bank deposits aggregating \$11.3 million at its sole office located in the community of Delray Beach.



Sun First National Bank of Delray Beach, Delray Beach, Fla. ("Charter Bank"), became a national banking association on June 20, 1946, as of year-end 1975 had total deposits of \$73.7 million. Charter Bank operates its main office and a remote facility in Delray Beach.

The proponent banks are both wholly-owned (except for directors' qualifying shares) subsidiaries of Sun Banks of Florida, Inc., Orlando, Fla., the state's third largest banking organization, which has 40 banking subsidiaries throughout Florida that control 6.2 percent of the total deposits held by all commercial banks in the state of Florida. In view of their affiliation, there is neither significant existing competition nor potential for increased competition between Merging Bank and Charter Bank.

Essentially, this application represents a corporate reorganization whereby Sun Banks of Florida, Inc., is consolidating its banking interests in order to take ad-

vantage of Florida's newly enacted branching statutes (to become effective January 1, 1977) which provide for the establishment of two branches per calendar year within the county in which the parent bank is located (in this instance Palm Beach County) and establish branches by merger with other banks located within the same county in which the parent bank is located.

Accordingly, applying the statutory criteria, it is the opinion of this Office that the subject proposal is not adverse to the public interest and should be, and hereby is, approved.

September 17, 1976.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

#### DEPOSIT NATIONAL BANK, DuBois, Pa., and Farmers and Merchants Bank, St. Marys, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Farmers and Merchants Bank, St. Marys, Pa., with	\$18,454,000	2	—
and Deposit National Bank, DuBois, Pa. (5019), which had	102,025,000	8	—
merged Mar. 1, 1977, under charter and title of the latter bank (5019). The merged bank			
at date of merger had	121,204,000	—	10

#### COMPTROLLER'S DECISION

Farmers and Merchants Bank, St. Marys, Pa. ("Merging Bank"), and Deposit National Bank, DuBois, Pa. ("DNB"), the charter bank, have made application to the Comptroller of the Currency for prior permission to effectuate a merger under the charter and title of Deposit National Bank. The subject application rests upon an agreement executed between the proponent banks, which is incorporated herein by reference, the same as if fully set forth.

Merging Bank was organized in 1903 and now operates its main office in St. Marys and one branch in Kersey, approximately 7 miles southwest of St. Marys. As of June 30, 1976, Merging Bank held total deposits of \$15.4 million.

DNB received its charter as a national banking association on September 30, 1895, and now has deposits of \$80.3 million. In addition to its main office in DuBois, DNB operates four branches in Clearfield County, three branch offices in Jefferson County and one branch in Elk County. (DNB has also received approval from this Office for the establishment of an additional office in DuBois.)

The main offices of Merging Bank and DNB are approximately 33 miles apart; and the closest offices of the two banks, Merging Bank's branch in Kersey and DNB's Weedville office, are approximately 11 miles apart. There are, however, offices of two other commercial banks in the area between the closest offices

of the merger proponents. It is, therefore, concluded that existing competition between the proponent banks is minimal.

Pursuant to applicable Pennsylvania branching statutes, both Merging Bank and DNB may legally establish *de novo* branches in the principal area served by the other. However, given the current economic conditions (unemployment in the relevant market area is markedly higher than both the national and state averages), the relatively sparse population and the mountainous topography (the preponderance of Elk County is within the Allegheny National Forest) which tends to severely inhibit the flow of trade and mobility of the populace that might otherwise occur, *de novo* expansion by DNB into the immediate St. Marys area appears unlikely within the reasonably foreseeable future. Merging Bank's only branch office was opened in 1903, the year that the bank was founded, and it appears that Merging Bank does not have either the inclination or the financial or managerial resources to be considered a prospective *de novo* entrant into the principal area served by DNB. It is, therefore, concluded that consummation of the subject proposal would not eliminate any meaningful degree of either existing or potential competition between the two proponent banks.

The proposed merger will expand the ability of the combined institution to offer new and broader banking services such as free checking accounts, increased lending limits and expanded trust services. Further-

more, DNB will be in a position to provide for management succession at Merging Bank and the financial resources of DNB and Merging Bank, in combination, will have the effect of providing the banking public with a sound commercial banking institution better able to adequately serve the needs of the banking public in the future.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

January 18, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The area which will be primarily affected by the proposed acquisition is Elk County in which both the Bank's offices are located. Elk County (1970 population 37,770) is situated in the mountainous north-central portion of the state. Manufacturing, particularly the carbon and paper products industries, is its principal source of employment. Although unemployment in the county is higher than national and state levels, the county's economic prospects, according to information in the application, do not appear to be unfavorable.

Applicant's and Bank's main offices are 33 miles apart. Their closest offices, however, both of which are located in Elk County, are approximately 10 miles apart (Applicant's office in Weedville [1970 population 1,500] and Bank's office in Kersey [1970 population

800]). There are no other banks located in the sparsely-populated, mountainous area separating these two offices. It therefore appears that there is some degree of direct competition between Applicant and Bank which the proposed acquisition will eliminate.

There are presently five banks operating a total of nine offices in Elk County. The largest of these, The Pennsylvania Bank & Trust Co., controls approximately 54 percent of the deposits held by banks located in Elk County. Applicant controls less than 1 percent and the three other banks operating in Elk County (including Bank) each control approximately 15 percent of those deposits. Thus, while the proposed acquisition would reduce the number of banking alternatives in Elk County, it would not significantly affect banking concentration there.

Under Pennsylvania law Applicant could be permitted to establish additional branch offices in Elk County and the potential, therefore, exists for an increase in competition between Applicant and Bank. It does not appear, however, that this potential is likely to be realized in the reasonably foreseeable future in light of the area's economic prospects, and Applicant's failure to achieve more than minimal penetration of the Elk County market since it opened its branch office in Weedville approximately 10 years ago.

We conclude that, overall, the proposed acquisition is unlikely to have any significantly adverse effect upon competition.

\* \* \*

## UNITED VIRGINIA BANK/SEABOARD NATIONAL, Norfolk Va., and National Bank of Northampton, Nassawadox, Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
National Bank of Northampton, Nassawadox, Va. (14544), with . . . . .	\$ 6,113,000	1	_____
and United Virginia Bank/Seaboard National, Norfolk, Va. (10194), which had . . . . .	366,190,000	32	_____
merged Mar. 3, 1977, under charter and title of the latter bank (10194). The merged bank at date of merger had . . . . .	372,303,000	_____	33

## COMPTROLLER'S DECISION

National Bank of Northampton, Nassawadox, Va. ("Merging Bank"), and United Virginia Bank/Seaboard National, Norfolk, Va. ("UVB"), the charter bank, have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the charter and with the title of United Virginia Bank/Seaboard National. The subject application rests upon an agreement executed between the proponent banks, which is incorporated herein by reference, the same as if fully set forth.

Merging Bank received its charter as a national bank on April 16, 1945, and as of September 30, 1976, held commercial bank deposits aggregating \$5.2 million. In addition to its main office in Nassawadox, Merging Bank operates one newly opened branch in Cheriton, also in Northampton County, Va.

UVB, a wholly-owned banking subsidiary of Virginia's largest bank holding company, United Virginia Bankshares Incorporated, Richmond, Va., was chartered on May 13, 1912. As of September 30, 1976, UVB's total deposits were \$302.2 million. The charter bank operates 30 offices in the Tidewater area of Virginia, four of which are located in Accomack County on the Delmarva Peninsula.

This application has been protested by residents of the Nassawadox area and by shareholders of the Merging Bank ("Protestants"). Protestants assert certain irregularities in the results of the vote cast by shareholders of Merging Bank in approving a motion to merge with the charter bank.

Further, Protestants take exception to UVB's and its parent bank holding company's reliance upon Section 3(a)(11) of the Securities Act of 1933 and Rule 147 of the Securities and Exchange Commission's interpreta-

tions of Section 3(a)(11). As a third argument against approval of this application, Protestants allege that approval of this application would result in certain anti-competitive effects and be in furtherance of a monopolistic position held by UVB within the relevant banking market (approximated by the whole of Northampton and Accomack counties). A review of the record, as established, leads the Comptroller to conclude that while Protestants' arguments against approval of the subject application are not totally without substance, the arguments, from a legal and/or statutory reference, are not so compelling as to dictate denial of this application. Protestants' request that this application be denied is, therefore, rejected.

With respect to the relevant market, there are seven commercial banks operating within the political boundaries of Accomack County, of which UVB is the third largest. Also, the second, fourth and fifth largest banks within the county are bank holding company subsidiaries. Four banks operate within Northampton County where the largest bank, controlling approximately 35 percent of deposits within the county, is a subsidiary of a bank holding company. Merging Bank is the smallest of the commercial banks domiciled in Northampton County, controlling approximately 12 percent of total deposits. The closest offices of UVB and Merging Bank are approximately 9 miles apart. Between those two offices is a branch of the largest bank in Accomack County, Farmers & Merchants National Bank. It is therefore concluded that competition between UVB and Merging Bank is *de minimus*, and approval of this proposal would have no adverse effect upon existing competition.

Pursuant to applicable Virginia branching statutes, UVB may not legally establish *de novo* branches within Northampton County, although its parent bank holding company could be permitted to establish a *de novo* subsidiary within the county. As aforementioned, however, there are three other bank holding companies with subsidiary banks in Accomack County which could also legally establish new banking subsidiaries in Northampton County. Therefore, there is virtually no likelihood that the proponent banks would become significant competitors within the foreseeable future.

Merging Bank has not been a party to any merger or acquisition transaction during its existence. At present, there is only one bank within the Merging Bank's service area that is able to offer full-service banking. Upon consummation of the merger, Merging Bank's lending

limit would be significantly increased. Also, greater capital would permit Merging Bank to increase its loan production (Merging Bank's current loan to deposit ratio is less than 25 percent), thereby better serving the local residents of the area. The introduction of new and expanded banking services to the area will better serve the banking public and lends additional weight toward approval of the application.

Both UVB and Merging Bank are considered to be in generally satisfactory financial condition and both have adequate management. Merging Bank has operated in a conservative manner throughout its history; the bank has, however, only one accomplished day-to-day banker, and many of the bank's directors take little active part in the actual operations of the bank. Although, as stated above, management is adequate, qualified personnel and management succession are not available for the future. Those problems could be solved by UVB and its parent with a minimum of difficulty. The future prospects of Merging Bank are therefore considered to be greatly enhanced through affiliation with UVB.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is in the public interest and should be, and hereby is, approved.

January 31, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The closest offices of the merging parties are approximately 9 miles apart. Between these offices there is a branch of the largest bank in Accomack County, Farmers & Merchants National Bank (\$23 million total deposits), an independent bank with 24 percent of Accomack County deposits.

Applicant derives 725 deposit accounts, amounting to \$1.7 million, from customers residing in Northampton County. These deposits constitute 0.67 percent of Applicant's total deposits, and are equal to 4.2 percent of total bank deposits held in Northampton County.

Under Virginia law Applicant cannot branch *de novo* into Northampton County, but its parent bank holding company could be permitted to establish a *de novo* subsidiary there. However, there are three other bank holding companies with subsidiaries in Accomack County which could also be permitted to establish *de novo* subsidiary banks in Northampton County.

In sum, the proposed merger will have a slightly adverse effect upon competition.

\* \* \*

**DOMINION NATIONAL BANK,  
Fairfax County, Va. and Potomac Bank and Trust Company, Fairfax, Va.**

<i>Names of banks and type of transaction</i>	<i>Total assets *</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Potomac Bank and Trust Company, Fairfax, Va., with	\$ 35,043,000	3	—
and Dominion National Bank, Fairfax County, Va. (14904), which had	75,354,000	19	—
merged Mar. 4, 1977, under charter of the latter bank (14904) and title "Dominion National Bank of Northern Virginia." The merged bank at date of merger had	110,397,000	—	22

**COMPTROLLER'S DECISION**

Potomac Bank and Trust Company, Fairfax, Va. ("PBTC"), the merging bank, and Dominion National Bank, Vienna, Va. ("Dominion"), the charter bank, have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the Charter of Dominion National Bank and with the title "Dominion National Bank of Northern Virginia." The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

PBTC was organized in 1959, and operates its main office and one branch within the city of Fairfax and one office within the community of Centreville, in the western section of Fairfax County. As of March 31, 1976, PBTC held commercial bank deposits aggregating \$31.4 million.

Dominion was chartered as a national banking association on June 30, 1960, and now has deposits of approximately \$89 million. A wholly-owned subsidiary of Dominion Bankshares Corporation, Roanoke, Va., the fifth largest commercial banking organization in the Commonwealth of Virginia, Dominion operates a total of 18 banking offices (13 in Fairfax County, four in Alexandria, and one in Falls Church).

The closest offices of PBTC and Dominion are approximately 5 miles apart and the main offices of the two subject banks are 9 miles apart. In the areas intervening between the closest offices and the main offices, there are offices of competing banking institutions. Additionally, there are no offices of any other subsidiary bank of Dominion Bankshares Corporation within 50 miles of the proposed bank. There is negligible competition between the PBTC and Dominion; that is, however, mitigated by the fact that all of the major bank holding companies headquartered in Virginia are represented in the relevant market, and further by the very substantial daily commuting between portions of Northern Virginia and the District of Columbia.

Pursuant to applicable state branching statutes, a bank may branch within the town, city or county limits of its principal office. Thus, both PBTC and Dominion could be permitted to establish additional offices within Fairfax County. (It is noted that Dominion has received permission from this Office to establish an additional office in Fairfax County which is not yet open. It also has an application pending to establish an additional branch in Alexandria.) The elimination of that potential competition is deemed to be of little significance because of the local representation of other large bank holding companies which are also capable

of establishing branches in the area, and because of the small shares of market deposits controlled by the proponent banks.

PBTC is currently restricted in its ability to offer a full range of services to the public because of its relatively small size, the small number of offices it operates, and a shortage of capital funds. As a result of this merger, the existing customers of the merging bank will be able to enjoy the benefits of the introduction of new and expanded banking services, a resulting larger lending limit and more conveniently located offices for its present and new customers.

Additionally, the charter bank, in conjunction with its bank holding company parent, appears to possess both the financial and managerial resources necessary to provide for PBTC's succession of management and to augment the merging bank's capital resources, thereby resulting in a well-managed and financially sound banking institution better able to serve the banking public in the future.

Accordingly, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be and hereby is, approved.

January 31, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

Fairfax County, located within the Washington, D.C. SMSA, is a suburban area with substantial local business and industrial activity. Its population is growing steadily (population increased from 455,000 in 1970 to an estimated 537,000 in 1975) and its economic prospects appear to be very favorable. Indeed, according to the Application (p. 35), "Banking concerns, including Dominion Bankshares, view Fairfax County as *the* premier banking market *within* the Northern Virginia area" (emphasis in original).

It is in this banking market that Applicant and Bank compete. As noted above, both Applicant and Bank have offices located within Fairfax County (two of Bank's offices are located in the City of Fairfax which is situated in the heart of Fairfax County) and their closest offices are about 5 miles apart. Applicant derives about \$73 million in deposits from within the county market and thus directly competes with Bank for deposits. Thus, the proposed acquisition would eliminate a fair amount of existing competition.

The four largest banking institutions in the market controlled more than 60 percent of the county's deposits as of June 30, 1975. Applicant, the fourth largest banking organization in the county, controlled,

as of that date, \$73 million or approximately 8 percent of county deposits. Bank, the seventh largest bank in the county, controlled, as of the same date, \$27 million, or approximately 3 percent of county deposits. If the proposed acquisition is consummated, Applicant would remain the fourth largest banking organization in the county, controlling approximately 11 percent of county deposits, and concentration among the top four banking organizations in the county would be increased from 60 to 63 percent.

Under Virginia law a bank may branch within the town, city or county limits of its principal office. Thus, both Applicant and Bank could be permitted to estab-

lish additional branches in Fairfax County. Applicant appears to possess the resources necessary to establish additional branch offices in the county. Furthermore, the rapid growth of the county and the projected continuation of the high growth rate indicates that it is economically feasible to establish branch offices.

In sum, the proposed acquisition will eliminate direct competition, will increase concentration in Fairfax County, and will eliminate the potential for increased competition. We conclude that, overall, the proposed acquisition would have an adverse effect on competition.

\* \* \*

#### PEOPLES NATIONAL BANK OF WASHINGTON, Seattle, Wash., and Bank of Yakima, Yakima, Wash.

Names of banks and type of transaction	Total assets *	Banking offices	
		In operation	To be operated
Bank of Yakima, Yakima, Wash., with was purchased Mar. 24, 1977, by Peoples National Bank of Washington, Seattle, Wash.	\$94,711,000	15	_____
(14394), which had	930,147,000	64	_____
After the purchase was effected, the receiving bank had	1,031,199,000	_____	79

#### COMPTROLLER'S DECISION

Peoples National Bank of Washington, Seattle, Wash. ("PNB"), the purchasing bank, has applied to the Comptroller of the Currency for prior permission to purchase the assets and assume the liabilities of Bank of Yakima, Yakima, Wash. ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

PNB received its charter as a national banking association on October 30, 1937, and now ranks as the fourth largest commercial bank headquartered in the state of Washington. As of June 30, 1976, PNB had total deposits of \$706 million and operated 62 branches, 50 of which are located west of the Cascade Mountains. The remaining 12 branches are located within the Columbia Basin in east-central Washington.

Selling Bank, the 12th largest commercial bank in Washington commenced operations in 1960. With mid-year 1976 deposits of \$82.4 million, Selling Bank operates 11 branches, eight of which are in the city of Yakima and one each in Ellensburg, Proseer and Sunnyside. Bank of Yakima also has approved applications for the establishment of two branches within the city of Yakima and a pending application for an additional branch, also to be located within the city.

The main offices of PNB and Selling Bank are approximately 140 miles apart, and the banks do not appear to compete in the other's respective market area. The two closest offices of the proponent banks are

more than 40 miles apart, and serve entirely different service areas. Due to applicable Washington state restrictive branching statutes, there is little likelihood that future competition will develop between PNB and Selling Bank. Thus, the proposal does not appear to present any adverse competitive consequences.

PNB provides a full range of commercial banking services to its customers, including complete foreign service and trust activities. Selling Bank provides standard commercial banking services to the communities it serves, including limited trust services. The additional capabilities of PNB would substantially expand the banking services available to Selling Bank's customers in the areas of foreign and international business, investments, trust services and specialized computer services. A number of the proposed new and expanded banking services acquire additional importance in relation to the agriculturally rich Yakima Valley region; those services should prove to be of significant benefit to both personal and corporate accounts of the region. Accordingly, considerations of convenience and needs add weight to approval of this application.

The financial and managerial resources of both PNB and Selling Bank are regarded as satisfactory. The Comptroller's decision on this application takes into consideration the progress PNB has made toward improving its capital adequacy, and the decision reached herein incorporates PNB's commitments and plans to continue to augment its capital position.

Applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is not adverse to the public interest and should be, and hereby is, approved.

February 16, 1977.

\* Asset figures are as of call dates immediately before and after transaction.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The majority of Bank's offices (nine out of 12) are located in the city of Yakima in Yakima County. Applicant presently operates no offices in that area and the closest offices of the respective banks are more than 40 miles apart. Thus, there is little if any existing competition between Applicant and Bank that would be foreclosed by virtue of the proposed acquisition.

Washington permits branching outside of a home county only in unbanked, unincorporated areas. The market that would be primarily affected by the proposed acquisition is Yakima which is neither unbanked nor unincorporated. Therefore, Applicant could enter the market only through acquisition. However, the instant transaction cannot be characterized as a toehold acquisition inasmuch as Bank ranks fifth in Yakima

County in terms of deposits with 17 percent of total commercial deposits. The proposed acquisition, thus, is much more objectionable than would have been the case had Applicant entered the Yakima area through the acquisition of a much smaller bank.

Applicant would increase its share of total state deposits from 7.4 to 8.3 percent as a result of the proposed acquisition. Nevertheless, given Seattle-First National Bank's 34.5 percent share of the state's total commercial deposits (as of December 31, 1975), an 0.87 percent increase in statewide concentration is not substantial.

In sum, the proposed acquisition would not eliminate existing competition and would only slightly increase statewide concentration. It would, nonetheless, have some adverse competitive effect because of the "non-toehold" character of the acquired bank.

\* \* \*

## METROPOLITAN NATIONAL BANK,

Richmond, Va., and Second National Bank of Richmond, Richmond, Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Second National Bank of Richmond, Richmond, Va. (15567), with	\$ 35,043,000	4	_____
and Metropolitan National Bank, Richmond, Va. (15530), which had	75,354,000	8	_____
merged Mar. 25, 1977, under charter of the latter bank (15530) and title "Dominion National Bank of Richmond." The merged bank at date of merger had	110,397,000	_____	12

## COMPTROLLER'S DECISION

Second National Bank of Richmond, Richmond, Va. ("SNB"), the merging bank, and Metropolitan National Bank, Richmond, Va. ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the charter of Metropolitan National Bank, and with the title of "Dominion National Bank of Richmond." This application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Charter Bank received its charter as a national banking association on July 8, 1965, and as of June 30, 1976, held commercial bank deposits aggregating \$60.9 million. A wholly-owned subsidiary of the fifth largest banking organization headquartered within the Commonwealth of Virginia, Dominion Bankshares Corporation, Roanoke, Va. ("Dominion"), Charter Bank currently operates eight offices (two within the city of Richmond, five in Henrico County and one in Chesterfield County).

SNB became a national bank on January 6, 1966, and as of mid-year 1976 held total deposits of \$34.4 million. SNB operates from one branch in Henrico County and three offices in the city of Richmond.

The closest offices of Charter Bank and SNB are across the street from each other in South Richmond. The area in which those two branches are located is very active commercially, however, and a number of other large Richmond-based banks operate branches in close proximity. Additionally, if this application is ap-

proved, Charter Bank has indicated that it will relocate its South Richmond office to another commercially active site and, thereby, better serve another segment of the banking public. In sum, it appears that approval of the subject proposal would eliminate a small degree of existing competition between Charter Bank and SNB; but the effect will not be substantially adverse.

Pursuant to applicable Virginia branch banking statutes, a bank may branch within the town, city or county limits of its principal office. Thus, both Charter Bank and SNB could legally be permitted to establish additional offices within the Richmond banking market (approximated by the city of Richmond and the whole of both Henrico and Chesterfield counties). Inasmuch as there are several banking alternatives conveniently available to the public, the foreclosure of any potential competition between the proponent banks is not considered to be significant.

The banking public should benefit by approval of this application through the introduction of new and expanded banking services, a larger lending limit, additional convenient banking offices and specialized expertise. Considerations relating to convenience and needs are, therefore, regarded as being consistent with approval.

The financial condition of Charter Bank is considered to be satisfactory. SNB has a poor earnings performance and the quality of some of its assets are poor. Additionally, SNB is in need of competent and capable managerial direction and, as a subsidiary of Dominion, the combined strength of bank management, financial resources and Dominion's willingness

and ability to serve the needs of both the banking public and its subsidiary banks (Dominion has committed to augment the capital of the surviving bank) greatly enhance the favorable future prospects of the combined institution.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is not adverse to the public interest and should be, and hereby is, approved.

February 9, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The city of Richmond is Virginia's manufacturing and financial center. Although the city of Richmond's population is declining, the population of the entire Richmond metropolitan area is increasing. The economy of the Richmond metropolitan area is well diversified and, according to the application, its economic prospects are favorable.

The closest offices of Applicant and Bank are across the street from each other in South Richmond. The South Richmond branch offices of Applicant and Bank produce 6 and 8.4 percent of the total deposits of each institution, respectively. Applicant operates a total of seven offices, and Bank operates four in the Richmond city/Henrico County market area. It thus appears that the proposed acquisition will eliminate existing competition between Applicant and Bank.

As noted, it appears that the area of effective competition between Applicant and Bank is an area con-

sisting of the city of Richmond and Henrico County. As of June 30, 1975, 14 banking organizations operated in that area. Applicant, the sixth largest banking organization operating there, held, as of that date, total deposits of \$53.8 million, or 2.54 percent of the area's deposits (Applicant's Chesterfield County office held total deposits of approximately \$7 million). Bank, the ninth largest of the 14 banking organizations operating in that area, held, as of the same date, total deposits of \$34.4 million, or 1.57 percent of the area's deposits. Commercial banking is highly concentrated in the area in which Applicant and Bank compete. The four largest banks operating in the city of Richmond/Henrico County area control 83.1 percent of that area's deposits. The proposed acquisition would not, however, significantly increase concentration. If the proposed acquisition is consummated, Applicant would remain the sixth largest banking organization in the area, controlling only 4.2 percent of area deposits.

Under Virginia law, a bank may branch within the town, city, or county limits of its principal office. Thus, both Applicant and Bank could be permitted to establish additional branches in the Richmond area. The proposed acquisition eliminates this potential for increased competition between Applicant and Bank.

In sum, the proposed acquisition will eliminate some direct competition, will slightly increase concentration in the Richmond/Henrico County area, and will eliminate the potential for increased competition. We conclude that, overall, the proposed acquisition would have some adverse effect on competition.

\* \* \*

## AMERICAN NATIONAL BANK AND TRUST COMPANY OF FORT LAUDERDALE, Fort Lauderdale, Fla., and Sunrise American National Bank of Fort Lauderdale, Fort Lauderdale, Fla., and Southport American National Bank of Fort Lauderdale, Fort Lauderdale, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Sunrise American National Bank of Fort Lauderdale, Fort Lauderdale, Fla. (15191), with	\$ 35,297,000	1	_____
and Southport American National Bank of Fort Lauderdale, Fort Lauderdale, Fla. (16064),	22,032,000	2	_____
with			
and American National Bank and Trust Company of Fort Lauderdale, Fort Lauderdale, Fla. (14741), which had	103,414,000	1	_____
merged Mar. 31, 1977, under charter and title of the latter bank (14741). The merged			
bank at date of merger had	161,524,000	_____	4

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency for prior permission to merge Sunrise American National Bank of Fort Lauderdale, Fort Lauderdale, Fla. ("Sunrise Bank"), and Southport American National Bank of Fort Lauderdale, Fort Lauderdale, Fla. ("Southport National") (collectively, "Merging Banks"), into American National Bank and Trust Company of Fort Lauderdale, Fort Lauderdale, Fla. ("Charter Bank") under the charter and title of American National Bank and Trust Company of Fort Lauderdale, Fort Lauderdale, Fla. The subject application rests upon an agreement executed between the proponent banks

which is incorporated herein by reference, the same as if fully set forth.

Sunrise Bank was chartered as a national banking association on October 18, 1963, and as of August 31, 1976, had total commercial bank deposits of \$30.7 million.

With August 31, 1976 deposits aggregating approximately \$15.5 million, Southport National is the smallest of the three proponent banks.

Charter Bank received its charter on May 19, 1955, and now has deposits of \$77.6 million.

All three banks are wholly-owned banking subsidiaries of the 12th largest banking organization headquartered in Florida, First Bancshares of Florida, Inc.,

Boca Raton, Fla. The subject proposal is, therefore, regarded as a corporate reorganization and, as such, would have no adverse effect upon competition within the Fort Lauderdale banking market.

The proposed merger should enhance the surviving bank's ability to better serve the banking needs of the public. The lending capacity of Sunrise Bank and Southport National as branches of Charter Bank will be greatly increased in comparison to their present individual capacities. Additionally, the merger will allow the new branches of Charter Bank to offer trust services and specialized commercial, installment and mortgage lending. Convenience and needs considerations are, therefore, considered to be consistent with approval.

The managerial resources of the Merging Banks and Charter Bank are regarded as generally satisfactory. The financial resources of Charter Bank are regarded as satisfactory while the financial resources of the

Merging Banks are considered to be in less than satisfactory condition. Approval of this proposal would have the effect of combining the financial resources of the three banks and certain efficiencies and economies of scale through a consolidated operation should favorably impact upon the overall condition of the surviving association; thereby increasing the favorable future prospects of the Charter Bank.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest, and should be, and hereby is, approved.

February 28, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

#### CENTRAL BANK, NATIONAL ASSOCIATION, Oakland, Calif., and Peninsula National Bank, Burlingame, Calif.

Names of banks and type of transaction	Total assets *	Banking offices	
		In operation	To be operated
Peninsula National Bank, Burlingame, Calif. (15310), with . . . . .	\$ 19,980,000	2	—
was purchased Mar. 31, 1977, by Central Bank, National Association, Oakland, Calif. (6919), which had . . . . .	444,317,000	33	—
After the purchase was effected, the receiving bank had . . . . .	467,738,000	—	35

#### COMPTROLLER'S DECISION

Central Bank, National Association, Oakland, Calif. ("Assuming Bank"), has made application to the Comptroller of the Currency for prior permission to purchase the assets and assume the liabilities of Peninsula National Bank, Burlingame, Calif. ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

A wholly-owned subsidiary of Central Banking Systems, Inc., Oakland, Calif. ("CBS"), a registered multi-bank holding company, Assuming Bank received its charter as a national banking association on August 11, 1903, and as of September 30, 1976, held total commercial bank deposits of \$372.2 million. In addition to its main office in the city of Oakland, Assuming Bank operates 35 branch offices located throughout the Central Valley and San Francisco-Oakland metropolitan area of California.

Selling Bank was organized in December 1963 and, as of September 30, 1976, had deposits aggregating approximately \$20 million. Selling Bank operates only one office in addition to its main office; a branch in San Mateo.

Although Selling Bank's branch in San Mateo is only 1 mile northwest of Assuming Bank's El Camino office, the proximity of those two offices does not present the level of competition which might be indicated by such a short distance because of the distinct and isolated nature of the area serviced by Selling Bank's branch office. That isolation is created by awkward street patterns and barriers provided by railroad tracks, land rights of way and a flood control channel. The only practical route between the offices entails entering and leaving a freeway with difficult access at both ends. Additionally, Selling Bank's main office is located slightly less than 4 miles from a branch of Assuming Bank; there are, however, several alternative intervening banking facilities. It is, therefore, concluded that existing competition between the proponent banks is minimal and, as further outlined herein below, it is seriously questionable as to how effective Selling Bank competes within its intensely competitive market area.

From 1969 until 1974, Selling Bank was owned by CBS, then the holding company sold its interest in Selling Bank to a private investor. Under the ownership and control of that investor, Selling Bank suffered from a distinct lack of qualified and competent senior management. Also, as a result of the investor's default on the purchase of Selling Bank, Pacific Atlantic Bank Inc., of the Republic of Panama ("Pacific"), as a guarantor of Selling Bank's major stockholder's loan, suc-

\* Asset figures are as of call dates immediately before and after transaction.



ceeded to the stockholder's 78 percent interest in Peninsula National Bank. As a consequence of the default, 20 percent of Selling Bank's stock was not transferred from CBS to the stockholder and CBS has continued to retain that interest in Selling Bank. Furthermore, the bank was the victim of imprudent and unsound loans and investments initiated by its major stockholder. As a result of numerous bad loans, almost all of which have been written off as a total loss, Selling Bank's present capital resources have declined to a position which is of serious concern to the Office of the Comptroller of the Currency. It is readily obvious from an analysis of the latest financial data available for Selling Bank, that this bank is no longer a viable competitor in its market and, absent a sizeable contribution to Selling Bank's capital accounts within the very near future, the ability of Selling Bank to continue to survive is highly questionable and very much in doubt. In light of Selling Bank's deteriorating financial condition, its lack of qualified management and the fact that Pacific does not possess the capacity and/or willingness to provide additional capital for Selling Bank or to operate a banking institution located thousands of miles from its own base of operation, Pacific has chosen to terminate its interest in Selling Bank.

Approval of the subject proposal would have the effect of replacing a weak and ineffectual banking alternative with a more viable bank that proposes to offer

the banking public a substantially larger legal lending limit, bank credit card accounts, auto leasing, international department services and estate loans, and additional new and expended banking services, as well as a large branch banking system throughout Northern California. Considerations relating to convenience and needs are, therefore, deemed to add additional weight toward approval of this application.

As previously noted, Selling Bank has suffered from a lack of managerial direction through the loss of competent and capable bankers. At present, Selling Bank is operating with senior officers supplied by CBS. Approval of this proposal would alleviate Selling Bank's managerial problems, and Assuming Bank's financial resources are judged to be of sufficient proportion to assure the favorable future prospects of the surviving institution.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

March 1, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

\* \* \*

#### THE FIRST NATIONAL BANK OF MARYLAND, Baltimore, Md., and The Hancock Bank, Hancock, Md.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Hancock Bank, Hancock, Md., with	\$ 11,926,000	1	_____
and The First National Bank of Maryland, Baltimore, Md. (1413), which had	1,377,375,000	140	_____
merged Mar. 31, 1977, under charter and title of the latter bank (1413). The merged bank			
at date of merger had	1,389,301,000	_____	141

#### COMPTROLLER'S DECISION

The Hancock Bank, Hancock, Md. ("Merging Bank"), and The First National Bank of Maryland, Baltimore, Md. ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the charter and title of The First National Bank of Maryland, Baltimore, Md. The subject application rests upon an agreement executed between the two banks which is incorporated herein by reference, the same as if fully set forth.

Charter Bank, a wholly-owned banking subsidiary of the third largest banking organization headquartered in Maryland, First Maryland Bancorp, Baltimore, Md., received its charter as a national banking association on July 10, 1865. As of June 30, 1976, Charter Bank had total commercial bank deposits of approximately \$951 million and, in addition to its main office in Baltimore, Charter Bank operates 74 branch offices throughout the state.

Merging Bank, a unit bank, was established in 1896 as a state-chartered banking institution and, as of mid-year 1976, had total deposits of \$10.3 million. Merging Bank's sole office is located only 0.5 miles north of the West Virginia-Maryland border, and 1 mile south of the Pennsylvania-Maryland border.

On December 29, 1976, the Board of Governors of the Federal Reserve System approved an application submitted by First Maryland Bancorp to acquire 51 percent of the outstanding voting shares of Merging Bank. Thus, there is no meaningful competition existent between Merging Bank and any of Charter Bank's branches, the nearest of which is approximately 27 miles east of Hancock, in Hagerstown, Md. The subject application is, therefore, regarded essentially as a corporate reorganization, and serves as the vehicle for the acquisition of the minority interest of Merging Bank.

The financial and managerial resources of First Maryland Bancorp, its subsidiaries and Merging Bank

are satisfactory, and their individual and combined future prospects appear favorable.

With regard to the convenience and needs of the community to be served, Merging Bank's affiliation with Charter Bank and its corporate parent will result in new and expanded banking services being offered in the Hancock banking market; these services include a larger legal lending limit, trust services, individual retirement accounts and credit card services (all of which are currently unavailable from Hancock area banks).

\* \* \*

#### FLAGSHIP BANK OF ST. PETERSBURG, N.A.,

St. Petersburg, Fla., and Flagship Bank North of St. Petersburg, N.A., St. Petersburg, Fla., and Flagship Bank South, St. Petersburg, St. Petersburg, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Flagship Bank North of St. Petersburg, N.A., St. Petersburg, Fla. (15905), with .....	\$19,154,000	1	_____
and Flagship Bank South, St. Petersburg, St. Petersburg, Fla., with .....	13,640,000	1	_____
and Flagship Bank of St. Petersburg, N.A., St. Petersburg, Fla. (15281), which had .....	53,102,000	2	_____
merged Apr. 1, 1977, under charter and title of the latter bank (15281). The merged bank at date of merger had .....	85,896,000	_____	4

#### COMPTROLLER'S DECISION

Flagship Bank North of St. Petersburg, N.A., St. Petersburg, Fla. ("North Bank"), Flagship Bank South, St. Petersburg, St. Petersburg, Fla. ("South Bank") (collectively, "Merging Banks"), and Flagship Bank of St. Petersburg, N.A., St. Petersburg, Fla. ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to merge under the charter and title of Flagship Bank of St. Petersburg, N.A., St. Petersburg, Fla.

North Bank received its charter as a national banking association on October 8, 1971, and as of June 30, 1976, had commercial bank deposits aggregating \$15.6 million.

South Bank is a state-chartered banking institution, organized in 1972, and as of mid-year 1976, had total deposits of \$11.4 million.

Charter Bank was organized on September 27, 1963, and now has total deposits of \$45.2 million.

All three of the proponent banks are wholly-owned

\* \* \*

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is not adverse to the public interest and should be, and hereby is, approved.

February 25, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

subsidaries of the fourth largest bank holding company in Florida, Flagship Banks, Inc., Miami Beach, Fla. Accordingly, there is no existing competition among Merging Banks and/or Charter Bank; and approval of this proposal, essentially a corporate reorganization, would have no adverse effect upon either existing or potential competition.

Applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application presents no feature adverse to the public interest and the application should be, and hereby is, approved.

February 14, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

**THE NATIONAL BANK OF WASHINGTON,  
Washington, Iowa, and Ainsworth State Bank, Ainsworth, Iowa**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Ainsworth State Bank, Ainsworth, Iowa, with	\$ 8,017,000	1	—
and The National Bank of Washington, Washington, Iowa (13849), which had	21,588,000	1	—
merged Apr. 1, 1977, under charter and title of the latter bank (13849). The merged bank			
at date of merger had	29,286,000	—	2

### COMPTROLLER'S DECISION

Ainsworth State Bank, Ainsworth, Iowa ("Merging Bank"), and The National Bank of Washington, Washington, Iowa ("Charter Bank"), have applied to the Comptroller of the Currency for prior permission to effectuate a merger under the charter and title of The National Bank of Washington. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Merging Bank was organized in 1945 and currently operates as a unit banking institution with headquarters in Ainsworth, Iowa, in the southeastern quadrant of Iowa. As of November 1, 1976, Merging Bank held total deposits of \$7.4 million.

Charter Bank received its charter as a national banking association on November 29, 1933, and as of March 15, 1976, had deposits aggregating \$16.3 million. Charter Bank has no branch operations.

Both Charter Bank and Merging Bank are domiciled within Washington County (the approximate relevant banking market) and are approximately 7 miles apart. There are no banks within the intervening area. Within the relevant market, there are ten commercial banking organizations. Charter Bank ranks as the second largest bank, controlling approximately 17 percent of market deposits; and Merging Bank is the sixth largest with slightly in excess of 7 percent of the area's total deposits. If this proposal is approved, the resulting bank would become the largest bank and control approximately 1 percent more in deposits than does the present largest bank, Washington State Bank. It, therefore, appears that some degree of existing competition between Charter Bank and Merging Bank would be eliminated via approval of this proposal. This factor is highly mitigated however, by the fact that a group of four individuals own and control both of the proponent banks. It is thus conjectural as to the degree of actual competition that exists between the banks.

Pursuant to applicable Iowa branching statutes, both Charter Bank and Merging Bank could legally establish *de novo* offices within Washington County and the six surrounding counties, except in communities where a commercial bank already operates. The potential for increased competition between Charter Bank and Merging Bank via *de novo* branching is considered remote, however, because of the market's overbanked status and Iowa's restrictive branching

laws. The proposed merger would not have the effect of foreclosing significant future competition.

The relevant area within which Charter Bank and Merging Bank operate is primarily oriented toward agriculture. Operating expenses and capital requirements for building and machinery, along with a rapid increase in land costs, have all contributed to a real need for a commercial bank of sufficient size to meet the needs of the local banking public. The introduction of both new and expanded banking services should better serve the public, and those residents who commute between Washington and Ainsworth will be able to enjoy an added convenience of doing business with their local bank in two locations. Also, proposed expansion and improvements of the physical facility in Washington will result in additional convenience to customers.

The resulting bank will be better able to utilize management personnel and officers of the two proponent banks and will be of sufficient size to attract additional qualified personnel. Both banks are considered to be in generally satisfactory overall condition and, although Merging Bank has not been without some operating difficulties in the past, the bank's new management and ownership has made noteworthy progress in solving those problems. The future prospects of both banks appear favorable.

Accordingly, applying the statutory criteria it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

February 1, 1977.

### SUMMARY OF REPORT BY ATTORNEY GENERAL

Both Applicant and Bank are located approximately 7 miles from each other in Washington County (population 19,000) in the southeast section of Iowa. There are no banks in the intervening area. Hence, it appears that the proposed acquisition will eliminate existing competition.

The proposed merger would also significantly increase existing banking concentration in Washington County. The four largest of the ten banks currently operating in Washington County presently control 70 percent of county deposits: the largest controls 23 percent, Applicant, the second largest controls 17 percent and the third and fourth each control 15 percent. Bank is the sixth largest bank in the county, controlling

7 percent of county deposits. If the proposed merger is consummated, Applicant would become the largest bank in the county with 24 percent of county deposits and the concentration ratio among the top four banks would increase from 70 to 77 percent.

We conclude that, overall, the proposed merger would have an adverse effect upon competition.\*

\* It is claimed in the application that the proposed merger would not adversely affect competition because the same group of four individuals owns virtually all of the stock of both Applicant and Bank. The application also indicates that Bank was an independent institution until May of this year when the group purchased its stock. Accordingly, we submit that in assessing the competitive effect of the proposed merger, the Comptroller should disregard the recent acquisition of Bank's stock by the owners of Applicant.

\* \* \*

# **SOUTHERN NATIONAL BANK OF NORTH CAROLINA, Lumberton, N.C., and Lafayette Bank & Trust Company, Fayetteville, N.C.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Lafayette Bank & Trust Company, Fayetteville, N.C., with	\$ 7,830,000	3	_____
and Southern National Bank of North Carolina, Lumberton, N.C. (10610), which had	377,920,000	57	_____
merged Apr. 1, 1977, under charter and title of the latter bank (10610). The merged bank			
at date of merger had	385,750,000	_____	60

## **COMPTROLLER'S DECISION**

Lafayette Bank & Trust Company, Fayetteville, N.C. ("Merging Bank"), and Southern National Bank of North Carolina, Lumberton, N.C. ("SNB"), the Charter Bank, have made application to the Comptroller of the Currency for prior permission to effectuate a merger under the charter and title of Southern National Bank of North Carolina. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Merging Bank was organized in 1973 and commenced operations in January 1974. As of December 31, 1976, Merging Bank held total deposits of \$7.9 million. In addition to its main office in the city of Fayetteville, Merging Bank also operates two branch offices in the Fayetteville area.

SNB received its charter as a national banking association on September 8, 1914, and as of December 31, 1976, the Charter Bank's commercial bank deposits aggregated \$338.5 million. A wholly-owned subsidiary of Southern National Corporation, Lumberton, N.C., SNB ranks as the state's eighth largest banking organization and operates a total of 57 banking offices, the preponderance of which are located within the east-central section of the state.

Within the relevant banking market (approximated by the whole of Cumberland County), there are 10 banking organizations that operate 62 offices. SNB operates eight branches within the market and is the fourth largest institution, controlling approximately 9 percent of market deposits. Merging Bank's three offices control approximately 3 percent of the total deposits of the market and Merging Bank ranks as the eighth largest bank. Consummation of this proposal would have the effect of placing slightly less than 13 percent of the market's deposits in SNB's control and, on a *pro forma* basis, SNB would become the third largest banking organization in Cumberland County.

Within the downtown area of Fayetteville, there are 14 banking offices, and Merging Bank's main office is

located three blocks from one office of SNB. That area of the city is, however, no longer economically vibrant and the immediate area surrounding SNB's downtown office is scheduled for a major urban renewal effort. Both Merging Bank and SNB operate one branch each in the Bordeaux section of the city, about five city blocks apart. There are, however, six banking offices within a 1 mile radius of that section of Fayetteville and the major arterial highway, which has limited access, effectually separates the primary service areas of the branches of the proponent banks in the Bordeaux section. The third office of Merging Bank is located near the Fort Bragg military reservation, northwest of downtown Fayetteville, and at least 5 miles from any office of SNB. It, therefore, appears that approval of this proposal would have the effect of eliminating only an insubstantial degree of existing competition between the proponent banks and would not result in a monopoly or substantially lessen competition within the Fayetteville banking market.

Applicable North Carolina branching statutes allow statewide branch banking; therefore, those banks not currently represented within the market can enter *de novo*, should they so desire. There does not appear to be any trend toward concentration of banking resources within Cumberland County, especially since six of the nine largest commercial banking organizations headquartered in the state have availed themselves of the liberal branching laws in order to establish offices within the county. In view of the number of banking institutions serving the Fayetteville area and the intense competition among those institutions, the immediate Fayetteville area is not considered to be an attractive location for additional banking facilities within the foreseeable future. Moreover, it is quite doubtful that, given Merging Bank's small size and range of operation, the bank would seek to establish any additional offices within the near future.

It is not anticipated that the resulting institution will offer any services to its customers that are not currently offered by SNB. The resulting bank will, however, provide a wide range of new and expanded

banking services to the customers of Merging Bank, including full trust services, consumer credit services, an increased emphasis upon personal banking services, an increased legal lending limit, mortgage services, leasing operations, farm services, and a bank credit card program. Many of those services are not currently offered to Merging Bank's customers and will be of significant convenience and benefit to the banking public.

Both Merging Bank and SNB are financially sound, well-managed banks. The future prospects of SNB are considered to be favorable, but the future prospects of Merging Bank as an independent institution appear questionable. Within its short operating history, Merging Bank has been plagued by a constant succession of management problems and, although Merging Bank's senior management appears capable, the bank has not been successful in attracting competent junior officers in all fields of the bank's operations. Additionally, Merging Bank has recently experienced a loss of its market shares of deposits, due in large measure, to the bank's inability to offer a full range of banking services. SNB possesses both the financial and managerial resources to aid Merging Bank in becoming a more vibrant competitor and a more meaningful banking alternative. The combined future prospects of Merging Bank and SNB are considered to be substantially more favorable.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is in the public interest and should be, and hereby is, approved.

February 28, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Bank confines its activities to Fayetteville, Cumberland County. Applicant operates eight offices in Cumberland County, five of which are located in Fayetteville where all three of Bank's offices are located. Two of the offices of Applicant appear to be within blocks of offices of Bank. It thus appears that the proposed acquisition will eliminate existing direct competition to an appreciable extent.

\* \* \*

#### WACHOVIA BANK AND TRUST COMPANY, N.A., Winston-Salem, N.C., and Town and Country Bank, Lumberton, N.C.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Town and Country Bank, Lumberton, N.C., with	\$ 8,639,000	1	_____
and Wachovia Bank and Trust Company, N.A., Winston-Salem, N.C. (15673), which had	3,415,829,000	196	_____
merged Apr. 1, 1977, under charter and title of the latter bank (15673). The merged bank			
at date of merger had	3,424,468,000	_____	197

#### COMPTROLLER'S DECISION

Town and Country Bank, Lumberton, N.C. ("TCB"), the merging bank, and Wachovia Bank and Trust Company, N.A., Winston-Salem, N.C. ("Wachovia"), the charter bank, have applied to the Comptroller of the

Applicant currently ranks as the fourth largest commercial bank in Cumberland County with 9.8 percent of total deposits, while Bank ranks eighth with 3.5 percent of total deposits. The four largest commercial banks in the county collectively hold slightly less than 70 percent of total county deposits, which is indicative of a concentrated banking market. First Citizens Bank & Trust Company is the largest with 33.4 percent of total deposits, North Carolina National Bank is second with 15.6 percent and Cape Fear Bank & Trust Company, a subsidiary of United Carolina Bancshares, is third with 10.4 percent. Thus, the three largest banks in Cumberland County collectively hold 59.4 percent of total deposits. If the proposed acquisition occurs, Applicant will become the third largest bank in the market with a 13.3 percent share of total deposits, and the concentration ratio for the three largest banks in Cumberland County will increase from 59 to 62 percent and the concentration ratio for the four largest banks will increase from 69 to 72 percent.

There does not appear to be a trend toward concentration in Cumberland County. Indeed, there has been new entry by banks other than Bank, which itself commenced operations in 1974. Furthermore, since North Carolina permits statewide branch banking, out-of-county banks can enter *de novo* should the economic climate suggest the desirability of doing so. Indeed, six of the nine largest commercial banking organizations in the state have availed themselves of the liberal branching law to establish offices in the county. The remaining three each have at least \$100 million in deposits and therefore can be deemed potential entrants via either branching or acquisition. Should they elect the latter, there will remain several small banks in the county that could serve as entry vehicles. Of course, the proposed acquisition will eliminate the potential competition that would have occurred had Applicant entered the county by branching rather than acquisition.

Overall, the proposed acquisition will have an adverse competitive effect.

Currency for prior permission to effectuate a merger under the charter and with the title of Wachovia Bank and Trust Company, N.A. The instant application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Wachovia was chartered as a national banking association on December 20, 1968. As of June 30, 1976, Wachovia held total commercial bank deposits (domestic and foreign) of \$2.7 billion, representing 21.3 percent of commercial bank deposits in the state of North Carolina. A wholly-owned subsidiary of The Wachovia Corporation, Winston-Salem, N.C., a registered one-bank holding company, Wachovia operates a total of 186 banking offices throughout the state, including a single office in Robeson County (the approximate relevant market) in Maxton.

TCB, a state-chartered, unit bank, commenced operations on March 20, 1973. Domiciled within the city of Lumberton, the county seat of Robeson County, TCB controls commercial bank deposits aggregating \$6.9 million and is the smallest of four commercial banks operating within Lumberton.

As previously noted, Wachovia presently operates one banking office in Robeson County; that office is, however, approximately 25 miles distant from the site of TCB, and serves a different primary service area. There are two offices of Wachovia that are physically closer to TCB than is the Maxton office; one is in Dublin and one in Tar Heel, 18 miles and 22 miles away, respectively, in adjacent Bladen County to the east of Lumberton. The combination of Wachovia's 3 percent of the market's deposits with the 5 percent controlled by TCB would rank Wachovia as the fourth largest banking organization in Robeson County; but it would still be less than one-half the deposit size of the third largest organization therein.

Pursuant to applicable state banking statutes, Wachovia could legally establish a *de novo* office in Lumberton. However, given the declining population and economic trends of the area, it is highly unlikely that the charter bank would consider that means of entering Lumberton. Also, the merging bank could legally establish a *de novo* office in any service area of Wachovia, but is not likely to do so given the small size and financial resources of TCB.

If the proposed merger is consummated, the resulting institution would offer more viable competition to the significantly larger competitors of TCB. Furthermore, the Lumberton banking community would benefit from a substantially larger lending limit at the new

bank as well as from the addition of more and specialized banking services, and the future prospects of the combined banks would be enhanced.

It is, therefore, the conclusion of the Office of the Comptroller of the Currency that any slightly adverse competitive effects associated with this proposal are clearly outweighed by the benefits accruing to the banking public. In addition, the financial and managerial resources and future prospects of the combined institutions add additional weight toward approval of the subject proposal. It is, therefore, the opinion of this Office that this application is in the public interest and should be, and hereby is, approved.

February 28, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Applicant's closest offices to Bank are located about 18 miles and 22 miles, respectively, to the east in Dublin and Tar Heel, Bladen County. Applicant also operates two offices about 25 miles from Bank, one to the west in Maxton, Robeson County, and the other to the east in Elizabethtown, Bladen County.

There are six banks in Robeson County operating 21 offices; together they held total county deposits of \$146.5 million, as of June 30, 1975. Four of these banks operate offices in Lumberton. As of June 30, 1975, Applicant and Bank controlled approximately 3 and 5 percent, respectively, of total county bank deposits; three other banks, subsidiaries of large bank holding companies, controlled approximately 40, 30, and 19 percent of those deposits.

In view of the distances between their closest offices, there appears to be only a small amount of existing competition between Applicant and Bank which the proposed merger would eliminate. The proposed merger also would eliminate the potential for increased competition between the parties, since statewide *de novo* branching is permitted in North Carolina. There are, however, five banking organizations in North Carolina with deposits in excess of \$100 million which could be permitted to enter Robeson County *de novo*.

In sum, the proposed merger will have a slightly adverse effect upon competition.

\* \* \*

**OLD NATIONAL BANK OF WASHINGTON,  
Spokane, Wash., and The Industrial Park Branch of First National Bank in Spokane, Spokane, Wash.**

<i>Names of banks and type of transaction</i>	<i>Total assets *</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Industrial Park Branch of First National Bank in Spokane, Spokane, Wash. (13331), with . . . . .	\$2,138,000	1	—
was purchased Apr. 29, 1977, by Old National Bank of Washington, Spokane, Wash. (4668), which had . . . . .	830,665,000	76	—
After the purchase was effected, the receiving bank had . . . . .	845,481,000	—	77

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency by Old National Bank of Washington, Spokane, Wash. ("Old National"), the purchasing bank, to purchase the assets and assume the liabilities of The Industrial Park Branch of First National Bank in Spokane, Spokane, Wash. ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Old National, the fifth largest commercial bank headquartered within the state of Washington, is a wholly-owned subsidiary of Old National Bancorporation, Spokane, Wash. Presently operating 76 branches throughout the state, Old National, as of June 30, 1976, had total deposits of approximately \$689 million.

Selling Bank, also a wholly-owned subsidiary of Old National Bancorporation, received its charter as a national banking association on May 25, 1929, and as of mid-year 1976, had total deposits of \$54.4 million. The bank operates six branches within the Spokane area; The Industrial Park Branch was opened for business on October 18, 1965, and has total deposits of \$2.1 million.

The primary service area of The Industrial Park Branch of Selling Bank is mainly comprised of a large industrial park complex and the small residential area of Trentwood wherein are located numerous businesses engaged in manufacturing, fabricating and distribution. The nearest office of Old National to The

Industrial Park Branch is approximately 2.5 miles distant. Due to the fact that both of the proponent banks are owned and controlled by the same parent bank holding company, there would be no lessening of competition.

During its years of operation, The Industrial Park Branch has failed to generate a satisfactory profit or volume of business to, in the opinion of its parent corporation, sufficiently justify the continued existence of this branch. Old National is of the opinion that, due to its larger lending limit and statewide branching system, it could better serve the business potential within this heavily industrial area. (Old National presently has several large deposit and loan accounts from companies located within the park complex.) Additionally, Old National has stated its interest to introduce corporate trust services at the Industrial Park Branch location.

Both the financial and managerial resources and future prospects of the proponent banks and its holding company parent are regarded as satisfactory.

Accordingly, applying the statutory criteria, it is the conclusion of this Office that this application is in the public interest and should be, and hereby is, approved.

February 17, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The banks are both wholly-owned subsidiaries of the same bank holding company. As such, the proposed transaction is essentially a corporate reorganization and would have no effect on competition.

\* Asset figures are as of call dates immediately before and after transaction, branch figures are deposits only.

\* \* \*

**FIRST NATIONAL BANK OF POMPANO BEACH,  
Pompano Beach, Fla., and First National Bank of Broward County, Lighthouse Point, Fla., and First National Bank of Margate, Margate, Fla., and First National Bank on the Beach, Pompano Beach, Fla.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
First National Bank of Broward County, Lighthouse Point, Fla. (15004), with . . . . .	\$ 52,911,000	1	—
and First National Bank of Margate, Margate, Fla. (15113), with . . . . .	30,594,000	1	—
and First National Bank on the Beach, Pompano Beach, Fla. (15724), with . . . . .	27,865,000	1	—
and First National Bank of Pompano Beach, Pompano Beach, Fla. (14723), which had . . . . .	120,675,000	1	—
merged May 2, 1977, under charter of the latter bank (14723) and title "First National Bank of Broward County." The merged bank at date of merger had . . . . .	214,495,000	—	4

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency for prior permission to merge First National Bank of Broward County, Lighthouse Point, Fla. ("Lighthouse Point Bank"); First National Bank of Margate, Margate, Fla. ("Margate Bank"); and First National Bank on the Beach, Pompano Beach, Fla. ("Pompano Beach Bank") (collectively, "Merging Banks"), into First National Bank of Pompano Beach, Pompano Beach, Fla. ("Charter Bank"), under the charter of First National Bank of Pompano Beach, and with the title of "First National Bank of Broward County." The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

Lighthouse Point Bank received its charter as a national banking association on August 31, 1962, and as of September 30, 1976, held commercial bank deposits aggregating \$44.2 million.

Margate Bank was chartered on June 25, 1963, and at the conclusion of the third quarter of 1976, held total deposits of \$25.4 million.

With total deposits of approximately \$21 million, Pompano Beach Bank is the smallest of the Merging Banks, and was organized on May 1, 1969.

Charter Bank was organized on June 28, 1954, and received its charter on December 28, 1954. As of September 30, 1976, Charter Bank had total deposits of approximately \$83 million.

\* \* \*

## FIRST NATIONAL BANK OF MANSFIELD, Mansfield, Ohio, and The Peoples National Bank of Plymouth, Plymouth, Ohio

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Peoples National Bank of Plymouth, Plymouth, Ohio (7035), with . . . . .	\$ 17,502,000	2	—
and First National Bank of Mansfield, Mansfield, Ohio (2577), which had . . . . .	208,777,000	17	—
merged May 13, 1977, under the charter and title of the latter bank (2577). The merged bank at date of merger had . . . . .	226,279,000	—	19

## COMPTROLLER'S DECISION

The Peoples National Bank of Plymouth, Plymouth, Ohio ("Peoples"), the merging bank, and First National Bank of Mansfield, Mansfield, Ohio ("FNB"), the charter bank, have made application to the Comptroller of the Currency for prior permission to effectuate a merger under the charter and title of First National Bank of Mansfield with corporate headquarters in Plymouth, Ohio. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

Peoples was organized as a national bank on October 30, 1903, and as of September 30, 1976, had total commercial bank deposits aggregating \$15.4 million. In addition to its main office, Peoples operates one branch office, also domiciled within the village of Plymouth.

All of the proponent banks are subsidiaries of the 20th largest commercial banking organization headquartered within the state of Florida, First Bankers Corporation of Florida, Pompano Beach, Fla. Accordingly, the subject application is regarded essentially as a corporate reorganization of a registered multi-bank holding company, and would have no adverse effect upon competition.

The application indicates that the larger combined bank will have the capacity and ability to be a more meaningful competitor, result in better and more efficient utilization of deposits, produce certain economies of scale and efficiencies of operation and result in greater location conveniences for customers. Considerations relating to convenience and needs benefits are, therefore, considered to be consistent with approval.

The financial and managerial resources and future prospects of the Merging Banks and Charter Bank are regarded as satisfactory.

This application is therefore regarded as being in the public interest and should be, and hereby is, approved.

March 22, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

FNB received its charter as a national banking association on October 24, 1881, and as of September 30, 1976, FNB's total deposits were approximately \$170 million. FNB operates its head office and ten branches in the city of Mansfield, and additional branch offices (one in Lexington, one in Shiloh, two in Ontario, one in Crestline and one in Bellville) in various sections of Richland County, Ohio.

All offices of FNB are located within Richland County, while both locations of Peoples are in Huron County. The village of Plymouth is somewhat unique in that it is situated on the boundary separating the counties of Huron and Richland. Therefore, Peoples could legally, pursuant to applicable state branching statutes (*Ohio Revised Code Annotated*, Section 1111.03), establish branch operations within the political boundaries of both Huron and Richland counties.

On April 5, 1976, the Comptroller's Office ac-



knowledgeable receipt of the application and notified the Attorney General of the United States, the Board of Governors of the Federal Reserve System and the Board of Directors of the Federal Deposit Insurance Corporation of the application, requesting that they prepare a report concerning the competitive factors involved in the proposed merger. Peoples and FNB caused notice of the proposed merger to be published in newspapers of general circulation in Mansfield on April 8, 15, 22 and 29 and May 6 and 8, 1976, and in Plymouth on April 8, 15, 22 and 29 and May 6, 1976. Both Peoples and FNB submitted proposed proxy solicitation materials to the Comptroller's Office for review and, on April 15, 1976, the Director of the Comptroller's Securities Disclosure Division advised Peoples and FNB that the Comptroller's Office would interpose no objection to the materials being distributed to shareholders. On May 12, 1976, the shareholders of both Peoples and FNB met and approved the proposed merger.

A commissioned national bank examiner was dispatched to conduct a field investigation relative to the proposed merger and, during the course of his investigation, the examiner contacted officers of ten banks in the area to solicit their comments on the application. Of those ten institutions contacted, three Huron County banks objected to the application—Union Bank & Savings Company, Bellevue, Ohio; The Huron County Banking Company, N.A., Norwalk, Ohio; and The Willard United Bank, Willard, Ohio. Of those three, The Huron County Banking Company, N.A., and The Willard United Bank (hereinafter "Protestants") elected to pursue their initial objections. On April 11, 1976, the investigating national bank examiner submitted a written report of his findings. The Deputy Regional Administrator for the Fourth National Bank Region reviewed the application and the examiner's report and, on April 23, 1976, he submitted his own analysis and recommendation.

On June 2, 1976, the Protestants, through counsel, transmitted their written objections on the application and requested that a public hearing be convened. The Protestants request was determined to be untimely since it was received nearly 45 days after the time to request a public hearing under 12 CFR 5.4 had expired. In that the Protestants had an opportunity to present their views "in person" to the investigating national bank examiner and that a public hearing, which is a fact-gathering rather than a fact-finding proceeding, would not be the vehicle best suited to efficiently receiving the Protestants' arguments, it was determined that the Protestants would be invited to submit written materials in support of their objections and that a public hearing would not be convened. On July 8, 1976, Protestants, again through counsel, submitted a lengthy legal memorandum and an equally lengthy economic brief in opposition to the application and formally withdrew their request for a public hearing. On August 27, 1976, Protestants filed a supplemental memorandum in opposition to the application. Thus, Protestants were given every reasonable opportunity to make their views known. In addition, the submissions of Peoples and FNB have been made available

to Protestants, as have the reports of the Department of Justice, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation relating to competitive factors.

On May 4, 7, and 11, 1976, respectively, the Board of Governors of the Federal Reserve System, the Department of Justice and the Federal Deposit Insurance Corporation submitted their reports on the competitive effects of the merger to the Comptroller's Office. The merger application received different responses from each of the agencies. The Federal Deposit Insurance Corporation concluded that the proposal would have a substantially adverse effect; the Board of Governors of the Federal Reserve System concluded that the proposal would have only a slightly adverse competitive effect; the Department of Justice took a position somewhat in the middle and concluded that the merger would have an adverse competitive effect. Those reports, as well as the remainder of the entire administrative record compiled on the merger application (which record includes staff analyses and recommendations and materials submitted by Protestants) were submitted to the Acting Comptroller for ultimate disposition.

Although the Protestants' arguments do not warrant either a further delay in reaching a determination on the merits of this application or a denial of the application, Protestants' contentions are examined in greater detail at this time.

Protestants' first argument contends that "the application must be denied by the Comptroller because the applicants have failed to publish proper notice of the transactions contemplated by the application." Notice with respect to a proposed merger must be published in a newspaper of general circulation pursuant to 12 USC 1828 (c) (3) (D). Applicable regulations, 12 CFR 5.1 and 5.2, issued by the Comptroller in connection with (1) a merger where the resulting bank is a national bank, (2) a relocation of the main office of a national bank, and (3) the establishment of a branch by a national bank, require the publication of a notice containing the name of the applicant, the subject matter of the application and the date upon which the application was filed. The notice published by the charter and merging banks referred only to the proposed merger. The merger notice omitted any reference to the interchange of the original office of FNB with the main office of Peoples. Protestants argue that the proposed merger involves three separate and distinct transactions—merger, main office relocation and branch establishment (at old main office of FNB)—and contend further that *each* (emphasis added) transaction must meet the notice requirements of 12 CFR 5.1 and 5.2.

Protestants' arguments relative to the first issue obviously are based upon a restrictive literal reading and interpretation of the applicable regulations of this Office. Realizing the advantage in treating mergers and interchange of main offices of the merging banks in a single application, the Office of the Comptroller of the Currency has allowed national banks to file merger applications which expressly contemplate more than the merger transaction *per se*, i.e., branch interchange. This "package" concept has been utilized by numer-

ous prior applicants. To require Peoples and FNB to republish notice of the transaction setting forth the designation of a particular office as a branch and another as the main office of the resulting bank does not appear warranted in this application. In fact, the Protestants have had full knowledge of what is contemplated through this merger and have addressed themselves to the substantive issues concerning all aspects of the transaction. A close examination of Protestants' arguments indicates that the Protestants do not dispute that proper notice was published pursuant to the requirements of 12 USC 1828(c) but, rather, Protestants ask that the merger be dissected into several piecemeal transactions and to require a publication of notice for each of the merger components. Thus, the Protestants contend that there was no notice of any proposed relocation of First National's main office to Plymouth or of the retention of First National's present main office in Mansfield as a branch office.

The merger of two commercial banks necessarily encompasses several component elements, each of which could be accomplished by an individual bank outside of the structure of a merger. For example, an individual national bank may apply to the Comptroller for permission to relocate its main office and retain its existing main office as a branch office. When such relocation and retention is done by an individual bank, outside of the scope of a merger, separate notice of those proposed actions is indeed appropriate. When, however, such relocation and retention are to be accomplished within the scope of a merger, separate notice of such component actions is neither appropriate nor required; separate notice would confuse more than enlighten the public.

The publication of notice of a proposed merger serves as notice for all the several components which may be incorporated into the merger agreement. In that the merger agreement becomes an integral part of the public file in every proposed merger, every component part of the merger becomes public knowledge and is available to any interested party.

The Comptroller finds that little, if any, useful purpose would be served by requiring applicants to republish notice of the entire transaction at this date and that Protestants' arguments relative to this issue are not so compelling as to warrant denial of this application, and must, therefore, be denied.

Protestants' second argument in opposition to the proposed merger is somewhat related to the first argument and contends that "the application must be denied because it fails to provide information necessary for the Comptroller in consideration of the proposed relocation of First National's main office." Neither an "Application for a Change in Location of Head Office," 12 CFR 4.6 (1976), nor an "Application for Permission to Establish a Branch," 12 CFR 4.5 (1976), have been filed by the proponent banks, and pertinent information which would be required in connection with a main office relocation application and a branch establishment application has not been included within the subject pending application. Protestants argue that, as a result of such omission, there is no information before the

Comptroller at this time upon which a decision can be made with respect to the proposed main office relocation and subsequent retention of the original main office as a branch. Accordingly, Protestants argue that the application is incomplete and must be denied.

Again, the Protestants are attempting to dissect the proposed merger for no apparent good reason. The merger agreement clearly sets forth which of the existing offices of Peoples and FNB is to be designated as the main office of the resulting bank, thus indicating with equal clarity that the remaining offices are to be designated branch offices. Accordingly, there is nothing in the structure of the merger which would remain hidden without the filing of the application. The Protestants, nevertheless, argued that the failure to file such applications denies the Comptroller information necessary for the approval of the merger. Such an argument is irrelevant here, however, precisely because the actions come within the framework of a merger.

When an individual bank applies for permission to relocate its main office, the intended result is that a banking services office will be established in a community where it had not previously existed. When an individual bank applies for permission to establish a branch office, the intended result is, again, the establishment of a banking services office in a community where it had not previously existed. The Comptroller's application forms for such actions are designed to elicit information necessary for the Comptroller to determine whether or not to approve those entries into new communities. In this case, however, the merger of Peoples and FNB would not result in the establishment of any new banking service offices in any new communities. To require Peoples and FNB to file main office relocation or branch applications would serve only to increase the already voluminous burden of paperwork without any useful purpose. Finally, the Comptroller, through the application and attendant material filed therewith, has been fully apprised of all facets of this transaction. Accordingly, the Protestants' second contention must be dismissed as being without merit.

The next argument which Protestants submit is that "the Comptroller must deny the application because the proposed transaction violates federal and state law governing the establishment of branches by national banks" and, further, "the application must be denied because the proposed change in the location of First National's main office is a sham maneuver designed solely to avoid the Ohio branching restrictions." The protesting banks state that FNB, domiciled within Richland County, Ohio, is prohibited by Ohio law from establishing a branch at the location of either the main office or branch office of Peoples because both offices of Peoples are located within Huron County. Twelve USC 36 (c) prohibits the establishment by a national bank of a branch if, under applicable state statutes, state-chartered banks are not authorized to establish such a branch. Section 1111.03 of the *Ohio Revised Code Annotated* provides that:

No bank shall establish a branch in any place other than that designated in the articles of incorporation as its principal place of business, except in a municipal corporation contiguous to such

designated place, or in other parts of the country in which the municipal corporation in which the principal place of business of the bank is located ... (Emphasis added).

Where branching occurs as a result of a merger, a national bank is also bound by the branching limitations of applicable state law (12 USC 36(b)(2)). Thus, inasmuch as FNB is domiciled within Richland County and both the main office and branch of Peoples are located within Huron County, Protestants conclude that FNB, pursuant to the above cited statutory provisions, cannot establish, either *de novo* or by merger, a branch office at the locations presently occupied by Peoples.

In *Ohio Bank and Savings Co. v. Tri-County National Bank*, 411 F.2d.801 (6th Cir. 1969), the court held that a bank with its main office in a municipality that is located in more than one county is permitted, under *Ohio Revised Code*, Section 1103.09 (currently *Ohio Revised Code Annotated*, Section 1111.03), to have branches in each county. The proposed merger of Peoples into FNB and the redesignation of the main office of Peoples as the main office of the surviving bank would allow the resulting bank to have branches in both Richland and Huron County. There are no statutory restrictions preventing the Comptroller from approving the redesignation of the main office of FNB from Mansfield to Plymouth. Furthermore, 12 USC 36(c) provides that the Comptroller may authorize a national bank to establish and operate new branches if, when, where and how state law permits state-chartered banks to do so. Hence, FNB may legally retain its present branches in Mansfield and other areas within Richland County after the redesignation of the main office of the bank to Plymouth. Accordingly, Protestants' arguments relative to this point must be dismissed as having no merit.

The last point of opposition, as put forward by Protestants, is that "the application must be denied because the proposed transactions would substantially lessen competition and the anticompetitive effects are not clearly outweighed by public interest considerations." Protestants further take exception to the methodology employed by FNB and Peoples by delineating the "primary service area" affected by the proposed merger. Traditionally, regulatory authority has defined, in general terms, the "primary service area" of a bank as that most concise geographic area in which 75 percent of the bank's loan and deposit business is derived. The methodology employed by the proponent banks in determining the primary service area is the utilization of postal ZIP codes, to which Protestants take exception for several reasons. (One argument which Protestants present is that postal ZIP codes are irregular in shape and FNB and Peoples did not reveal from where 75 percent of their loans were derived.)

This Office has, on numerous occasions in the past, been presented with merger applications wherein the "relevant geographic market areas" have been defined by the use of postal ZIP code analysis of deposit and loan accounts. It must be stated that there is not now, nor has there been in the past, one method or one best method to be employed in determining the

"relevant geographic market." Irrespective of the method employed, the end results can, at best, only be termed as an "approximation" or a "workable compromise."<sup>1</sup> Insofar as the subject banks have chosen ZIP codes in analyzing the transaction, the Comptroller finds no reason to take exception to the use of this method, based upon the record as established. Moreover, such "ZIP code delineations" have received court approval in another case involving a merger in which the resulting institution was a national bank.<sup>2</sup> Thus, this line of attack upon the competitive factors of the proposed merger is without merit.

It is worth noting that the Department of Justice, Federal Reserve Board and Federal Deposit Insurance Corporation all differed in their definition of the relevant market area. This Office prefers to define the *approximate* relevant market area (that geographic area in which the surviving bank will operate and impact subsequent to consummation of the merger) as the whole of Huron and Richland counties. Within that market there are 12 commercial banking organizations operating 58 offices. FNB is the largest of the 12 banks with deposits of \$166.8 million, as of June 30, 1976, representing 28.02 percent of total market deposits. Peoples, as of mid-year 1976, had total deposits of \$14.7 million and was the second smallest of all commercial banks domiciled within the area, holding 2.5 percent of deposits. Consummation of this proposal would therefore have the effect of combining the largest and second smallest banks in the area, thereby giving the surviving bank 30.5 percent of total deposits. The second largest bank, The Richland Trust Company, Mansfield, Ohio, with deposits of approximately \$87 million, controls 14.6 percent of total market deposits.

The main offices of FNB and Peoples are approximately 20 miles apart, and the nearest office of FNB to Peoples, is FNB's Shiloh branch, slightly less than 5 miles from Plymouth. FNB is essentially oriented toward Richland County, in general, and the immediate Mansfield area, in particular. While Peoples has the legal ability to expand its operations into both Huron and Richland counties, both its main office and one branch are in Huron County. There appears to be no obvious desire or interest to expand into its neighboring county to the south and, due to its small size and limited financial and managerial resources, it does not appear that, left to employ its own facilities, Peoples would become a significant competitor in Richland County. It, therefore, is the opinion of this Office that the overall competitive aspects of this merger could be termed as only "slightly adverse."

Because this Office differs with Protestants on the degree of severity of the competitive effects of this proposal, the Comptroller must declare that Protestants appear to have emphasized incorrectly a point of law; specifically, 12 USC 1828(c) (5) (B) which provides in relevant part that the responsible agency shall not approve -

<sup>1</sup> *United States v. Philadelphia National Bank*, 374 U.S. 321, 361 (1963).

<sup>2</sup> *United States v. Idaho First National Bank*, 315 F. Supp. 261 (D. Idaho 1970).

. . . any other proposed merger transaction whose effect in any section of the country may be substantially to lessen competition, or tend to create a monopoly, or which in any other manner would be in restraint of the trade, *unless* it finds that the anti-competitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served . . . (Emphasis added).

Inasmuch as this Office is of the opinion that the competitive effects of this proposal do not reach the level of "substantially" or "significantly" adverse, the Comptroller need not weigh the adverse competitive effects of the proposal against the probable convenience and needs benefits accruing to the banking public.

With respect to the convenience and needs aspects of the proposal, which the Comptroller must consider pursuant to the provisions of 12 USC 1828(c) (5) (B), it is the opinion of this Office that the overall effect of this proposal may prove to be pro-competitive in that it will allow a larger institution which is well-managed and financially sound to offer new and expanded banking services in the Huron County portion of the market, thereby forcing the other banks in the area to become more viable competitors and more meaningful banking alternatives. It is the Comptroller's hope that the entry of FNB into the Huron County portion of the market will have the effect of stimulating competition within that area. In the opinion of this Office, the services that FNB would offer to former customers of Peoples and others in the Plymouth area are not trivial: commercial lending in larger amounts, IRA accounts, overdraft checking, bank credit cards, and trust services (none of which are presently offered by Peoples). Considerations relating to convenience and needs are thus deemed to add additional weight in approving this application.

Both FNB and Peoples are well-managed, financially sound banks. Consummation of this proposal would, however, have the effect of providing for management succession at Peoples, as well as providing additional capital. Independently, and in combination, the future prospects of both FNB and Peoples appear favorable, and are enhanced by this merger.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is in the public interest and should be, and hereby is, approved. Further, for the reasons herein enunciated, Protestants' request that this application be denied is, hereby, rejected.

March 30, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

As noted above, Applicant is essentially oriented toward Richland County in general and Mansfield in particular. Mansfield, an industrial center with a population of 130,000, is the dominant economic factor in Richland County. Plymouth (population 2,000), where Bank is located, is either entirely within Richland County (see Polk's and the Rand McNally Commercial Atlas) or partially in Richland and partially in Huron County, depending upon the map that is used. In either event, Plymouth is only about 20 miles from Mansfield and is deemed by us to be properly includable within the Mansfield SMSA.

Applicant maintains a branch office in Shiloh, which is only 4 miles from Plymouth. It appears that Applicant derives more than \$3 million in deposits (1,211 accounts) from Plymouth and adjacent portions of Huron County, and that Bank derives about \$1.6 million of its deposits (1,027 accounts) from Richland County. In addition, it should be noted that Applicant and Bank operate the only banking offices in the Plymouth-Shiloh area. There thus appears to be a considerable amount of direct competition between Applicant and Bank.

There appear to be six banks operating 40 offices within the Mansfield SMSA. As of June 30, 1975, Applicant ranked as the largest with approximately 42 percent of total deposits in the area. Bank, which is on the border of the Mansfield SMSA, ranked sixth and last in size, with about 4 percent of total deposits. As a consequence of the proposed acquisition, Applicant's share of the market would increase to 46 percent and the top three banks would control almost 90 percent of total deposits.

In sum, the proposed acquisition would both eliminate direct competition and produce an increase in concentration. Accordingly, it would have an adverse competitive effect.

\* \* \*

THE FIRST NATIONAL BANK OF ATLANTA,  
Atlanta, Ga., and The First Augusta Bank and Trust Company, Augusta, Ga.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First Augusta Bank and Trust Company, Augusta, Ga., with was purchased May 20, 1977, by The First National Bank of Atlanta, Atlanta, Ga. (1559), which had .....	\$ 23,711,000	3	_____
After the purchase was effected, the receiving bank had .....	1,954,867,000	53	_____
	2,053,487,000	_____	56

## COMPTROLLER'S DECISION

On May 20, 1977, application was made to the Comptroller of the Currency by The First National Bank of Atlanta, Atlanta, Ga. ("Purchasing Bank"), for permission to purchase certain assets and assume certain liabilities of The First Augusta Bank and Trust Company, Augusta, Ga. ("First Augusta"). First Augusta was placed in receivership and taken over by the Federal Deposit Insurance Corporation ("FDIC") on May 20, 1977. The instant application rests upon an agreement executed between the FDIC, as receiver, and Purchasing Bank, which is incorporated herein by reference, the same as if fully set forth. For reasons enunciated below, the application is deemed to be in the public interest and is, hereby, approved. Furthermore, Purchasing Bank is authorized to immediately consummate this purchase and assumption transaction.

Pursuant to the Bank Merger Act of 1966, 12 USC 1828(c), the Comptroller of the Currency cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds those anticompetitive effects to be clearly outweighed in the public interest by the effects of the transaction on the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institution and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the interruption of banking services to customers, the Comptroller may proceed without reports on the competitive consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances

to act immediately, in his sole discretion, to approve an acquisition and to authorize the immediate consummation of the transaction.

The proposed acquisition will be in accord with all pertinent provisions of The National Banking Act and will prevent a disruption of banking services to the community and potential losses to a number of uninsured depositors. The Purchasing Bank has sufficient financial and managerial resources to absorb First Augusta and this acquisition will enable it to enhance the banking services offered in the Augusta community. Thus, the approval of this transaction will help to avert a loss of public confidence in the banking system and will provide for a continuance of banking services offered to customers of First Augusta.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For those reasons, the Purchasing Bank's application to purchase certain of the assets and to assume certain of the liabilities of First Augusta, as set forth in the agreement between FDIC and Purchasing Bank, is approved. This approval also includes specific approval to operate all offices of First Augusta as branches of the Purchasing Bank. The Comptroller further finds that the failure of First Augusta requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the Augusta community; the Comptroller, thus, waives publication of notice, dispenses with the solicitation of competitive reports from other agencies and authorizes the transaction to be consummated immediately.

May 20, 1977.

Due to the emergency nature of the situation, no Attorney General's report was requested.

\* Asset figures are as of call dates immediately before and after transaction.

\* \* \*

**THE NATIONAL BANK OF NORTHERN NEW YORK,  
Watertown, N.Y., and The First National Bank of Mexico, Mexico, N.Y.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The First National Bank of Mexico, Mexico, N.Y. (5293), with	\$ 14,571,000	3	_____
and The National Bank of Northern New York, Watertown, N.Y. (2657), which had	191,361,000	13	_____
merged May 27, 1977, under charter and title of the latter bank (2657). The merged bank			
at date of merger had	202,660,000	_____	16

### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of The First National Bank of Mexico, Mexico, N.Y. ("FNB"), the merging bank, into The National Bank of Northern New York, Watertown, N.Y. ("Watertown Bank"), the charter bank, under the charter and title of The National Bank of Northern New York, Watertown, N.Y. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

FNB was established in 1900 and, as of December 31, 1976, held total commercial bank deposits aggregating \$10.1 million. FNB's main office in the village of Mexico, a community of approximately 1,600 residents, is the only banking office within the community. Likewise, the New Haven branch of FNB is the only bank in that town. FNB's third office is located within the city of Fulton where there are three competing banks.

Watertown Bank received its charter as a national banking association on April 12, 1882, and as of year-end 1976, had total deposits of almost \$154 million.

The closest offices of the merging bank and charter bank are the main office of FNB and Watertown Bank's Adams Center branch, about 36 miles apart. There are numerous offices of competing banks situated within the intervening area. Due to the distance separating the closest offices of the proponent banks and the natural geographic barriers between the two banks and/or their respective branch offices, approval of this proposal would have no adverse effect upon existing competition. Additionally, approval of the subject application will remove home office protection from the village of Mexico, thereby facilitating branch establishment by other commercial banks within Mexico.

In addition to a substantially increased legal lending limit, the resulting bank will provide new and expanded banking services to the Mexico banking community including, but not limited to, specialized commercial lending, farm credit specialization, bank charge cards and revolving credit plans. Also, higher effective rates on time deposit instruments, trust services and computer services will be furnished. Of additional note, the merger of FNB and Watertown Bank will enable the surviving institution to better compete

with its significantly larger bank holding company affiliated competitors. Considerations relating to convenience and needs benefits are, therefore, regarded as lending weight to approval.

The financial and managerial resources of both FNB and Watertown Bank are considered to be satisfactory, although FNB does not possess adequate management depth. The merger will provide for management succession at FNB and the combined financial resources will perpetuate a sound institution. Furthermore, the future prospects of the charter bank and merging bank, independently and in combination, are regarded as favorable.

Accordingly, applying the statutory criteria, it is the opinion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

April 26, 1977.

### SUMMARY OF REPORT BY ATTORNEY GENERAL

Bank's offices are located in Mexico, Fulton and New Haven. Its main office in Mexico is the only bank in a community of 1,600. Its branch in New Haven is the only bank in a town of 300. Fulton, a city of 14,000, is the only community in which Bank faces competition; three commercial banks, including two offices of Marine Midland and one of First Commercial Banks, and a \$56 million-deposit savings bank are located there. Fulton is the only area of the three that appears to be making economic progress. County per capita income runs 30 percent below the statewide average.

Applicant's nearest office to any Bank office is 36 miles north of Mexico. It is unlikely that there is much significant competition between them, but the application simply stated that the amount of business that Applicant draws from Bank's service area is negligible and the volume of those accounts is minimal.

In the area are seven banking organizations, each with deposits in excess of \$1 billion. Even were Applicant to move southwest into Oswego County, its *de novo* entry would not materially change the banking structure.

In light of the distance between Applicant and Bank, the apparent lack of competition between them, the presence of other competitors, the rural nature of the area in which Bank has two offices, the effect of the proposal does not appear adverse.

\* \* \*

**SUN FIRST NATIONAL BANK OF MELBOURNE,  
Melbourne, Fla., and Sun First National Bank of Palm Bay, Palm Bay, Fla.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Sun First National Bank of Melbourne, Melbourne, Fla. (14845), with	\$31,373,000	3	—
and Sun First National Bank of Palm Bay, Palm Bay, Fla. (16107), which had	10,133,000	1	—
merged June 1, 1977, under charter of the latter bank (16107) and title "Sun First National Bank of Melbourne." The merged bank at date of merger had	41,506,000	—	4

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency seeking prior approval of the merger of Sun First National Bank of Melbourne, Melbourne, Fla. ("Merging Bank"), into Sun First National Bank of Palm Bay, Palm Bay, Fla. ("Charter Bank"), under the charter of Sun First National Bank of Palm Bay and with the title of Sun First National Bank of Melbourne with corporate headquarters in Melbourne. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging Bank, a subsidiary of the third largest commercial banking organization headquartered within the state of Florida, Sun Banks of Florida, Inc., Orlando, Fla., received its charter as a national banking association on November 13, 1958, and as of September 30, 1976, held total deposits of \$24.7 million.

Charter Bank, also a subsidiary of Sun Banks of Florida, Inc., was established *de novo* by its bank holding company parent in 1973. As of September 30, 1976, Charter Bank's total deposits aggregated \$7.3 million.

Inasmuch as both Merging Bank and Charter Bank are affiliated with the same multi-bank holding company, approval of this proposal would have no adverse

effect upon competition. Additionally, it appears that the proposal is in compliance with the newly effective Florida state branching statutes.

The effect of this corporate reorganization should be to cause certain operating efficiencies and produce additional banking services, such as trust and an increased lending capacity, offered at more convenient locations. Considerations relating to convenience and needs benefits are, therefore, deemed to be consistent with approval.

The financial and managerial resources of both Merging Bank and Charter Bank are satisfactory and future prospects of the banks are regarded as favorable.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

April 25, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

**THE FIRST NATIONAL BANK OF ALLENTOWN,  
Allentown, Pa., and The Northampton National Bank of Easton, Easton, Pa.**

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Northampton National Bank of Easton, Easton, Pa. (5118), with	\$ 38,049,000	5	—
was purchased June 10, 1977, by The First National Bank of Allentown, Allentown, Pa.			
(373), which had	599,027,000	21	—
After the purchase was effected, the receiving bank had	656,836,000	—	26

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency by The First National Bank of Allentown, Allentown, Pa. ("FNB"), the purchasing bank, requesting prior permission to purchase the assets and assume the liabilities of The Northampton National Bank of Easton, Easton, Pa. ("Northampton N/B"), the selling bank. The subject application rests upon an agree-

ment executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

FNB received its charter as a national banking association on April 8, 1864, and as of December 31, 1976, had total deposits of \$541.3 million.

Northampton N/B was chartered on April 30, 1898, and at year-end 1976, the Selling Bank's deposits aggregated approximately \$35 million.

In addition to its main office in Lehigh County, FNB operates 16 branches within the county. Two of FNB's branch offices are domiciled within Northampton

\* Asset figures are as of call dates immediately before and after transaction.



County and one each in Bucks and Berks counties. Northampton N/B operates its main office and four branches all within Northampton County. (The main office and two branches of the Selling Bank are located within the city of Easton.) Selling bank's Bethlehem Township Office, located slightly outside the northern limits of the city of Bethlehem, is nearest to any office of purchasing bank, approximately 5 miles distant. There are, however, banking offices of competing institutions situated between the closest offices of the proponent banks. The main offices of the proponent banks are about 17 miles separated. Consequently, an adequate number of conveniently located banking alternatives are available within this area and approval of this proposal would have no more than a slightly adverse effect upon existing competition.

Applicable Pennsylvania state branching statutes would allow both FNB and Northampton N/B to expand *de novo* into the respective service area of the other proponent bank. However, given the present condition of Northampton N/B, its geographical location and provisions of applicable branching statutes that limit branching to contiguous counties, the potential for competition between selling bank and purchasing bank is slight.

The overall condition of Northampton N/B is regarded by this Office as extremely grave. The serious problems currently confronting the selling bank are the result of rapid expansion (especially into real estate-related ventures) attempts on the part of previous controlling interests. The present owners, who are not professional bankers, while having made noteworthy progress in improving the condition of the bank since they gained control in 1974, have not been totally successful in reversing the deteriorating trends present within Northampton N/B. Although present management is considered capable, the condition of the real estate industry will preclude an early resolution of the bank's loan problems. Likewise, an infusion of new capital funds may temporarily assist the bank to some degree, however, that tactic most probably would prove only to be a delaying maneuver. Both the financial and managerial resources of FNB are regarded as good and FNB's management is considered to be composed of competent and capable bankers. Those factors weigh heavily for approval of this application.

Purchasing bank's assumption of selling bank will insure the uninterrupted provision of banking services to the banking community in the Easton area and new and expanded banking services will be to the benefit of the banking public. Considerations relating to convenience and needs benefits also lend weight to approval.

Due to the overall condition of Northampton N/B, as herein aforementioned, the bank is not considered to be an effective competitor or a meaningful source of banking services. Absent consummation of this proposal, the future prospects of selling bank are highly questionable. The future prospects of FNB, both independently

and in conjunction with Northampton N/B, are favorable.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

As noted above, applicant's primary service area is Allentown and its suburbs and Bank's primary service area is Easton. There is an overlap in their service areas only in the city and surrounding communities of Bethlehem (1970 population: 72,686), in which Applicant operates three offices, located at distances of 4.5 miles, 5.5 miles, and 6 miles to the west-southwest of an office at the eastern outskirts of the city operated by Bank. In addition, Applicant operates an office in the community of Hellertown, a town contiguous to the southern portion of Bethlehem. To the extent that the city of Bethlehem constitutes a separate banking market, a conclusion that appears appropriate at least with respect to competition for consumer deposits and loans, the acquisition would have an adverse effect on competition in this central area of the Allentown-Bethlehem-Easton SMSA through the elimination of direct competition between Applicant and Bank.

An examination of the Bethlehem banking market indicates, however, that the adverse effect will not be significant. As shown below, ten banks presently compete in the Bethlehem area.<sup>1</sup>

<u>Bank</u>	<u>IPC Demand (\$ thousands)</u>	<u>Total Deposits (\$ thousands)</u>
First Valley Bank	51,729	267,831
Union Bank & Trust Co.	22,446	130,828
Applicant	6,147	39,333
Merchants NB of Allentown	2,759	11,666
Industrial Valley Bank & Tr.	1,168	5,552
Bank	264	2,548
Bank of Pennsylvania	171	758
American Bank & Trust	46	1,592
Philadelphia Savings Fund Society	0	5,939
Savings Fund Society of Germantown	0	3,152
Total	84,730	469,199

Since the four largest banks control over 75 percent of the IPC demand deposits and total deposits in the Bethlehem area, the market is highly concentrated. Applicant controls 7.2 percent of the IPC demand deposits and Bank only 0.4 percent and Applicant controls 8.4 percent of the total commercial banks deposits and Bank only 0.5 percent in the Bethlehem area. Also, there is no evidence of increasing concentration in the area. Bethlehem straddles the line between Lehigh and Northampton counties, making it possible for many of the large Philadelphia banks headquartered in Montgomery County (which is contiguous to Lehigh County) to open branches in the western part of Bethlehem, if they so chose. Numerous such banks have already done so in Allentown. Moreover, there is evidence of vigorous competition for consumer deposits in the market; free checking accounts prevail and interest rates paid on time deposits

<sup>1</sup> Source: FDIC Summary of Deposits (1976). Figures shown represent only those deposits held at branches in the Bethlehem area, defined as Bethlehem, Fountain Hill and Hellertown.



are normally at the legal maximums. Finally, the record evidences strong competition from thrift institutions in the area.

The three Pennsylvania cities of Allentown, Bethlehem and Easton and their environs compose the ABE SMSA (1970 population of nearly 500,000), with Allentown on the west, Bethlehem in the center, and Easton to the east, ending at the Pennsylvania/New Jersey state line. The entire SMSA is overly broad to be considered the relevant market. Thirty-six commercial banks, including Applicant and Bank, compete within the three-county area embracing the ABE SMSA,<sup>2</sup> and the banking market for the entire SMSA is not highly concentrated. Applicant controls 19.9 percent of the total deposits in the market and Bank 1.5 percent.

The proposed acquisition could adversely affect potential competition in the city of Easton by removing a vehicle for entry by competitors of Applicant. This effect will be slight, however. The remote location of Nor-

thampton County, coupled with its location on the state line, limits the number of potential entrants because of Pennsylvania's banking laws limiting branching to contiguous counties. In addition, the capital problems experienced by Bank due to its deficits in recent years probably lessen Bank's attractiveness as an acquisition.

In sum, the proposed acquisition would have an adverse effect on actual competition and a slightly adverse effect on potential competition.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

April 15, 1977.

<sup>2</sup> The three counties are Lehigh, Northampton and Carbon.

\* \* \*

#### VALLEY NATIONAL BANK, Passaic, N.J., and Bankers National Bank, Elmwood Park, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Bankers National Bank, Elmwood Park, N.J. (11543), with	\$ 63,001,000	4	
was purchased June 17, 1977, by Valley National Bank, Passaic, N.J. (15790), which had	276,577,000	10	
After the purchase was effected, the receiving bank had	353,107,000		14

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency by Valley National Bank, Passaic, N.J. ("VNB"), the assuming bank, seeking prior permission to purchase the assets and assume the liabilities of Bankers National Bank, Elmwood Park, N.J. ("Bankers N/B"), the selling bank. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

VNB was organized as a national banking association on March 10, 1970, and as of December 31, 1976, had commercial bank deposits aggregating \$246.8 million. The assuming bank operates eight banking offices in southern Passaic County and two branches in eastern Morris County, N.J. (VNB has also received prior approval of this Office for the establishment of an office in Bloomfield, Essex County, N.J.)

Bankers N/B received its charter as a national bank on December 12, 1919, and as of year-end 1976, had total deposits of approximately \$57 million. The selling bank operates a total of four banking offices, three in Bergen County and one in Nutley, Essex County, N.J. The Nutley branch is located only a few hundred feet from the Bergen County line, and serves both northern Essex County and southern Bergen County.

The two proponent banks operate in the densely populated northeastern New Jersey area, approximately 15 miles from New York City. There are 17 commercial banks operating 67 offices within Passaic County; of those, 16 are headquartered within the county. VNB ranks ninth largest of those banks operating within Passaic County, controlling approximately 4.1 percent of total deposits. Following the proposed acquisition, VNB's rank within Passaic County would remain unchanged. Bankers N/B is the tenth largest of 24 commercial banks headquartered within Bergen County; there are 11 additional commercial banks which operate within Bergen County. Of the total 35 banks operating within Bergen County, Bankers N/B ranks as the 20th largest and, *pro forma*, the combined bank would become the tenth largest among the 35 banks.

VNB's main office is approximately 5 miles from the head office of Bankers N/B. Seven of VNB's branch offices are located within 9 miles of Bankers N/B's main office. The closest offices of the proponent banks are VNB's Allwood Road, Clifton office, and Bankers N/B's Park Avenue, Nutley office, approximately 2.5 miles apart. There are numerous offices of several competing banking institutions located in and around the areas between the assuming bank's and selling bank's offices. It is, therefore, concluded that the proposed transaction would not eliminate any significant existing competition, and the overall effect upon existing competition would be only slightly adverse.

\* Asset figures are as of call dates immediately before and after transaction.

Applicable New Jersey state branching statutes permit *de novo* expansion into any municipality (except those with a population of less than 10,000 inhabitants wherein the principal office of another bank is located). This proposal would, therefore, foreclose the possibility of increased competition between the proponent banks, but that result of the proposal is not considered competitively significant.

The purchase of Bankers N/B by VNB will result in the people and businesses in the 11 municipalities currently served by the selling bank within Bergen County being served by the facilities of a larger, well-managed and financially sound banking institution. The resultant bank would offer new and expanded banking services including, but not limited to, Economic Development Authority loans, accounts receivable financing, lease financing and trust services. Additionally, the legal lending limit of the resultant bank would accommodate the requests and needs of larger loan demands. Considerations relating to convenience and needs are, therefore, deemed to be consistent with approval.

The assuming bank and the selling bank are financially sound institutions that are managed by capable and competent bankers. Also, the future prospects of the banks, both independently and jointly, are considered to be favorable.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

April 22, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Both Applicant and Bank operate in the densely populated northeastern New Jersey area. The population of the area, which includes a substantial amount of persons who commute to work in New York City, has been relatively stable and no significant population changes are expected in the near future. There are numerous commercial, industrial and retail facilities located within the area, and it has become an attractive and important trading area.

Applicant's main office is located 4.9 miles from Bank's main office, and seven of Applicant's nine branch offices are located within 9 miles of Bank's main office. The closest offices of Applicant (its Alwood Road, Clifton office) and Bank (its Park Avenue, Nutley office) are about 2.5 miles apart. However, offices of several banks are located in and around the areas between Applicant's and Bank's offices. According to the Application, Applicant draws approximately \$4.2 million in deposits (approximately 1.7 percent of its total deposits) from the 12 communities in Bergen County from which Bank draws 68 percent of its deposits. It therefore appears that there is some direct competition between Applicant and Bank which the proposed acquisition will eliminate.

There are a total of 43 banking organizations operating approximately 200 offices in Bergen and Passaic counties (an area which overstates the market), including seven of the state's largest institutions, with total deposits in excess of \$500 million. As of June 30, 1976, commercial bank offices located in these two counties held \$5.1 billion in deposits; Applicant held \$226.5 million (4.4 percent) and Bank held \$52.7 million (1 percent) of these deposits; the eighth and 15th largest shares. Thus, the proposed acquisition would not materially increase banking concentration in the Passaic County-Bergen County area.

New Jersey law permits *de novo* branching into any municipality, except those with a population of less than 10,000 in which the principal office of another bank is located. Applicant is capable and appears desirous of expanding into Essex County. As noted above, it has received approval to open a branch in Bloomfield, in northeastern Essex County. Bank recently expanded into northeastern Essex County; in January of this year it opened an office in Nutley in the extreme northeastern portion of the county. The proposed acquisition eliminates the likely prospect for increased competition between Applicant and Bank in that area.

We conclude that, overall, the proposed acquisition would have some adverse effect upon competition.

\* \* \*

#### FIRST NATIONAL BANK OF FLORIDA, Tampa, Fla., and First Financial Bank of Tampa, Unincorporated area of Hillsborough County, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First Financial National Bank of Tampa, Unincorporated area of Hillsborough County, Fla. (16135), with	\$ 6,019,000	3	_____
and First National Bank of Florida, Tampa, Fla. (3497), which had	450,196,000	3	_____
merged June 30, 1977, under charter and title of the latter bank (3497). The merged bank at date of merger had	453,983,000	_____	4

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency seeking prior permission to effectuate a merger of First Financial National Bank of Tampa, Un-

incorporated area of Hillsborough County, Fla. (P.O. Tampa) ("FFNB"), the merging bank, into First National Bank of Florida, Tampa, Fla. ("Tampa Bank"), the charter bank, under the charter and title of First Na-

tional Bank of Florida, Tampa, Fla. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

FFNB was established in 1973 and, as of December 31, 1976, had total deposits of \$4.4 million.

Tampa Bank received its charter as a national banking association on May 6, 1886, and as of year-end 1976, the charter bank's commercial bank deposits aggregated \$371.5 million.

Both the merging bank and the charter bank share common ownership and control by First Financial Corporation, Tampa, Fla., a registered multi-bank holding company. Thus, given the affiliation existent between the proponent banks, there is no meaningful existing competition between them, nor is there any potential for competition in the future. This application is, there-

\* \* \*

#### FIRST NATIONAL BANK OF LAKELAND, Lakeland, Fla., and Second National Bank of Lakeland, Lakeland, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Second National Bank of Lakeland, Lakeland, Fla. (16561), with . . . . .	\$ 2,729,000	1	_____
and First National Bank of Lakeland, Lakeland, Fla. (15066), which had . . . . .	47,213,000	2	_____
merged June 30, 1977, under charter and title of the latter bank (15066). The merged bank at date of merger had . . . . .	49,942,000	_____	3

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of Second National Bank of Lakeland, Lakeland, Fla. ("SNB"), the merging bank, and First National Bank of Lakeland, Lakeland, Fla. ("FNB"), the charter bank, under the charter and title of First National Bank of Lakeland, Lakeland, Fla. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

SNB received its charter as a national banking association on March 11, 1976, and as of December 31, 1976, had total commercial bank deposits aggregating \$1.2 million.

FNB was organized in 1962, and as of the aforementioned date, had total deposits of \$45.7 million.

Both FNB and SNB are subsidiaries of First Financial Corporation, Tampa, Fla., a registered multi-bank holding company. Accordingly, inasmuch as the proponent

fore, regarded essentially as a corporate reorganization by First Financial Corporation whereby the parent bank holding company is consolidating its banking interests.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is not adverse to the public interest, and should be, and hereby is, approved.

April 19, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

banks share common ownership and control, there is no meaningful degree of existing competition between the two banks, nor is there any potential for such competition in the future. The application is therefore regarded essentially as a corporate reorganization whereby First Financial Corporation is consolidating its banking interests. It also appears that the proposal will be in accord with the newly effective Florida branch banking statutes.

Therefore, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

April 22, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

**THE RUSSELL NATIONAL BANK,  
Lewistown, Pa., and The Reedsville National Bank, Reedsville, Pa.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Reedsville National Bank, Reedsville, Pa. (4538), with	\$ 8,299,000	1	_____
and The Russell National Bank, Lewistown, Pa. (10506), which had	76,275,000	5	_____
merged June 30, 1977, under charter and title of the latter bank (10506). The merged bank			
at date of merger had	84,600,000	_____	6

# **COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency seeking his prior permission for a merger of The Reedsville National Bank, Reedsville, Pa. ("Merging Bank"), into The Russell National Bank, Lewistown, Pa. ("Charter Bank"), under the charter and title of The Russell National Bank. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging Bank received its charter as a national banking association on March 26, 1891, and as of September 30, 1976, had commercial bank deposits aggregating \$7.5 million.

Charter Bank commenced operations as a national bank in 1914, and as of the aforementioned date, held total deposits of \$64.3 million.

Merging Bank operates its sole office in Reedsville, Mifflin County, Pa. Charter Bank, the largest commercial bank headquartered within Mifflin County, operates a total of five banking offices; its main office and one branch in Lewistown and one branch in Burnham, in Mifflin County; and in Mifflin and Thompsettown in Juniata County. The relevant geographic market (approximated by the whole of Mifflin and Juniata counties) is divided into two segments by Jacks Mountain, which traverses Mifflin County from the northeast to the southwest. The Burnham office of Charter Bank is the most closely situated branch of Charter Bank's operations to Merging Bank's site; approximately 4 road miles from Reedsville. (Reedsville is located on the north side of Jacks Mountain, Burnham on the south, and, although these towns are connected by a good road, there is considered to be only a small degree of existing competition between the proponent banks.) Furthermore, for reasons enunciated below, given the present condition of Merging Bank, it is conjectural as to how effective this bank presently competes within the market.

Although applicable Pennsylvania state branching statutes would permit Charter Bank to establish a *de novo* branch in Reedsville, given the small size of the community, it appears unlikely that Charter Bank would employ this mode of expansion within the foreseeable future. Also, as outlined in greater detail herein below, Merging Bank does not possess the financial and managerial resources to facilitate *de novo* expansion.

Considerations relating to convenience and needs will have a beneficial effect upon the Reedsville area through the introduction of new and expanded bank-

ing services including, but not limited to, complete trust services, both major bank credit cards will be available, and an increased legal lending limit.

The present financial condition of Merging Bank is considered to be critical and there is an immediate need of competent and capable management. The previous liberal and unsound lending practices and overdraft policies are directly responsible for the current problems facing Merging Bank. Charter Bank's management is considered sound, especially in the installment loan and collection areas. This expertise should prove to be of particular benefit to Merging Bank considering its high loan delinquency rate. Also, Charter Bank's capital position is considered adequate and capable of absorbing Merging Bank without impairing its own financial well-being. Considerations with respect to financial and managerial resources are, therefore, regarded as adding significant weight to approval of this application.

The future prospects of Charter Bank are regarded as good. The future prospects of Merging Bank, absent this proposed merger, are highly questionable, and not regarded as favorable. The combination of Merging Bank with Charter Bank would insure the continued, uninterrupted provision of banking services in the Reedsville area.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that any adverse competitive effects of this proposal are clearly outweighed by considerations relating to convenience and needs benefits, financial and managerial resources and combined future prospects. The subject proposal is, therefore, regarded as being in the public interest and should be, and hereby is, approved.

April 18, 1977.

## **SUMMARY OF REPORT BY ATTORNEY GENERAL**

Mifflin County (1970 population 45,268) is primarily a rural and mountainous area located in central Pennsylvania. Lewistown (1970 population 11,098), the county seat and largest town in Mifflin County, has an economy based on a mix of industry and agriculture. The town of Reedsville, also in Mifflin County (1970 population 950), is located approximately 5 miles north of Lewistown.

Applicant's main office in Lewistown is located approximately 5 miles from Bank. Its Burnham office is located approximately 3 miles from Bank, and there are no bank offices in the intervening area. Lewistown, Burnham and Reedsville are linked by a major high-

way. It therefore appears that there is a substantial degree of direct competition between Applicant and Bank which the proposed acquisition will eliminate.

Banking is highly concentrated in Mifflin County. Six banks operate a total of 13 offices in the county. Applicant is the largest bank in the county, controlling as of June 30, 1976, 38 percent of the county's commercial bank deposits. The three largest banks controlled 85 percent, and the four largest controlled 92 percent of county deposits as of the same date. Bank, the fifth largest bank in the county, controlled 6 percent of county deposits. If the proposed acquisition is consummated, Applicant will control 44 percent of total

county bank deposits, the top three banks in the county will control 91 percent, and the top four will control 98 percent. (Mifflin County may understate the market; a market composed of both Mifflin and Juniata counties might be more appropriate. However, the proposed acquisition would also materially increase the high concentration of banking resources. In this larger area, the top four banks control over 80 percent. Applicant controls approximately 33 percent - the largest share - and Bank controls approximately 4 percent of total bank deposits.)

We conclude that the proposed acquisition will have an adverse effect on competition.

\* \* \*

**FIRST NATIONAL BANK OF VENICE,  
Venice, Fla., and First State Bank of Sarasota County, Unincorporated area of Osprey, Fla.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
First State Bank of Sarasota County, Unincorporated area of Osprey, Fla., with .....	\$ 7,012,000	1	_____
and First National Bank of Venice, Venice, Fla. (15071), which had .....	83,405,000	2	_____
merged July 1, 1977, under charter and title of the latter bank (15071). The merged bank at date of merger had .....	90,418,000	_____	3

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency seeking prior permission to merge First State Bank of Sarasota County, Unincorporated area of Osprey, Fla., the merging bank, into First National Bank of Venice, Venice, Fla., the charter bank, under the charter and title of First National Bank of Venice, Venice, Fla. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging bank, with total deposits of \$4.8 million as of year-end 1976, was organized in 1974 by directors of the charter bank.

Charter bank received its charter as a national banking association on March 26, 1963, and as of December 31, 1976, had total deposits of approximately \$71 million.

The proponent banks share the same chief execu-

tive officer, and ten individuals comprise the majority of each bank's board of directors. Given the common management, ownership and control of merging bank and charter bank, there is no significant existing competition, nor does there appear to be any potential for competition to increase in the foreseeable future between these two banks. Approval of the proposal does not appear to be violative of applicable state branching statutes.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

May 2, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The proposed transaction is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

## LANDMARK FIRST NATIONAL BANK OF FORT LAUDERDALE,

Fort Lauderdale, Fla., and Landmark Bank of North Fort Lauderdale, National Association, Fort Lauderdale, Fla., and Landmark Bank of Plantation, National Association, Plantation, Fla., and Landmark Bank of West Broward, National Association, Plantation, Fla., and Landmark Bank at the Ocean, National Association, Fort Lauderdale, Fla., and Landmark Bank of Sunrise, National Association, Sunrise, Fla., and Landmark Bank of Pompano Beach, N.A., Pompano Beach, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Landmark Bank of North Fort Lauderdale, National Association, Fort Lauderdale, Fla. (15143), with	\$ 74,554,000	3	_____
and Landmark Bank of Plantation, National Association, Plantation, Fla. (14802), with	50,256,000	1	_____
and Landmark Bank at the Ocean, National Association, Fort Lauderdale, Fla. (15213), with	31,282,000	1	_____
and Landmark Bank of West Broward, National Association, Plantation, Fla. (15859), with	33,556,000	1	_____
and Landmark Bank of Sunrise, National Association, Sunrise, Fla. (16292), with	18,969,000	1	_____
and Landmark Bank of Pompano Beach, N.A., Pompano Beach, Fla. (16574), with	4,321,000	1	_____
and Landmark First National Bank of Fort Lauderdale, Fort Lauderdale, Fla. (14376), which had	316,751,000	1	_____
merged July 1, 1977, under charter and title of the latter bank (14376). The merged bank at date of merger had	529,662,000	_____	9

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of Landmark Bank of North Fort Lauderdale, National Association, Fort Lauderdale, Fla. ("NFL Bank"); Landmark Bank of Plantation, National Association, Plantation, Fla. ("Plantation Bank"); Landmark Bank at the Ocean, National Association, Fort Lauderdale, Fla. ("Ocean Bank"); Landmark Bank of West Broward, National Association, Plantation, Fla. ("West Broward Bank"); Landmark Bank of Sunrise, National Association, Sunrise, Fla. ("Sunrise Bank"), and; Landmark Bank of Pompano Beach, N.A., Pompano Beach, Fla. ("Pompano Beach Bank") (collectively, "Merging Banks"), into Landmark First National Bank of Fort Lauderdale, Fort Lauderdale, Fla. ("FNB"), the charter bank, under the charter and title of Landmark First National Bank of Fort Lauderdale, Fort Lauderdale, Fla. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

NFL Bank was organized as a national banking association on June 11, 1963, and now has commercial bank deposits totaling \$53.3 million.<sup>1</sup>

Chartered as a national bank on January 2, 1957, Plantation Bank now has total deposits of \$43.2 million.

Ocean Bank was organized in 1963, and the bank's total deposits are currently \$25.1 million.

<sup>1</sup> All deposit data are as of September 30, 1976.

West Broward Bank currently has deposits of \$24.5 million.

Sunrise Bank commenced operations in 1963, and its total commercial bank deposits are now \$13.6 million.

Pompano Beach Bank, with total deposits of \$3.4 million, is the smallest of the Merging Banks.

Charter bank became a national banking association on March 15, 1937, and now has deposits of approximately \$207 million.

All of the Merging Banks and the charter bank are affiliated with the eighth largest holding company headquartered in Florida, Landmark Banking Corporation, Fort Lauderdale, Fla. Accordingly, the subject application is essentially regarded as a corporate reorganization whereby Landmark Banking Corporation is consolidating its banking interests. Also, the *pro forma* result of this proposal appears to be consistent with the latest amendments to the Florida state banking statutes.

This application is, therefore, regarded by the Office of the Comptroller of the Currency to be in the public interest and should be, and hereby is, approved.

May 11, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

# **SUN FIRST NATIONAL BANK OF ORLANDO,**

Orlando, Fla., and Sun Bank of South Orlando, National Association, Orlando, Fla., and Sun Bank of College Park, National Association, Orlando, Fla., and Sun Bank of East Orlando, National Association, Orlando, Fla., and Sun Bank of Pine Hills, National Association, Unincorporated area of Orange County, Fla., and Sun Bank of Central Park, National Association, Unincorporated area of Orange County, Fla.

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Sun Bank of South Orlando, National Association, Orlando, Fla. (14883), with . . . . .	\$ 56,405,000	3	_____
and Sun Bank of College Park, National Association, Orlando, Fla. (14675), with . . . . .	47,041,000	1	_____
and Sun Bank of Pine Hills, National Association, Unincorporated area of Orange County, Fla. (14892), with . . . . .	35,892,000	2	_____
and Sun Bank of Central Park, National Association, Unincorporated area of Orange County, Fla. (15803), with . . . . .	26,457,000	1	_____
and Sun Bank of East Orlando, National Association, Orlando, Fla. (15062), with . . . . .	40,036,000	2	_____
and Sun First National Bank of Orlando, Orlando, Fla. (14003), which had . . . . .	380,348,000	1	_____
merged July 1, 1977, under charter and title of the latter bank (14003). The merged bank at date of merger had . . . . .	587,925,000	_____	10

## **COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency seeking prior permission to merge Sun Bank of South Orlando, National Association, Orlando, Fla. ("South Orlando Bank"); Sun Bank of College Park, National Association, Orlando, Fla. ("College Park Bank"); Sun Bank of Pine Hills, National Association, Unincorporated area of Orange County, Fla. ("Pine Hills Bank"); Sun Bank of Central Park, National Association, Unincorporated area of Orange County, Fla. ("Central Park Bank"); and Sun Bank of East Orlando, National Association, Orlando, Fla. ("East Orlando Bank") (collectively, "Merging Banks"), into Sun First National Bank of Orlando, Orlando, Fla. ("Charter Bank"), under the charter and title of Sun First National Bank of Orlando, Orlando, Fla. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

South Orlando Bank was organized in 1959, and as of September 30, 1976, held total commercial bank deposits of \$46.5 million.

Chartered as a national banking association on September 30, 1952, College Park Bank now has deposits of approximately \$38 million.

Pine Hills Bank has deposits of about \$30 million, and was chartered on March 31, 1960.

Central Park Bank, with deposits of \$19.9 million, is the smallest and youngest of the Merging Banks, having been organized on March 4, 1969.

East Orlando Bank was chartered as a national bank on February 25, 1963, and has deposits of \$33.9 million.

As is the case with each of the Merging Banks, Charter Bank, with deposits of \$255.8 million, is a wholly-owned subsidiary of the third largest bank holding company headquartered in Florida, Sun Banks of Florida, Inc., Orlando, Fla., and serves as the lead bank for its parent corporation. Accordingly, inasmuch as all of the Merging Banks and Charter Bank share common ownership and control, there is no meaningful competition among these banks.

This application is regarded essentially as a corporate reorganization whereby Sun Banks of Florida, Inc., is consolidating its banking interests in the Orlando area, and the proposal appears to be consistent with the newly effective Florida branch banking statutes.

It is, therefore, the opinion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved.

February 23, 1977.

## **SUMMARY OF REPORT BY ATTORNEY GENERAL**

The merging banks are all wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

## **FIRST PEOPLES NATIONAL BANK OF NEW JERSEY,**

Haddon Township (P.O. Westmont), N.J., and Independent National Bank, Stone Harbor, N.J.

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Independent National Bank, Stone Harbor, N.J. (12978), with . . . . .	\$ 66,597,000	5	_____
and First Peoples National Bank of New Jersey, Haddon Township, (P.O. Westmont), N.J. (399), which had . . . . .	647,731,000	39	_____
merged July 5, 1977, under charter and title of the latter bank (399). The merged bank at date of merger had . . . . .	715,490,000	_____	44

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency seeking prior permission to effectuate a merger of Independent National Bank, Stone Harbor, N.J. ("INB"), the merging bank, into First Peoples National Bank of New Jersey, Haddon Township (P. O. Westmont), N.J. ("First Peoples"). The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

INB commenced commercial banking operations in 1926 and, as of December 31, 1976, had total deposits of \$46.4 million. In addition to its main office in Cape May County, INB operates three branches within Cape May County and one office in Burlington County. (The merging bank has received prior permission from this Office to establish an additional office in Cape May County that, to date, is unopened.)

First Peoples, with year-end 1976 total deposits of \$564.2 million, received its charter as a national banking association on April 25, 1864. The charter bank's principal area of operation is the Camden County area, wherein it operates 15 banking offices including its main office. Presently, First Peoples operates a total of 39 offices in seven central and southern New Jersey counties and has received permission for the establishment of another office.

As herein aforementioned, with the exception of its Willingboro branch in Burlington County, all of the offices of INB are in Cape May County, on the southernmost peninsula of the New Jersey shore. Willingboro, approximately 5 miles east of Philadelphia, serves as a "bedroom community" for Philadelphia's commuting work force. Although the closest offices of the proponent banks are only about 0.5 miles apart in Willingboro, with no intervening offices of competing commercial banks, there are numerous alternative sources of commercial banking services serving this community inasmuch as Willingboro is encompassed within the Philadelphia-Camden banking market wherein 50 commercial banks operate more than 780 offices. Also, the charter bank does not presently operate any offices within Cape May County where INB operates four offices. It is further noted that INB's Burlington County and Cape May County service areas are separated by a distance in excess of 60 air miles, and the main offices of the participating institutions are 80 road miles removed from one another. Consummation of this proposal would, therefore, have no more than a slightly adverse effect upon existing competition.

New Jersey state banking statutes make provision for *de novo* branch expansion by commercial banks into any municipality within the state (except for those municipalities whose population is less than 10,000 inhabitants where the principal banking office of a commercial bank is domiciled). Approval of this proposal would thus have the effect of foreclosing the development of any competition between the proponent banks in the future. This foreclosure is not regarded as significant, however, and inasmuch as approval of the proposal would remove home office protection from the city of Stone Harbor, thereby allowing other commer-

cial banks to branch into the area; the long-term effect of the transaction may prove to be pro-competitive.

INB's two service areas resulted from a prior merger of INB and The First National Bank of Stone Harbor, effective May 3, 1976. The record reflects that, due to the geographical distance separating INB's one Burlington County office from the remainder of the Merging Bank's operation, certain unforeseen operational difficulties have arisen. The charter bank appears to possess the capacity and capability to realize certain economies of scale through a combined operation and the banking public would be better served through the provision of banking services at a lower cost than now charged by INB and by the payment of a higher return on time and savings deposits. Furthermore, First Peoples has indicated an intention to introduce new and expanded banking services into the areas currently served by INB. Considerations relating to convenience and needs benefits are, therefore, regarded as being consistent with approval.

The financial resources of both INB and First Peoples are regarded as generally satisfactory and the managements of both participating banks are considered to be competent, capable bankers. Also, the future prospects of INB and First Peoples, independently and combined, are regarded as favorable.

Accordingly, applying the statutory criteria, based upon the record as compiled and herein summarized, this application is considered to be in the public interest, and should be, and hereby is, approved.

June 3, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

Applicant operates no offices in the Cape May County trade area and its closest branch to Bank's Cape May County service area is approximately 25 miles distant. However Applicant operates five Burlington County offices, four of which (including a drive-in facility) are located within the town of Willingboro, all within 1 mile of Bank's single Burlington County office. In addition, five of Applicant's Camden County offices are located from approximately 10 to 15 miles of Willingboro. Applicant, with three offices in Willingboro, held total deposits in those offices of \$32.3 million as of June 30, 1976. Bank's single Willingboro office has total deposits of \$17.0 million.

Willingboro (population 44,607) is located at the fringes of the suburban Philadelphia/Camden metropolitan area. According to a 1973 New Jersey Department of Labor and Industry survey, 56 percent of all Willingboro workers commuted outside of Burlington County to their place of employment; of these, 49 percent worked in Philadelphia, 18 percent in Camden County, and 11 percent in the Trenton area. Thus, while the Philadelphia market has an undeniable impact in Willingboro, only 27 percent of Willingboro's workers are actually employed in Philadelphia.

In addition to Bank and Applicant, five other commercial banking institutions operate single offices in the Willingboro market (as defined by Applicant), which has total deposits of \$74.4 million. Thus, Applicant holds 43.4 percent of the total commercial bank-



ing deposits in the Willingboro market and Bank holds 22.8 percent of total deposits.<sup>1</sup> While some direct competition in the Willingboro market may be felt from the large metropolitan areas of Philadelphia and Camden County, it is clear that Applicant and Bank compete directly in the Willingboro market at present, and together hold 66.2 percent of commercial banking deposits there. Even allowing for competition in the Willingboro market attributable to these other areas, it still appears that there is substantial direct competition between the banks at present. In addition, given the commutation patterns and proximity of the markets it appears likely that Applicant's Camden County offices compete to some extent in the relevant market. Concentration in the area banking market, already significant, will increase; at present, the three largest banks in Camden County control 71.8 percent of total commercial banking deposits in that county. In Camden and Burlington counties combined, these same three banks control 52.7 percent of total deposits.

New Jersey law permits *de novo* branching by com-

<sup>1</sup> Using Burlington County as the relevant market, a measure which considerably overstates the actual competitive market. Applicant's market share based on June, 1976 figures was \$34.5 million, or 4.6 percent of the total and Bank's share was \$17 million or 2.3 percent of the county total.

mercial banks in any municipality in the state except for municipalities in which another banking institution maintains its principal office and whose population is less than 10,000. Applicant, the 12th largest commercial banking institution in New Jersey, currently competes in the Vineland market in southern New Jersey, approximately 25 miles from Cape May County, and in Tuckerton in the southeastern portion of the state, approximately 30 miles from Cape May County. Bank, operating three offices at present in Cape May County, holds approximately 9.2 percent of total commercial banking deposits in the county. Further, Bank has received approval to establish two additional Cape May County offices and has pending an application for a third new office. It thus appears that Cape May County is an attractive area for growth. Applicant, given its past history of expansion, would be a likely candidate for *de novo* entry absent the proposed merger. Therefore, it appears the proposed merger eliminates the prospect for increased competition from *de novo* entry by Applicant in that area.

In sum, overall the proposed acquisition would have an adverse effect upon competition, particularly in the Willingboro/Burlington County areas. Obviously, our concern would be significantly reduced should Applicant spin off the Willingboro branch of Bank while retaining the Bank's Cape May properties.

\* \* \*

#### SOUTHEAST NATIONAL BANK OF BRADENTON,

Bradenton, Fla., and Southeast Bank of West Bradenton, National Association, Unincorporated area of Manatee County, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Southeast Bank of West Bradenton, National Association, Unincorporated area of Manatee County, Fla. (16276), with	\$ 5,376,000	1	_____
and Southeast National Bank of Bradenton, Bradenton, Fla. (14704), which had	87,212,000	1	_____
merged July 8, 1977, under charter and title of the latter bank (14704). The merged bank at date of merger had	92,046,000	_____	2

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of Southeast Bank of West Bradenton, National Association, Unincorporated area of Manatee County, Fla. ("Merging Bank"), into Southeast National Bank of Bradenton, Bradenton, Fla. ("Charter Bank"), under the charter and title of Southeast National Bank of Bradenton, Bradenton, Fla. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging Bank commenced commercial banking operations in 1974 and, as of December 31, 1976, had total deposits of \$4.4 million.

Charter Bank received its charter as a national bank-

ing association on May 13, 1954, and as of year-end 1976, its total deposits aggregated approximately \$75 million.

Both Merging Bank and Charter Bank are subsidiaries of the largest multi-bank holding company headquartered within the state of Florida, Southeast Banking Corporation, Miami, Fla. In consideration of the common ownership and control of the proponent banks, there is no existing competition, nor any potential for increased competition in the future between the banks. This application is thus regarded essentially as a corporate reorganization whereby Southeast Banking Corporation is consolidating its banking interests in the Bradenton, Fla. area. Furthermore, the proposal does not appear to be at odds with applicable Florida state branching statutes.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

June 7, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

### THE NATIONAL BANK OF WISCONSIN IN LA CROSSE, La Crosse, Wisc., and Midland National Bank, Milwaukee, Wisc.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Midland National Bank, Milwaukee, Wisc. (15510), with was purchased July 23, 1977, by The National Bank of Wisconsin in La Crosse, La Crosse, Wisc. (7347), which had	\$402,867,000	1	—
After the purchase was effected, the receiving bank had	66,015,000	1	—
	464,687,000	—	2

### COMPTROLLER'S DECISION

The Comptroller of the Currency has been requested to approve a transaction whereby The National Bank of Wisconsin in La Crosse, La Crosse, Wisc. ("Purchasing Bank"), will purchase the assets and assume the liabilities of Midland National Bank, Milwaukee, Wisc. ("Selling Bank" or "MNB"). In addition, Purchasing Bank will change its corporate title to "First Bank, (N.A.)," will exercise fiduciary powers and will assume the trust assets of Selling Bank. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

MNB was organized as a national bank on May 5, 1965, when it was granted charter number 15510. As of year-end 1976, the Selling Bank had total deposits of \$337.3 million and ranked as the fourth largest commercial banking institution headquartered within the state of Wisconsin. MNB does not operate any branch offices in addition to its main office in Milwaukee, but the bank presently operates two CBCT's, one in Milwaukee and one in Whitefish Bay. (MNB has received approval from this Office to operate one other CBCT in Milwaukee that, to date, is not in operation. Purchasing Bank also requested permission to operate that CBCT unit.)

Purchasing Bank, at December 31, 1976, had total commercial bank deposits of \$54.4 million; however, it is a wholly-owned banking subsidiary of First Bank System, Inc., Minneapolis, Minn., a registered multi-bank holding company that controls 86 banks which have total deposits exceeding \$6 billion.

Serious asset problems became critical in MNB during 1976, resulting in a substantial net operating loss for the year. Most of the losses were attributable to the real estate loan portfolio. The severity and complexity of the real estate loan problems, as well as the volatility of the bank's deposit structure, threatened the MNB's survival without a massive injection of capital. During

the early months of 1977, efforts by bank management to secure needed capital were unsuccessful. At the same time, close monitoring of the bank by the Comptroller's Office indicated that its condition was continuing to deteriorate.

An offer has been made to MNB contemplating the sale of its assets to and the assumption of its liabilities, including all deposit liabilities, by The National Bank of Wisconsin in La Crosse. Because of the precarious financial condition of MNB and the likelihood that a failure immediately to consummate this proposed transaction will result in the probable failure of this Milwaukee institution, with all of the attendant injury to depositors, creditors, and shareholders, the Comptroller has considered this proposed transaction under the emergency provisions of 12 USC 181 and 1828 (c) (6). Title 12 USC 181 was designed to permit a troubled national bank, such as MNB, heading for a possible insolvency and in the midst of an emergency, to move swiftly through its board of directors, to sell its assets to another bank which will also assume its deposit liabilities. The requirement of shareholder approval of such an offer or agreement may be specifically waived by the Comptroller if an emergency is found to exist. The Comptroller is not required to wait until a bank is insolvent, but may make such a determination when the facts demonstrate a combination of circumstances, less than insolvency, sufficiently serious to require swift action to consummate the sale.

After consideration of the competitive environment within the Milwaukee area, existing concentration of deposits among the larger banks in the community and the extraordinary financial and managerial resources which will be necessary to sustain the operations of MNB, the Comptroller has determined that the proposed acquisition and the retention of the existing office of Selling Bank as a branch of the Purchasing Bank is consistent with the emergency branching statute of the State of Wisconsin (General Banking Law 221.04 (1) (j)) and 12 USC 36(c). In particular, the Comptroller has concluded that no bank in the Milwaukee area can properly be considered a prospective purchaser in these circumstances.

\* Asset figures are as of call dates immediately before and after transaction.

Accordingly, the Comptroller finds that the proposed transaction will be in accord with all pertinent provisions of applicable Federal and Wisconsin statutes. The Purchasing Bank, backed by the strength of its parent holding company, should provide strong financial and managerial resources and insure uninterrupted banking services to all segments of the Milwaukee community. The anticompetitive effects of the proposed transaction, if any, are deemed to be *de minimis*.

For the foregoing reasons, Purchasing Bank's application to purchase the assets and to assume the liabilities of MNB as set forth in their agreement is approved; pursuant to 12 USC 181, MNB shareholder approval of the transaction is waived. Pursuant to 12 USC 1828(c) (6), the Comptroller further finds that

probable failure of MNB requires him to act immediately. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

The Comptroller also hereby approves the three CBCT branches of MNB as CBCT branches of Purchasing Bank; the change in corporate title of Purchasing Bank to "First Bank, (N.A.);" the exercise of fiduciary powers by Purchasing Bank; and the assumption of the trust assets of MNB by Purchasing Bank.

July 23, 1977.

Due to the emergency nature of the situation, no Attorney General's report was requested.

\* \* \*

# **RAINIER NATIONAL BANK, Seattle, Wash., and The Sixth Avenue Branch of North Pacific Bank, Tacoma, Wash.**

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Sixth Avenue Branch of North Pacific Bank, Tacoma, Wash., with	\$ 1,508,000	1	_____
was purchased July 29, 1977, by Rainier National Bank, Seattle, Wash. (4375), which had	3,010,445,000	121	_____
After the purchase was effected, the receiving bank had	3,094,370,000	_____	122

## **COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency by Rainier National Bank, Seattle, Wash. ("RNB"), the purchasing bank, seeking prior permission to purchase the assets and assume the liabilities of Sixth Avenue Branch of North Pacific Bank, Tacoma, Wash. ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

RNB, the second largest commercial bank headquartered within the state of Washington, received its charter as a national banking association on July 21, 1890. As of December 31, 1976, the bank had total deposits of \$2.5 billion and maintained 112 banking offices throughout the state.

Selling Bank is a state-chartered commercial banking institution which, in addition to its main office in Tacoma, operates three branches. The Sixth Avenue Branch of Selling Bank is situated approximately six blocks west of Tacoma's downtown business district. At year-end 1976, Sixth Avenue Branch held approximately \$1.5 million of Selling Bank's total deposits of \$32 million.

RNB is not presently represented in the Tacoma banking market (approximated by the whole of Pierce County) and, inasmuch as the closest office of RNB to

any office of the Selling Bank is almost 8 miles distant, there is no meaningful existing competition between the proponent banks. This acquisition is of such *de minimis* scope that it is tantamount to *de novo* entry into the Tacoma banking market by RNB. Additionally, applicable state statutes prohibit *de novo* branching into Tacoma by RNB; thus there is no potential for increased competition to develop between the proponents within the foreseeable future.

RNB proposes to expand upon current banking services offered to the banking public in the Tacoma area and will also introduce new banking services to the present customers of the Sixth Avenue Branch. The introduction of RNB into Tacoma will also stimulate the competitive atmosphere within the Tacoma market, thereby better serving the public.

The financial and managerial resources of both RNB and Selling Bank are regarded as satisfactory. Likewise, the future prospects of both banks are considered favorable.

Accordingly, applying the statutory criteria, it is the conclusion of this Office that this proposed transaction is in the public interest and should be, and hereby is, approved.

June 20, 1977.

## **SUMMARY OF REPORT BY ATTORNEY GENERAL**

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

\* Asset figures are as of call dates immediately before and after transaction, branch figures are deposits only.

\* \* \*

**FIRST NATIONAL BANK OF CROSBY,  
Crosby, N. Dak., and Columbus National Bank, Columbus, N. Dak.**

<i>Names of banks and type of transaction</i>	<i>Total assets*</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Columbus National Bank, Columbus, N. Dak. (15973), with . . . . .	\$3,260,000	1	—
was purchased Aug. 1, 1977, by First National Bank of Crosby, Crosby, N. Dak. (16661), which had . . . . .	750,000	0	—
After the purchase was effected, the receiving bank had . . . . .	4,416,000	—	1

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency by First National Bank of Crosby (organizing), Crosby, N. Dak. ("FNB"), the assuming bank, for prior permission to purchase the assets and assume the liabilities of Columbus National Bank, Columbus, N. Dak. ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Selling Bank was granted its charter as a national banking association by the Comptroller of the Currency on May 25, 1972, and as of December 31, 1976, had total deposits of approximately \$3 million.

FNB received preliminary approval to organize on January 8, 1976. FNB was organized by principals of Dakota Bancorporation, Rapid City, S. Dak., a registered bank holding company; FNB will serve as the vehicle for the acquisition of Selling Bank by Dakota Bancorporation. The subject purchase and assumption transaction would therefore have the effect of merely

\* Asset figures are as of call dates immediately before and after transaction.

combining an existing bank with a non-operating institution and as such, without regard to the acquisition of the surviving bank by Dakota Bancorporation, would have no adverse effect upon competition. It is noted that upon consummation of this proposal, Selling Bank will be liquidated and its banking facility in Columbus and its paying and receiving station in Lignite, N. Dak., will then become paying and receiving stations of FNB.

Accordingly, applying the statutory criteria, it is the conclusion of this Office that this application is not adverse to the public interest and should be, and hereby is, approved.

April 18, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The proposed transaction is part of a plan through which Columbus National Bank would become a subsidiary of Dakota Bancorporation, a bank holding company. The instant transaction, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Dakota Bancorporation, it would have no effect on competition.

\* \* \*

**THE CENTRAL TRUST COMPANY OF NORTHEASTERN OHIO, N.A.,  
Canton, Ohio and The Dime Bank, Canton, Ohio**

<i>Names of banks and type of transaction</i>	<i>Total assets*</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Dime Bank, Canton, Ohio, with . . . . .	\$ 33,197,000	4	—
was purchased Aug. 13, 1977, by The Central Trust Company of Northeastern Ohio, N.A., Canton, Ohio (76), which had . . . . .	249,333,000	16	—
After the purchase was effected, the receiving bank had . . . . .	291,369,000	—	20

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency by The Central Trust Company of Northeastern Ohio, N.A., Canton, Ohio ("Purchasing Bank"), to purchase the assets and assume the liabilities of The Dime Bank, Canton, Ohio ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

\* Asset figures are as of call dates immediately before and after transaction.

Purchasing Bank was chartered in 1863, and is a wholly-owned commercial banking subsidiary of Central Bancorporation, Cincinnati, Ohio ("Central"), the eighth largest banking organization headquartered in Ohio, which controls nine banks with deposits aggregating approximately \$1.1 billion. As of December 31, 1976, Purchasing Bank had total deposits of \$205.6 million and ranked as the second largest commercial bank operating within Stark County.

The Dime Bank received its charter as a state banking institution in 1895, and is a wholly-owned subsidiary of Great Lakes Bancshares, Cleveland, Ohio, also a registered bank holding company. As of calendar

dar year-end 1976, The Dime Bank had total deposits of \$31.3 million and ranked as the seventh largest commercial bank in Stark County.

Both of the proponent banks are located and operate within the Canton, Ohio SMSA (approximated by Stark and Carroll counties). The main offices of Purchasing Bank and The Dime Bank are within blocks of each other in the downtown business area of the city of Canton. Additionally, both proponents operate branches within Belden Village, to the northwest of Canton, and The Dime Bank maintains a second branch office only 1 mile southwest of Belden Village. The Dime Bank's one remaining branch is domiciled in East Canton, approximately 5 miles from any office of Purchasing Bank. Although there are intervening and/or adjoining offices of other competitors within these relevant service areas, it appears that under normal circumstances, the proponent banks could be considered as being significant direct competitors. As outlined below, however, the present financial condition of The Dime Bank greatly mitigates any adverse competitive factors of this proposal and, further, due to the general condition of The Dime Bank, its position as being a viable competitor within its market is regarded by this Office as highly conjectural.

The Dime Bank has suffered substantial loan losses for the past two operating years. At the end of 1975, the bank charged-off \$1.6 million in loan assets and, in 1976, the net charge-off aggregated in excess of \$2.5 million. Consequently, The Dime Bank's earnings record sharply declined from a net profit of \$126,000 for 1974 to a net deficit of \$267,000 for 1975 and a net loss of \$2.1 million at the conclusion of 1976. Because The Dime Bank has suffered heavy loan losses which have seriously depleted its capital structure, the bank currently is only making personal loans and small business loans, thereby severely crippling its ability to adequately meet the credit demands of its service area and, further, limiting its ability to compete and its meaningfulness as a viable banking alternative. To further exacerbate the steadily deteriorating situation, current classified loans represent almost 700 percent of The Dime Bank's remaining capital and the financial condition of Great Lakes Bancshares has rendered the parent bank holding company unable to successfully augment either its own or its banking subsidiary's capital account. (Of significant additional note, on December 16, 1976, the Federal Deposit Insurance Corporation ("FDIC"), issued a Notice of Intention to Terminate Insured Status to The Dime Bank. The Superintendent of Banks for the State of Ohio has certified to this Office that it is his opinion that if the FDIC withdraws depositors' insurance from The Dime Bank, such action will serve as the impetus for the probable failure of the bank.)

The financial and managerial resources of the Purchasing Bank and its parent bank holding company are regarded as satisfactory and will be of sufficient scope to aid The Dime Bank in overcoming its present weakened status. Furthermore, the ability of the Purchasing Bank to improve upon the present banking services offered to customers of The Dime

Bank and the introduction of new banking services will better serve the banking public in the Canton area.

The future prospects of Purchasing Bank are favorable, as are the future prospects of The Dime Bank when combined with Purchasing Bank.

Accordingly, applying the statutory criteria, it is the opinion of this Office that this application is in the public interest and should be, and hereby is, approved.

August 4, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

Canton (population 104,500) is the principal city in Stark County (population 386,500) and in the Canton two-county (Stark and Carroll) SMSA (population 410,900). The county's other cities are Massillon (population 30,800), 6 miles west of Canton, and Alliance (population 24,600), 20 miles northeast of Canton in the northeast corner of the county. Canton is within Ohio's heavily industrialized belt. Over 40 percent of the work force is engaged in manufacturing. Stark County experienced a 9.4 percent growth in population during the 1960's and 3.8 percent growth during the 1970's. Ohio's population grew by 9.8 and 1.2 percent during the same periods.

Applicant and Bank are direct competitors. Their main offices are within a few blocks of each other in downtown Canton; both have branches in Belden Village just northwest of Canton. Bank has another branch approximately 1 mile southwest of Belden Village. Bank's remaining branch in East Canton is approximately 5 miles from Applicant's nearest branch. Although there are intervening or adjacent offices of other banks in these areas, it appears that the proposed transaction would eliminate a substantial amount of existing competition.

Eleven banks, which together held total deposits of \$922 million as of June 30, 1976, operate a total of 72 offices in Stark County. They can be divided into three groups: the four largest (including Applicant) operate throughout the county; the next three (including Bank) operate in or near one of the county's three cities; and the remaining banks are small, rural banks. Banking is highly concentrated in Stark County; the four largest banks hold 77.5 percent of Stark County commercial bank deposits. Applicant is second largest with 21.7 percent; Bank is seventh largest with 3.6 percent. If this application is approved, Applicant, which would continue to be the second largest bank in the county, would control 25.3 percent of county bank deposits, and concentration among the four largest banks would increase from 77.5 to 81.1 percent.

Normally, a consolidation such as this one of direct competitors which eliminated existing competition and resulted in a significant increase in banking concentration would be deemed to have a significantly adverse effect upon competition. In view of Bank's condition, however, the proposed transaction might be justified under the Bank Merger Act on the ground that its anti-competitive effects are clearly outweighed by its effect in meeting the convenience and needs of the community. Whether the proposed transaction could be so

justified depends upon whether Bank's problems may be resolved by means short of merger and, if not, whether there are prospective purchasers whose acquisition of Bank would be less anticompetitive than the proposed transaction. (See *United States v. Third National Bank in Nashville*, 390 U.S. 171 (1968);

*United States v. Greater Buffalo Press, Inc.*, 402 U.S. 549, 555 (1971).) We understand that at least two bank holding companies not represented in Stark County have considered acquiring Bank but have decided not to do so in light of its problems.

\* \* \*

# GARDEN STATE NATIONAL BANK, Paramus, N.J., and Shore National Bank, Brick Township, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Shore National Bank, Brick Township, N.J. (15913), with.....	\$ 24,369,000	3	_____
was purchased Aug. 15, 1977, by Garden State National Bank, Paramus, N.J. (15570), which			
had.....	665,048,000	30	_____
After the purchase was effected, the receiving bank had.....	724,657,000	_____	33

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior consent for Garden State National Bank, Paramus, N. J. ("Purchasing Bank"), to purchase the assets and assume the liabilities of Shore National Bank, Brick Township, N.J. ("SNB"), the selling bank. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Purchasing Bank was granted charter number 15570 as a national banking association on January 19, 1966. As of December 31, 1976, Purchasing Bank's total commercial bank deposits aggregated \$583.2 million. Purchasing Bank ranks as the ninth largest commercial banking institution headquartered within the state of New Jersey. In addition to its main office in Bergen County, Purchasing Bank operates 13 branches in its home office county, 14 branches in Hudson County, four in Sussex County, and one office in Warren County. Also, Purchasing Bank is a subsidiary of Warner Communications, Inc., New York, N.Y., a public company primarily engaged in the communications and entertainment business.

SNB commenced operations as a national bank in 1971. As of year-end 1976, SNB had total deposits of \$20.4 million and operated its main office and two branches in Brick Township.

The main offices of the proponent banks are almost 80 miles apart and the closest offices of the two banks, Purchasing Bank's Bayonne branch and SNB's main office, are approximately 55 miles apart. Given the geographic distance involved, and the presence of numerous, and intervening, banking alternatives, approval of this proposal would not have the effect of eliminating any meaningful degree of existing competition between Purchasing Bank and SNB.

Applicable New Jersey state branching statutes would allow the proponent banks to legally expand *de*

*novo* into each other's service areas. It does not appear likely that this would occur, however, considering the distance separating Brick Township from Purchasing Bank's present operations. Also, given SNB's limited financial resources, it does not appear likely that the selling bank would seek to employ this mode of expansion into any area currently served by Purchasing Bank. Therefore, the acquisition will not adversely affect potential competition.

Purchasing Bank intends to offer new and expanded banking services to the customers of SNB including, but not limited to, overdraft banking, trust department services and an expanded credit limit. Considerations relating to convenience and needs are consistent with approval.

The financial and managerial resources of Purchasing Bank are regarded as satisfactory and the financial and managerial resources of SNB are generally satisfactory. The future prospects of proponents, both separately and jointly, are favorable.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is not adverse to the public interest and should be, and hereby is, approved.

July 15, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The parties' main offices are located 78 miles apart and Applicant's closest branch office is over 50 miles distant from Bank's closest branch office. It therefore appears that the two institutions operate in separate service areas and do not at present compete. Therefore, the proposed acquisition will have no effect on existing competition.

New Jersey law permits *de novo* branching into any municipality in the state except for municipalities in which another banking institution maintains its principal office and whose population is less than 10,000. Applicant, which as recently as 1971 was solely a Bergen County bank operating 11 offices, has undertaken considerable expansion since that time and at present its branch system spans 52 miles north to

\* Asset figures are as of call dates immediately before and after transaction.

south and 62 miles east to west. However, in view of the distance separating Brick Township and Applicant's markets, it does not appear that Applicant is a likely potential entrant into Ocean County. Moreover, merger with Bank, the ninth largest institution in Ocean County with approximately 2 percent of total

deposits, will not significantly lessen potential competition from combination with a smaller institution in the county. Therefore the acquisition will not adversely affect potential competition.

We conclude that, overall, the proposed acquisition would have no adverse effect upon competition.

\* \* \*

**SOUTHEAST NATIONAL BANK OF NAPLES,  
Naples, Fla., and Southeast Bank of Naples, N.A., Naples, Fla.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Southeast Bank of Naples, N.A., Naples, Fla. (16268), with	\$ 8,251,000	1	_____
and Southeast National Bank of Naples, Naples, Fla. (15967), which had	36,159,000	1	_____
merged Aug. 15, 1977, under charter and title of the latter bank (15967). The merged bank			
at date of merger had	43,548,000	_____	2

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior consent to merge Southeast Bank of Naples, N.A., Naples, Fla. ("Merging Bank"), into Southeast National Bank of Naples, Naples, Fla. ("Charter Bank"), under the charter and title of Southeast National Bank of Naples, Naples, Fla. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Merging Bank was established *de novo* in January 1974 by the now defunct Palmer Bank Corporation, Sarasota, Fla. In January 1976, Southeast Banking Corporation, Miami, Fla. ("SBC"), the largest multi-bank holding company headquartered within the state of Florida, acquired Merging Bank and, as of December 31, 1976, Merging Bank's deposits totaled \$8.4 million.

Charter Bank received its charter as a national banking association on May 4, 1972, and commenced operations with the title of Peoples National Bank. Charter Bank became affiliated with SBC early in 1974 and, as

of year-end 1976, the bank had aggregate deposits of \$27.3 million.

Inasmuch as the proponent banks share common ownership and control, approval of this proposal would have no adverse competitive consequences. The subject application essentially represents a corporate reorganization whereby SBC is consolidating its banking interests in the Naples area and, further, is taking advantage of provisions of newly enacted state branching statutes.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved.

July 13, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

**MERCHANTS AND FARMERS BANK,  
Portsmouth, Va., and First National Bank of Tidewater, Norfolk, Va.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Merchants and Farmers Bank, Portsmouth, Va., with	\$ 67,117,000	7	_____
and First National Bank of Tidewater, Norfolk, Va. (15461), which had	58,222,000	9	_____
merged Aug. 22, 1977, under charter of the latter bank (15461) and title "Dominion National Bank of Tidewater." The merged bank at date of merger had	122,246,000	_____	16

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior permission to merge Mer-

chants and Farmers Bank, Portsmouth, Va. ("Merging Bank"), into First National Bank of Tidewater, Norfolk, Va. ("Charter Bank"), under the charter of First National Bank of Tidewater, and with the title of "Domin-

ion National Bank of Tidewater". The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Charter Bank was granted charter number 15461 as a national banking association on December 30, 1964, and as of December 31, 1976, had total deposits of approximately \$49 million. On March 24, 1960, Charter Bank became a wholly-owned subsidiary of Dominion Bankshares Corporation, Roanoke, Va., a registered multi-bank holding company.

Merging Bank, a state-chartered commercial banking institution, opened for business in 1885 and, as of year-end 1976, had total deposits of \$55.7 million.

Both Charter Bank and Merging Bank are banking subsidiaries of Dominion Bankshares Corporation, Roanoke, Va. Due to the existing close affiliation between the proponent banks, approval of this proposal would result in no adverse competitive impact, nor

produce any adverse impact upon any relevant area of consideration.

The subject application is therefore regarded essentially as a corporate reorganization whereby Dominion Bankshares Corporation is consolidating its banking interests in the hopes of producing a more efficient and economical operation.

Accordingly, applying the statutory criteria, it is the conclusion of this Office that this proposal is not adverse to the public interest and should be, and hereby is, approved.

July 21, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

## FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, Ogden, Utah, and First Security Bank of Bountiful, National Association, Bountiful, Utah

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First Security Bank of Bountiful, National Association, Bountiful, Utah (15942), with . . . . .	\$ 9,057,000	1	_____
and First Security Bank of Utah, National Association, Ogden, Utah (2597), which had . . . . .	1,260,413,000	62	_____
merged Aug. 31, 1977, under charter and title of the latter bank (2597). The merged bank at date of merger had . . . . .	1,268,680,000	_____	63

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to merge First Security Bank of Bountiful, National Association, Bountiful, Utah ("Merging Bank"), into First Security Bank of Utah, National Association, Ogden, Utah ("FSB"), the charter bank, under the charter and title of First Security Bank of Utah, National Association, Ogden, Utah. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging Bank was chartered on February 7, 1972, as a wholly-owned subsidiary of First Security Corporation, Salt Lake City, Utah, the oldest operating bank holding company within the United States. As of February 28, 1977, Merging Bank had total deposits of \$7.7 million.

FSB received its charter as a national banking association on December 9, 1881, and as of February 28, 1977, had total deposits of \$968.5 million.

At the time of Merging Bank's chartering, the home office protection provisions of state branching statutes

prevented *de novo* entry into Bountiful but did not preclude formation of a new bank within the community. Applicable state statutes also provide that a newly organized bank may not, for a period of 5 years from the time of its establishment, be sold, merged, or purchased by another bank. Merging Bank has now been in existence for the necessary 5 years and its holding company parent is desirous of effectuating a more profitable and efficient operation through the combination of two of its banking subsidiaries.

Accordingly, this application is considered to be essentially a corporate reorganization and would produce no apparent adverse effect upon any relevant area of consideration. The application is thus deemed to be in the public interest and is, hereby, approved.

July 12, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*



**KENTWOOD BANK, N.A.,  
Kentwood, Mich., and Kentwood National Bank, Kentwood, Mich.**

<i>Names of banks and type of transaction</i>	<i>Total assets*</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Kentwood National Bank, Kentwood, Mich. (16152), with	\$5,403,000	1	—
was purchased Aug. 31, 1977, by Kentwood Bank, N.A., Kentwood, Mich. (16672), which had	2,500,000	0	—
After the purchase was effected, the receiving bank had	6,781,000	—	1

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency by Kentwood Bank, N.A. (organizing), Kentwood, Mich. ("Purchasing Bank"), to purchase the assets and assume the liabilities of Kentwood National Bank, Kentwood, Mich. ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

This Office, on October 20, 1976, granted preliminary approval for the organization of a new national bank, Kentwood Bank, N.A., Kentwood, Mich. The Purchasing Bank was organized by principals of DETROITBANK Corporation, Detroit, Mich., a registered multi-bank holding company, the third largest banking organization in Michigan, which controls five subsidiary commercial banks whose total deposits aggregate \$2.7 billion. To date, Purchasing Bank has no operating history and its primary significance is to act as the vehicle for the acquisition of Selling Bank by DETROITBANK Corporation. (The Federal Reserve Bank of Chicago, acting pursuant to delegated authority for the Board of Governors of the Federal Reserve

System, on July 7, 1977, granted approval of the application by DETROITBANK Corporation, to acquire 100 percent, less directors' qualifying shares, of Purchasing Bank.)

Selling Bank commenced operations as a national banking association on July 9, 1973, and as of December 31, 1976, the bank had total deposits of approximately \$4 million.

Accordingly, consummation of this proposal would merely combine a non-operating entity with an existing commercial bank and, as such, would produce no adverse effect upon any relevant area of consideration. The application is thus deemed to be not adverse to the public interest and should be, and hereby is, approved.

July 21, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The proposed acquisition is part of a plan through which Kentwood National Bank would become a subsidiary of DETROITBANK Corporation, a bank holding company. The instant transaction, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by DETROITBANK Corporation, it would have no effect on competition.

\* \* \*

**LOS ANGELES NATIONAL BANK,  
Los Angeles, Calif., and The Silverlake/Sunset Branch of Hongkong Bank of California, San Francisco, Calif.**

<i>Names of banks and type of transaction</i>	<i>Total assets*</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Silverlake/Sunset Branch of The Hongkong Bank of California, San Francisco, Calif., with	\$ 5,097,000	1	—
was purchased Sept. 1, 1977, by Los Angeles National Bank, Los Angeles, Calif. (16240), which had	15,027,000	1	—
After the purchase was effected, the receiving bank had	20,335,000	—	2

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency seeking prior permission for Los Angeles National Bank, Los Angeles, Calif. ("LANB"), the purchasing bank, to purchase the assets and assume the liabilities of the Silverlake/Sunset Branch ("Branch"), of

The Hongkong Bank of California, San Francisco, Calif. ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

LANB received charter number 16240 as a national banking association on December 11, 1973, and as of December 31, 1976, had total deposits of approximately \$14 million.

Branch has undergone a series of changes during

\* Asset figures are as of call dates immediately before and after transaction, branch figures are deposits only.

its corporate existence. The office was originally the main office of an independent bank, Silverlake National Bank, when it commenced operations on September 8, 1964. That bank was consolidated approximately 4 years later with National Bank of Commerce, Los Angeles, Calif., at which time it became a branch office of National Bank of Commerce. In December 1970, The Republic National Bank (formerly, National Bank of Commerce) was purchased by Selling Bank and Branch has operated as an office of Selling Bank for the past 6½ years. As of February 28, 1977, Branch held total deposits of \$4.6 million.

The service area of LANB is the downtown commercial area of the city of Los Angeles. Branch is located approximately 4 miles northwest of LANB's only office and there are several conveniently located banking alternatives throughout that heavily populated residential and commercial area. It is therefore concluded that the transfer of these assets from one commercial banking organization to another, currently represented within the relevant geographic banking market, would have no significant competitive impact.

Inasmuch as LANB has formed a close association with the Spanish-speaking groups of the Los Angeles area and Branch is located in an area where many Spanish-speaking citizens reside, LANB will be in a position to better serve the banking needs of the community with which it identifies, from the acquisition of its first branch office. Considerations relating to convenience and needs add additional weight for approval of the application.

The financial and managerial resources of LANB are regarded as satisfactory and the future prospects of the bank appear favorable.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

July 1, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

\* \* \*

#### PUGET SOUND NATIONAL BANK, Tacoma, Wash., and Valley National Bank of Auburn, Auburn, Wash.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Valley National Bank of Auburn, Auburn, Wash. (15233), with	\$ 15,480,000	3	_____
was purchased Sept. 9, 1977, by Puget Sound National Bank, Tacoma, Wash. (12292), which			
had.	473,639,000	39	_____
After the purchase was effected, the receiving bank had	509,462,000	_____	42

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency by Puget Sound National Bank, Tacoma, Wash. ("PSNB"), the purchasing bank, requesting prior consent to purchase the assets and assume the liabilities of Valley National Bank of Auburn, Auburn, Wash. ("VNB"), the selling bank. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

PSNB received charter number 12292 as a national banking association on January 2, 1923, and as of December 31, 1976, had total deposits of approximately \$397 million and ranked as the sixth largest commercial bank headquartered in the state of Washington. In addition to its main office in Tacoma, PSNB operates 31 of its offices in Tacoma and the immediate vicinity of Pierce County. Additionally, PSNB maintains two branches in Mason County, one in Lewis County, and six offices in King County.

VNB commenced commercial banking activities in

1963 and, at year-end 1976, the selling bank's deposits totaled \$17.3 million. VNB operates all three of its banking offices in Auburn, approximately 14 miles northeast of Tacoma and 25 miles northeast of Seattle.

PSNB's Pacific-East Branch is the nearest to an office of VNB, approximately 3 road miles south of VNB's main office. The second closest office is PSNB's Federal Way Branch, 5 miles to the west of VNB's main office. One other branch of PSNB is located within the immediate area, 9 road miles to the northwest of VNB's North Auburn Branch. Although there are offices of the proponent banks in relatively close proximity to each other, the preponderance of VNB's deposits are obtained from the city of Auburn and its immediate vicinity (in Pierce County). PSNB's offices appear to obtain only a *de minimus* amount of their deposits from the immediate Auburn area. Of additional importance, VNB enjoys home office protection (that would be removed by approval of this application, thereby stimulating the competitive environment within the city of Auburn) and VNB offices are all in direct competition with Auburn area branches of the three largest commercial banking institutions headquartered within the state as well as with branches of two significantly larger mutual savings banks. It therefore appears that

\* Asset figures are as of call dates immediately before and after transaction.

approval of the subject proposal would not have the effect of eliminating a significant degree of existing competition between the proponent banks and, with the removal of home office protection from Auburn, the proposal may serve as the genesis for the provision of additional competition and additional services to the banking community. Furthermore, due to restrictive Washington state branching statutes, the potential for a significant increase in competition between PSNB and VNB through *de novo* branch establishment, is minimal.

PSNB provides a full range of commercial banking services to its customers. With the additional capabilities of PSNB and the banking services made available to present customers of VNB in such areas as international banking services, full trust services and a substantially larger legal lending limit, the banking public should be better served. Considerations relating to convenience and needs of the community to be served provide additional weight toward approval of the application.

The financial and managerial resources of both PSNB and VNB are regarded as satisfactory and the future prospects of both institutions, separately and in combination, are good.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that the subject proposal is in the public interest and should be, and hereby is, approved.

July 1, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Auburn (1970 population 23,000) is located in southwestern King County, approximately 15 miles from Tacoma and almost 30 miles from Seattle. Its economy is primarily based on retail and service businesses. According to the application, the prospects for economic growth in the Auburn area are good.

The closest offices of Applicant (its branch in Pacific, King County) and Bank are only 3 miles apart and Applicant's two other branches in King County (in Federal Way and Kent) are within 5.4 and 8.6 miles of Auburn, respectively. Seven banks operate a total of 20 branches within this immediate area. It therefore appears that the proposed transaction will eliminate a substantial degree of direct competition between Applicant and Bank in southwestern King County.

The area within which to assess the competitive effects of the proposed acquisition appears to be southwestern King County and northeastern Pierce County; an area within a radius of approximately 15 miles of Bank which would include Tacoma, the region's principal commercial center. Applicant is the largest bank within that area, controlling 28.6 percent of the total deposits held by the 16 banks operating there, and Bank controls approximately 2 percent of those deposits. Banking concentration in the area is substantial; as of June 30, 1976, the four largest banks controlled 72 percent of the area's deposits. Thus, the proposed acquisition would increase Applicant's dominant share of the market's deposits from 28.6 to 30.6 percent, and it would increase concentration among the four largest banks there from 72 to 74 percent.

Under Washington law, Applicant may not expand *de novo* its presence in King County, and Bank may not expand *de novo* into Pierce County. Moreover, in view of its size, Bank is unlikely to expand *de novo* in King County outside of Auburn. Hence, it seems that there is little potential for increased competition between Applicant and Bank through *de novo* expansion by either of them.

In sum, the anticompetitive effect of the proposed acquisition is somewhat mitigated by Bank's size and the limitations on the potential for increased competition between Applicant and Bank. We conclude that, overall, the proposed transaction would have an adverse effect upon competition.

\* \* \*

#### CENTURY NATIONAL BANK OF BROWARD, Fort Lauderdale, Fla., and Century National Bank of Fort Lauderdale, Fort Lauderdale, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Century National Bank of Fort Lauderdale, Fort Lauderdale, Fla. (14567), with . . . . .	\$ 88,393,000	1	_____
and Century National Bank of Broward, Fort Lauderdale, Fla. (14554), which had . . . . .	128,073,000	2	_____
merged Sept. 30, 1977, under charter and title of the latter bank (14554). The merged bank at date of merger had . . . . .	306,702,000	_____	3

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency asking prior permission to effectuate a merger of Century National Bank of Fort Lauderdale,

Fort Lauderdale, Fla. ("Merging Bank"), into Century National Bank of Broward, Fort Lauderdale, Fla. ("Charter Bank"), under the charter and title of Century National Bank of Broward. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Charter Bank was established in 1928, and is the oldest commercial bank in Fort Lauderdale. As of De-

\*Asset figures are as of call dates immediately before and after transaction. Resulting assets represent this merger and the purchase which follows.

December 31, 1976, Charter Bank had total deposits of \$107.9 million.

Merging Bank opened for business in 1947 and, at calendar year-end 1976, its deposits totaled \$79.1 million.

Both Charter Bank and Merging Bank are subsidiaries of Century Banks, Inc., Fort Lauderdale, Fla., a registered multi-bank holding company. Inasmuch as the two proponent banks are commonly owned and controlled, approval of this proposal would not produce an adverse impact upon any relevant area of consideration.

The subject application essentially represents a corporate reorganization whereby Century Banks, Inc., is realigning and consolidating its banking interests. The application is therefore deemed to be not adverse to

the public interest and should be, and hereby is, approved.

In a related action of this date, the Office of the Comptroller of the Currency has approved the application of Charter Bank to purchase the assets and assume the liabilities of two other affiliated banks in the Broward County area.

August 25, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The banks are all wholly-owned subsidiaries of the same bank holding company. As such, the proposed transactions are essentially corporate reorganizations and would have no effect on competition.

\* \* \*

## CENTURY NATIONAL BANK OF BROWARD,

Fort Lauderdale, Fla., and Lauderdale Lakes National Bank, Lauderdale Lakes, Fla., and Broward National Bank of Plantation, Plantation, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Lauderdale Lakes National Bank, Lauderdale Lakes, Fla. (15868), with	\$ 44,205,000	2	_____
and Broward National Bank of Plantation, Plantation, Fla. (16171), with	18,697,000	1	_____
were purchased Sept. 30, 1977, by Century National Bank of Broward, Fort Lauderdale, Fla.			
(14554), which had	128,073,000	3	_____
After the purchase was effected, the receiving bank had	306,702,000	_____	6

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission for Century National Bank of Broward, Fort Lauderdale, Fla. ("CNB"), the purchasing bank, to purchase the assets and assume the liabilities of Lauderdale Lakes National Bank, Lauderdale Lakes, Fla. ("Lauderdale Bank"), and Broward National Bank of Plantation, Plantation, Fla. ("Plantation Bank") (collectively, "Selling Banks"). The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

CNB was granted charter number 14554 as a national banking association on December 6, 1946, and as of December 31, 1976, had total deposits of \$107.9 million.

Lauderdale Bank commenced commercial banking operations in 1971 and, as of calendar year-end 1976, had total deposits of \$39.3 million.

Plantation Bank is only 4 years of age, and is the smallest of the proponent banks, with total deposits of \$13.6 million.

All three of the banks involved in the subject proposal are banking subsidiaries of the tenth largest

commercial banking organization headquartered within the state of Florida, Century Banks, Inc., Fort Lauderdale, Fla., a registered multi-bank holding company that controls 16 banks with deposits aggregating \$704.5 million.

Due to the common control and ownership existent among the proponent banks, the combination of CNB and the Selling Banks would not have any adverse competitive impact. Also, this proposal appears to be in accord with Florida's recently effected branching statutes and the public should be better served through the stronger resulting institution.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application essentially represents a corporate reorganization whereby Century Banks, Inc., is consolidating its banking interests in the Broward County area and the proposal will result in no adverse impact upon any relevant area of consideration. The application is therefore deemed to be not adverse to the public interest and should be, and hereby is, approved.

August 25, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The banks are all wholly-owned subsidiaries of the same bank holding company. As such, the proposed transactions are essentially corporate reorganizations and would have no effect on competition.

\* \* \*

\* Asset figures are as of call dates immediately before and after transaction. Resulting assets represent this purchase and the preceding merger.

**COLONIAL FIRST NATIONAL BANK,  
Red Bank, N.J., and The First National Bank of Hamilton Square, Hamilton Square, N.J.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Hamilton Square, Hamilton Square, N.J. (12646), with	\$ 71,179,000	3	_____
and Colonial First National Bank, Red Bank, N.J. (2257), which had	411,911,000	20	_____
merged Sept. 30, 1977, under charter and title of the latter bank (2257). The merged bank at date of merger had	477,737,000	_____	23

### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior consent to the merger of The First National Bank of Hamilton Square, Hamilton Square, N.J. ("FNB"), the merging bank, into Colonial First National Bank, Red Bank, N.J. ("Colonial"), the charter bank, under the charter and title of Colonial First National Bank. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

FNB was chartered as a national bank on July 1, 1925, and as of December 31, 1976, had total commercial bank deposits of \$58.9 million. In addition to its main office in Hamilton Square, FNB operates two other banking offices, also domiciled within Mercer County.

Colonial commenced operations as a national banking association on June 25, 1974, and as of calendar year-end 1976, had total deposits of \$327.2 million. A wholly-owned subsidiary of Fidelity Union Bancorporation, Newark, N.J., a registered multi-bank holding company which controls five subsidiary banks with deposits aggregating \$1.3 billion, Colonial operates its head office and 16 branches in Monmouth County and two branches in northeastern Mercer County.

The closest offices of the proponents are almost 8 miles apart and there is an office of a competing bank located between those offices of FNB and Colonial. It, therefore, appears that only a negligible degree of existing competition will be eliminated by approval of this proposal. Although FNB and Colonial could legally expand *de novo* into each other's service areas, the likelihood of this occurring appears remote because of FNB's conservative operating nature and Colonial's reluctance to utilize that expansion technique in the face of considerable competition from the other, larger commercial banks in Mercer County.

As aforementioned, FNB has traditionally operated in an ultra-conservative manner. The bank is located in an industrial county but FNB makes few commercial loans. From a review of the merging bank's loan and investment portfolios, it appears that the bank has operated in a fashion analogous to a savings institution. (Seventy percent of its loans are in conventional real estate mortgages and 60 percent of its total deposits are invested in U.S. government and agency obligations.) Colonial has committed to offer new and expanded banking services to the customers of FNB, and those services should make FNB a more viable competitor and a more attractive and meaningful

banking alternative in Mercer County. Considerations relating to convenience and needs add weight toward approval of this application.

The financial and managerial resources of Colonial are regarded as satisfactory, while the same relevant factors of FNB are considered to be less than totally satisfactory. The senior staff of FNB has an average age of almost 65 years and the President of FNB is 73 years of age and close to retirement. Additionally, five of nine directors of the bank are over 70 years of age and there appears to be little provision for adequate management succession. The management of Colonial, bolstered by that of its parent bank holding company is young, competent and aggressive. Colonial appears well able to aid FNB in its management succession problems. Financial and managerial resource considerations add additional weight for approval.

The future prospects of Colonial are regarded as good and those of FNB, independent of Colonial, appear to be only fair. In combination, the future prospects of the resulting bank appear more favorable.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

August 30, 1977.

### SUMMARY OF REPORT BY ATTORNEY GENERAL

Mercer County (1970 population 304,000) is located in central New Jersey on the Pennsylvania border. Its principal city, Trenton, is the state capital. The economy of the county is based primarily upon industrial activity, with government and service and research industries accounting for a substantial portion of employment.

The closest offices of Applicant and Bank are 7.6 road miles apart and both of Applicant's Mercer County branches are within 10 miles of an office of Bank. There is one office of another bank located in the area between Applicant and Bank, and there are competitive alternatives within short distances of the offices of both Applicant and Bank. According to the application, there is only a small amount of deposit and loan overlap between Applicant and Bank. Nevertheless, it appears that the proposed merger will eliminate some existing competition and the potential, through promotional efforts and branching, for increased competition in the future.

Bank controls approximately 4.3 percent of the commercial bank deposits in Mercer County (an area which probably overstates the market) and is the

eighth largest bank of the 16 banks operating there. Applicant controls approximately 2.3 percent of the commercial bank deposits in the county. Therefore, it does not appear that the proposed merger would

significantly increase banking concentration in the county.

We conclude that the proposed merger would have a slightly adverse effect upon competition.

\* \* \*

**THE FLORIDA FIRST NATIONAL BANK OF PENSACOLA,  
Pensacola, Fla., and Florida First National Bank at Brent, Brent (P.O. Pensacola), Fla.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Florida First National Bank at Brent, Brent (P.O. Pensacola), Fla. (14797), with	\$15,064,000	2	—
and The Florida First National Bank at Pensacola, Pensacola, Fla. (5603), which had	63,963,000	2	—
merged Nov. 7, 1977, under charter and title of the latter bank (5603). The merged bank			
at date of merger had	75,855,000	—	4

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior consent to effectuate a merger of Florida First National Bank of Brent, Brent (P.O. Pensacola), Fla. ("Merging Bank"), into The Florida First National Bank at Pensacola, Pensacola, Fla. ("Charter Bank"), under the charter and title of The Florida First National Bank at Pensacola. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Merging Bank commenced operations in 1955 and, as of December 31, 1970, held commercial bank deposits aggregating almost \$13 million.

Charter Bank was established in 1900 and, at calendar year-end 1976, its deposits totaled \$66.4 million.

Both of the proponent banks are banking subsidiaries of the fifth largest registered multi-bank holding company headquartered in Florida, Florida National

Banks of Florida, Inc., Jacksonville, Fla. Accordingly, due to the element of ownership and control common to both banks, there is no meaningful competition existent between them nor is there any potential for the development of competition in the future.

This application is, therefore, regarded as being essentially a corporate reorganization whereby Florida National Banks of Florida, Inc., is consolidating its banking interests in the Pensacola area. The subject application is deemed to be not adverse to the public interest and should be, and hereby is, approved.

September 19, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

**THE BOATMEN'S NATIONAL BANK OF ST. LOUIS,  
St. Louis, Mo., and The National Stock Yards National Bank of National City, National City, Ill.**

Names of banks and type of transaction	Total assets *	Banking offices	
		In operation	To be operated
The Boatmen's National Bank of St. Louis, St. Louis, Mo. (12916), with	\$511,474,000	2	—
purchased, Nov. 14, 1977, part of the assets and part of the liabilities of The National			
Stock Yards National Bank of National City, National City, Ill. (12991), which had	202,771,000	1	—
After the purchase was effected, the receiving bank had	821,124,000	—	2

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency by The Boatmen's National Bank of St. Louis, St. Louis, Mo. ("Purchasing Bank"), requesting prior consent to purchase certain of the assets and assume certain of the liabilities of The National Stock Yards Na-

tional Bank of National City, National City, Ill. ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Purchasing Bank was granted national banking association charter number 12916 on April 9, 1926, and as of March 31, 1977, had total commercial bank deposits aggregating \$432.8 million. Purchasing Bank is

\* Asset figures are as of call dates immediately before and after transaction.

one of 14 banking subsidiaries of Boatmen's Bancshares, Inc., St. Louis, Mo., a registered multi-bank holding company whose banking subsidiaries' deposits total approximately \$988 million at the end of calendar year 1976.

Selling Bank also commenced operations in 1926 and, as of March 31, 1977, the bank's total deposits were almost \$147 million. Selling Bank is domiciled within the Stock Yards area of National City, Ill., immediately across the Mississippi River from the city of St. Louis, Mo., and just north of the city of East St. Louis, Ill.

Although both of the proponent banks are located within the St. Louis banking market, due to the unique operation conducted by Selling Bank, any competition existent between Selling Bank and Purchasing Bank is primarily limited to correspondent banking. Selling Bank specializes in correspondent banking, and almost 91 percent of its total deposit structure is comprised of correspondent bank accounts. The Selling Bank does not offer the usual range of commercial banking services; for instance, it does not offer time certificates of deposit, real estate loans, business loans, bank credit cards, nor does it make consumer loans. The vast preponderance of Selling Bank's correspondent relationships have developed due to the bank's particular location and immediate accessibility for transactions directly related to the primary and related businesses of the stock yards; as of December 31, 1976, Selling Bank ranked as the third largest bank in the St. Louis market with respect to correspondent balances, holding slightly in excess of 16 percent of such deposit balances.

Purchasing Bank is a full-service bank that offers a variety of both commercial and retail services. The Purchasing Bank does have correspondent banking accounts; however, these accounts represent less than 15 percent of its total deposits (approximately 8 percent of the market's "due to" deposits). There is some degree of direct competition existent between Selling Bank and Purchasing Bank; however, this is highly mitigated by the specialized nature of Selling Bank's operations and, as aforementioned, the bank's location effectively precludes it from being a significant competitor for the usual range of banking services.

Additionally, the majority stockholders of Selling Bank on May 16, 1977, irrevocably voted to place the bank into voluntary liquidation. Thus, there is virtually no possibility that approval of this proposal could eliminate any future competition between the two banks.

Approval of this transaction will automatically transfer all existing correspondent accounts of Selling Bank to Purchasing Bank (all correspondents will, of course, be free to transfer their accounts from Purchasing Bank, should they so desire). In transferring these accounts, there should be far less disruption in the marketplace, the correspondent banking staff of Selling Bank will retain employment, Purchasing Bank will offer a wider range of correspondent services thereby becoming a more meaningful competitor within this area of operations, and the banking public will be better served. Considerations relating to convenience and needs benefits, therefore add substantial weight toward approval of this application.

The financial and managerial resources of Selling Bank are regarded as satisfactory and, due to the decision to voluntarily liquidate, the institution has only limited future prospects. Likewise, the financial and managerial resources of Purchasing Bank are regarded as satisfactory and the future prospects of the bank appear favorable.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be approved. Therefore, the application of the Boatmen's National Bank of St. Louis to assume the correspondent bank deposit liabilities of The Stock Yards National Bank of National City and to assume certain related assets, primarily cash and due from bank balances, investment securities and loans related to the correspondent bank accounts, is hereby approved.

October 7, 1977.

#### **SUMMARY OF REPORT BY ATTORNEY GENERAL**

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

\* \* \*

**FIRST NATIONAL BANK AT EAST ST. LOUIS,  
East St. Louis, Ill., and The National Stock Yards National Bank of National City, National City, Ill.**

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First National Bank at East St. Louis, East St. Louis, Ill. (14127), with purchased, Nov. 14, 1977, part of the assets and part of the liabilities of The National Stock Yards National Bank of National City, National City, Ill. (12991), which had.....	\$ 48,881,000	1	_____
After the purchase was effected, the receiving bank had .....	202,771,000	1	_____
	58,624,000	_____	2

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency by First National Bank at East St. Louis, East St. Louis, Ill. ("FNB"), the purchasing bank, to purchase certain of the assets and assume certain of the liabilities of The National Stock Yards National Bank of National City, National City, Ill. ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

FNB was issued charter number 14127 as a national banking association on May 1, 1934, and as of March 31, 1977, had total commercial bank deposits of \$43.6 million.

Selling Bank, domiciled within the stock yards area of National City, Ill., immediately across the Mississippi River from the city of St. Louis, Mo., and slightly north of the city of East St. Louis, Ill., commenced operations in 1926 and, at the conclusion of the first quarter of calendar year 1977, had total deposits of almost \$147 million.

Although the proponent banks are separated by a physical distance slightly less than 2 miles, due to the highly specialized nature of Selling Bank's operations (almost 91 percent of the total deposits is comprised of correspondent bank balances; the bank does not offer the usual scope of commercial banking services, such as time certificates of deposit, real estate loans, bank credit cards, etc.) in conjunction with the location of Selling Bank's office within the stock yards complex, there appears to be only *de minimus* existing competition between the proponents. Additionally, the majority shareholders of Selling Bank, on May 16, 1977, irrevocably voted to voluntarily liquidate the bank. Thus, there is no possibility for the development of any future competition between FNB and Selling Bank.

FNB is a full-service commercial banking institution, and desires to expand its customer base. FNB has filed a separate application with this Office to establish a branch office at the present location of Selling Bank, thereby continuing banking services to the employees of the stock yards and immediately surrounding area.

\* Asset figures are as of call dates immediately before and after transaction.

Historically, full-service banking within the stock yards area has been limited due to the specific nature of the area and the operating policy of Selling Bank. FNB's presence in the area will introduce a full-service competitor to the employees and businesses of the stock yards, and transacting regular banking business should become more convenient. Considerations bearing upon convenience and needs benefits add weight for approval of this proposal.

The financial and managerial resources of Selling Bank are satisfactory, and the financial and managerial resources of FNB, while being less than totally satisfactory, are not inconsistent with approval of this proposal.

Inasmuch as Selling Bank's stockholders have voted to voluntarily liquidate the bank, its future prospects are extremely limited. FNB is located within the decaying downtown section of an economically depressed city. It is anticipated that FNB's acquisition of certain of the deposits of Selling Bank and the subsequent establishment of a limited service branch, consistent with applicable Illinois state branching statutes, will result in FNB operating on a more profitable basis. Approval of the subject application therefore gives the appearance of improving the future prospects of FNB.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved. This approval extends only to the assumption of all deposit liabilities, totally exclusive of any assumption of liability for correspondent bank accounts, and provides for the purchase of assets in an amount equal to the total of all deposits assumed.

In a related action of this date, this Office has approved an application by Boatmen's National Bank of St. Louis, St. Louis, Mo., to assume all of the correspondent bank deposit liabilities of Selling Bank, and to acquire certain related assets.

October 7, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

\* \* \*



**THE FISHKILL NATIONAL BANK,  
Beacon, N.Y., and The Dover Plains National Bank, Dover Plains, N.Y.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Dover Plains National Bank, Dover Plains, N.Y. (822), with	\$11,045,000	2	_____
and The Fishkill National Bank, Beacon, N.Y. (35), which had	45,703,000	5	_____
merged Nov. 28, 1977, under charter and title of the latter bank (35). The merged bank at date of merger had	56,748,000	_____	7

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior consent to merge Dover Plains National Bank, Dover Plains, N.Y. ("DPNB"), the merging bank, into The Fishkill National Bank, Beacon, N.Y. ("Fishkill National"), the charter bank, under the charter and title of The Fishkill National Bank, Beacon, N.Y. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

DPNB received its charter as a national banking association on February 18, 1865, and as of December 31, 1976, had total commercial bank deposits aggregating \$9.1 million. The merging bank operates two offices in Dutchess County, with its branch office in Wingdale.

The charter bank began operations in 1863, and operates its main office and three branches in Dutchess County. As of year-end 1976, Fishkill National had total deposits of \$36.7 million.

The main offices of DPNB and Fishkill National are almost 25 miles apart and the closest offices of the proponent banks are separated by a distance of approximately 15 miles. Given the geographic distance separating the two institutions and the presence of other banking alternatives in close proximity to both DPNB and Fishkill National, approval of this proposal would not have the effect of eliminating any meaningful degree of existing competition between the two banks. Additionally, the potential for increased competition between the merging bank and charter bank appears to be minimal.

At the present time, DPNB does not offer trust services to its banking customers. Inasmuch as the charter bank does possess trust powers, this service will be extended to the customers of DPNB. Other banking services not currently offered by DPNB, such as automatic savings plans, credit cards, mortgage servicing and term savings accounts, will also be introduced into the area now served by DPNB. Considerations relating to convenience and needs of the banking community to be served add additional weight toward approval of this application.

The financial and managerial resources of both DPNB and Fishkill National are regarded as generally satisfactory. Of particular note, however, is the fact that the chief executive officer of DPNB is well beyond normal retirement age and is presently in ill health. Fishkill National's senior management is regarded as capable and well prepared to direct the operations of the merging bank. Thus, the future prospects of DPNB are enhanced by the combination of the proponent banks.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

October 28, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

\* \* \*

**FLAGSHIP NATIONAL BANK OF MIAMI,  
Miami, Fla., and Flagship National Bank of Westland, Hialeah, Fla.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Flagship National Bank of Westland, Hialeah, Fla. (15944), with	\$ 27,334,000	1	_____
and Flagship National Bank of Miami, Miami, Fla. (15411), which had	90,333,000	1	_____
merged Nov. 30, 1977, under charter and title of the latter bank (15411). The merged bank at date of merger had	117,667,000	_____	2

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior permission to merge Flagship National Bank of Westland, Hialeah, Fla. ("Merg-

ing Bank"), into Flagship National Bank of Miami, Miami, Fla. ("Charter Bank"), under the charter and title of Flagship National Bank of Miami. The subject application rests upon an agreement executed between

the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Charter Bank has operated under national banking association charter number 15411 since 1964. As of March 31, 1977, Charter Bank had total commercial bank deposits aggregating \$71.9 million.

Merging Bank was established *de novo* in 1972 by its parent bank holding company, Flagship Banks, Inc., Miami, Fla. At the end of the first quarter of 1977, Merging Bank had total deposits of almost \$24 million.

Both of the proponent banks are subsidiaries of Flagship Banks, Inc., and, accordingly, because of their common ownership and control, there is no meaningful competition existent between the two subject institutions.

This application must be regarded essentially as a corporate reorganization whereby Flagship Banks, Inc. is consolidating a portion of its commercial banking interests in Dade County, Fla.

It is, therefore, the opinion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved.

October 27, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

#### VIRGINIA NATIONAL BANK, Norfolk, Va., and Virginia National Bank/Fairfax, Springfield, Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Virginia National Bank/Fairfax, Springfield, Va. (16398), with	\$ 11,521,000	3	_____
and Virginia National Bank, Norfolk, Va. (9885), which had	2,043,636,000	130	_____
merged Nov. 30, 1977, under charter and title of the latter bank (9885). The merged bank			
at date of merger had	2,054,628,000	_____	133

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of Virginia National Bank/Fairfax, Springfield, Va. ("Merging Bank"), into Virginia National Bank, Norfolk, Va. ("VNB"), the charter bank, under the charter and the title of Virginia National Bank. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Merging Bank was chartered as a national banking association on November 15, 1974, and commenced operations on November 18, 1974. As of June 30, 1977, Merging Bank had total deposits of \$11.2 million.

VNB operates under national banking association charter number 9885, which it has possessed since November 5, 1910. Through a series of acquisitions and corporate reorganizations, VNB has grown to be the second largest commercial banking organization headquartered within the Commonwealth of Virginia, having total deposits of \$1.7 billion at calendar mid-year 1977 (approximately 10 percent of total state deposits).

Both Merging Bank and VNB are wholly-owned (less directors' qualifying shares) banking subsidiaries of Virginia National Bankshares, Inc., Norfolk, Va., a registered multi-bank holding company. Accordingly, this proposal is regarded as essentially a corporate reorganization whereby Virginia National Bankshares is consolidating its banking interests in the hopes of producing a more efficient and economical operation while also better serving the banking public through such matters as greater depth of organization, a larger capital base (with the resultant larger lending limit), and stronger management direction.

Thus, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved.

October 20, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

**FLORIDA COAST BANK OF MARGATE,  
Margate, Fla., and Florida Coast Bank of Coral Springs, National Association, Coral Springs, Fla.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Florida Coast Bank of Margate, Margate, Fla., with and Florida Coast Bank of Coral Springs, National Association, Coral Springs, Fla. (16386), which had	\$27,529,000	1	—
merged Dec. 1, 1977, under charter and title of the latter bank (16386). The merged bank at date of merger had	15,925,000	2	—
	43,454,000	—	3

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior consent to effectuate a merger of Florida Coast Bank of Margate, Margate, Fla. ("Merging Bank"), into Florida Coast Bank of Coral Springs, National Association, Coral Springs, Fla. ("Charter Bank"), under the charter and title of Florida Coast Bank of Coral Springs, National Association, with corporate headquarters in Margate, Fla. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Charter Bank operates under national banking association charter number 16386, as granted by the Office of the Comptroller of the Currency on October 1, 1974. As of December 31, 1976, the Charter Bank had total deposits aggregating \$13.8 million.

Merging Bank is a state-chartered, non-member, commercial banking institution that commenced operations in 1972 and, as of calendar year-end 1976, had total deposits of \$7.8 million.

Both of the proponent banks are located in the

northwestern portion of Broward County, Fla., and both banks are banking subsidiaries of Florida Coast Banks, Inc., Pompano Beach, Fla., a registered multi-bank holding company that controls five commercial banks. Due to the common ownership and control of Charter Bank and Merging Bank by Florida Coast Banks, Inc., this application is regarded as essentially a corporate reorganization, and approval of this proposal would result in no adverse impact upon any relevant area of consideration.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is not adverse to the public interest and should be, and hereby is, approved.

October 11, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

**TNB NATIONAL BANK,  
Circleville, Ohio, and The Third National Bank of Circleville, Circleville, Ohio.**

<i>Names of banks and type of transaction</i>	<i>Total assets*</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Third National Bank of Circleville, Circleville, Ohio (2817), with	\$ 26,154,000	3	—
was purchased Dec. 1, 1977, by TNB National Bank, Circleville, Ohio (16685), which had	180,000	0	—
After the purchase was effected, the receiving bank had	29,116,000	—	3

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency by TNB National Bank (organizing), Circleville, Ohio ("Purchasing Bank"), to purchase the assets and assume the liabilities of The Third National Bank of Circleville, Circleville, Ohio ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Purchasing Bank was granted preliminary approval to organize by this Office on September 20, 1977.

\* Asset figures are as of call dates immediately before and after transaction.

Sponsored by principals of First National Cincinnati Corporation, Cincinnati, Ohio ("Applicant"), a registered bank holding company, Purchasing Bank, to date, has no operating history.

Selling Bank was chartered as a national banking association on November 13, 1882, and operates under charter number 2817. As of June 30, 1977, Selling Bank held total commercial bank deposits aggregating approximately \$24 million, at its main office and two branches.

On October 31, 1977, the Board of Governors of the Federal Reserve System approved an application filed by Applicant pursuant to the dictates of the Bank Holding Company Act of 1956, which sought the Board's

prior approval for the acquisition of all of the voting shares (less directors' qualifying shares) of the successor by merger to Selling Bank. Approval of this application will provide the vehicle for the acquisition of Selling Bank by Applicant and would result in no adverse effect upon any relevant area of consideration.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved.

November 1, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed transaction is part of a plan through which The Third National Bank of Circleville would become a subsidiary of First National Cincinnati Corporation, a bank holding company. The instant proposal, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First National Cincinnati Corporation, it would have no effect on competition.

\* \* \*

### FIRST NATIONAL BANK OF JACKSON COUNTY, Ocean Springs, Miss., and The Biloxi Branch of Southern National Bank of Hattiesburg, Hattiesburg, Miss.

Names of banks and type of transaction	Total assets *	Banking offices	
		In operation	To be operated
The Biloxi Branch of Southern National Bank of Hattiesburg, Hattiesburg, Miss., with . . . . .	\$ 3,457,000	1	—
was purchased Dec. 19, 1977, by First National Bank of Jackson County, Ocean Springs, Miss. . . . .	39,182,000	3	—
(15672), which had . . . . .	43,242,000	—	4
After the purchase was effected, the receiving bank had . . . . .			

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission for First National Bank of Jackson County, Ocean Springs, Miss. ("Purchasing Bank"), to purchase the assets and assume the liabilities of The Biloxi Branch of Southern National Bank of Hattiesburg, Hattiesburg, Miss. ("SNB"). The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Purchasing Bank has operated under national banking association charter number 15672 since November 21, 1968. As of August 31, 1977, Purchasing Bank held total commercial bank deposits of \$35.5 million. In addition to its head office in Ocean Springs, Purchasing Bank operates two branch offices, and has received permission from this Office to open a third branch to be located in Gautier, Miss.

On August 15, 1977, the Office of the Comptroller of the Currency granted prior permission for the proposed merger of Southern National Bank of Hattiesburg, Hattiesburg, Miss. ("SNB"), into Deposit Guaranty National Bank, Jackson, Miss. ("DGNB"). SNB operated one branch office in Biloxi, Miss. (the subject of this application), situated approximately 160 miles from the main office of DGNB, and applicable Mississippi branch statutes (*Mississippi Code Annotated*, Section 81-7-7 (1972)), states in relevant part that

"Branch banks may be established within a radius of 100 miles of the parent bank." It therefore appeared, *prima facie*, that retention of the Biloxi branch of SNB by DGNB would be in violation of applicable state law. Thus, in approving the merger of SNB and DGNB, the Comptroller allowed the merger conditioned upon the disposal of the Biloxi branch of SNB, prior to, or by the time of, consummation of that transaction. The subject application arises from the imposition of that condition and evidences good faith efforts by DGNB to comply with the Comptroller's condition.

Inasmuch as this application involves the transfer of slightly less than \$3 million in deposit liabilities from one commercial bank to another, there will be produced no serious anticompetitive effect upon existing competition. Indeed, the introduction of a new competitor into the Biloxi area should prove to be of benefit to the banking public, and stimulate the competitive environment within the growing Biloxi banking market.

The financial and managerial resources of Purchasing Bank are regarded as generally satisfactory, and the addition of Biloxi branch to Purchasing Bank would appear to have no detrimental impact upon any relevant area of consideration.

Accordingly, applying the statutory criteria, it is the conclusion of this Office, that this application is in the public interest, and should be, and hereby is, approved.

November 17, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

We have examined the proposal and conclude that there are no serious anticompetitive effects.

\* \* \*

\* Asset figures are as of call dates immediately before and after transaction, branch figures are deposits only.

**DEPOSIT GUARANTY NATIONAL BANK,  
Jackson, Miss., and Southern National Bank of Hattiesburg, Hattiesburg, Miss.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Southern National Bank of Hattiesburg, Hattiesburg, Miss. (15539), with and Deposit Guaranty National Bank, Jackson, Miss. (15548), which had merged Dec. 30, 1977, under charter and title of the latter bank (15548). The merged bank at date of merger had	\$ 33,064,000 1,127,185,000 1,157,286,000	6 42 —	— — 48

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency seeking prior consent to the proposed merger of Southern National Bank of Hattiesburg, Hattiesburg, Miss. ("SNB"), the merging bank, into Deposit Guaranty National Bank, Jackson, Miss. ("DGNB"), the charter bank, under the title and charter of Deposit Guaranty National Bank. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

DGNB was granted national banking association charter number 15548 on October 8, 1965, and as of December 31, 1976, the charter bank had total commercial bank deposits of \$794.4 million, thereby ranking as the largest commercial bank headquartered within the state of Mississippi. In addition to its main office in Jackson, DGNB operates 42 banking offices in eight western Mississippi counties, 21 of which are concentrated within the Jackson area of Hinds County.

SNB, the smallest of three commercial banks headquartered in Hattiesburg, with year-end 1976 total deposits of \$28.2 million, operates its seven offices in southeastern Mississippi, six including its main office within the Hattiesburg area of Forrest County and one branch in Biloxi, Harrison County, approximately 75 road miles to the south of the merging bank's main office.

The city of Hattiesburg is located almost 90 miles southeast of the city of Jackson. The closest offices of the proponent banks, SNB's offices in Hattiesburg, and DGNB's office in Monticello, are separated by a distance slightly in excess of 55 miles. The two banks appear to have separate and distinct primary service areas, and due to the geographic distance separating DGNB from SNB, and the presence of numerous banking alternatives within the area served by both of the proponent banks, approval of this proposal does not give the appearance of eliminating a significant degree of existing competition. Although there is some potential for increased competition between DGNB and SNB via future *de novo* branching, this factor appears to be of little significance and presents no bar to approval of the application.

The record reflects that, due to its limited resources, SNB has been, and is becoming increasingly, unable to serve all of the needs of the banking community that

it serves. The Hattiesburg area is one of progressive growth, and the need for additional specialized banking services is increasing in demand. Consummation of this proposal will result in a larger legal lending limit for the successor to SNB. The introduction of new and expanded banking services will better serve the banking public and result in SNB's successor becoming a more viable and meaningful banking alternative in the Hattiesburg community. Considerations relating to aspects of convenience and needs are deemed to be consistent with approval.

The financial and managerial resources of both DGNB and SNB are regarded as satisfactory. Likewise, the future prospects of the subject institutions, both independently and in combination, appear favorable.

As aforesaid, SNB operates one branch office in Biloxi, Miss. The Biloxi branch is approximately 160 miles from the main office of DGNB, and applicable Mississippi branch statutes, *Mississippi Code Annotated*, Section 81-7-7 (1972), states in relevant part that "Branch banks may be established within a radius of 100 miles of the parent bank." It therefore appears, *prima facie*, that retention of the Biloxi office by DGNB may be in contravention with applicable state law. It is, thus, the conclusion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved. This approval is conditioned upon the disposal of the Biloxi branch office of SNB prior to, or by the time of, consummation of this transaction. Approval of the subject application expressly precludes permission for DGNB to operate the Biloxi branch of SNB as a branch of DGNB.

There were protests to the application received from competing commercial banks objecting to the application on the basis of the apparent violation of Mississippi state branching statutes that would result if DGNB were allowed to retain the Biloxi branch of SNB. Additionally, one bank requested a hearing to address the branch issue. In light of the condition imposed herein, the requested hearing is deemed unnecessary.

August 15, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

We have reviewed the proposal, and concluded that it is permissible.

**THE FLORIDA NATIONAL BANK AND TRUST COMPANY AT MIAMI, Miami, Fla., and Florida National Bank at Coral Gables, Coral Gables, Fla., and Florida First National Bank at Opa-Locka, Opa-Locka, Fla.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Florida National Bank at Coral Gables, Coral Gables, Fla. (14497), with . . . . .	\$ 94,658,000	2	—
and Florida First National Bank at Opa-Locka, Opa-Locka, Fla. (14895), with . . . . .	10,061,000	1	—
and The Florida National Bank and Trust Company at Miami, Miami, Fla. (13570), which had . . . . .	279,096,000	1	—
merged Dec. 30, 1977, under charter of the latter bank (13570) and title "Florida National Bank of Miami." The merged bank at date of merger had. . . . .	382,767,000	—	4

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency, pursuant to 12 USC 1828(c), requesting prior consent to merge Florida National Bank at Coral Gables, Coral Gables, Fla. ("Coral Gables Bank"), and Florida First National Bank at Opa-Locka, Opa-Locka, Fla. ("Opa-Locka Bank") (collectively, "Merging Banks"), into The Florida National Bank and Trust Company at Miami, Miami, Fla. ("Charter Bank"), under the charter of The Florida National Bank and Trust Company at Miami, and with the title of "Florida National Bank of Miami." This application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Coral Gables Bank was granted national banking association charter number 14497 by this Office on November 18, 1944. As of February 1, 1977, Coral Gables Bank held total commercial bank deposits of \$71.1 million.

Opa-Locka Bank commenced operations on April 14, 1960, and as of February 1, 1977, its total deposits were \$8.1 million.

Charter Bank is the largest of the three proponent banks with total deposits of \$205.6 million as of February 1, 1977.

Both Merging Banks and Charter Bank are banking subsidiaries of the fifth largest multi-bank holding company headquartered in the state of Florida, Florida National Banks of Florida, Inc., Jacksonville, Fla. ("FNB"). Accordingly, due to the common ownership and control among the proponent banks, there is no meaningful competition existent among them nor is there any potential for increased competition in the future. The subject application is therefore deemed to be essentially a corporate reorganization whereby FNB is combining three of its banks in Dade County, apparently in accord with provisions of applicable state branching statutes.

Applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is not adverse to the public interest and should be, and hereby is, approved.

November 29, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The banks are all wholly-owned subsidiaries of the same bank holding company. As such, the proposed transaction is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

**PAN AMERICAN BANK OF MIAMI, Miami, Fla., and Pan American Bank of Dade County, Dade County, Fla., and Pan American Bank of Miami Beach, Miami Beach, Fla., and Pan American Bank of West Dade, Dade County, Fla., and Pan American Bank of Kendale Lakes, National Association, Dade County, Fla.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Pan American Bank of Miami, Miami, Fla., with . . . . .	\$232,132,000	3	—
and Pan American Bank of Dade County, Dade County, Fla., with . . . . .	49,101,000	1	—
and Pan American Bank of Miami Beach, Miami Beach, Fla., with . . . . .	32,248,000	2	—
and Pan American Bank of West Dade, Dade County, Fla., with . . . . .	28,748,000	1	—
and Pan American Bank of Kendale Lakes, National Association, Dade County, Fla. (16442), which had . . . . .	18,101,000	1	—
merged Dec. 30, 1977, under charter of the latter bank (16442) and title "Pan American Bank, National Association." The merged bank at date of merger had. . . . .	343,836,000	—	8

**COMPTROLLER'S DECISION**

Application has been made pursuant to 12 USC 1828(c), to the Comptroller of the Currency requesting his prior permission to merge Pan American Bank of

Miami, Miami, Fla. ("Miami Bank"); Pan American Bank of Dade County, Dade County, Fla. ("Dade County Bank"); Pan American Bank of Miami Beach, Miami Beach, Fla. ("Miami Beach Bank"); and Pan American

Bank of West Dade, Dade County, Fla. ("West Dade Bank") (collectively, "Merging Banks"), into Pan American Bank of Kendale Lakes, National Association, Dade County, Fla. ("Charter Bank"), under the charter of Pan American Bank of Kendale Lakes, National Association, with the title of "Pan American Bank, National Association" and with corporate headquarters in Maimi, Fla. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Miami Bank is the largest state-chartered commercial banking institution headquartered in Florida, with year-end 1976 total deposits of \$178.9 million.

Likewise, Dade County Bank, Miami Beach Bank, and West Dade Bank are all state-chartered banks, with December 31, 1976 total deposits of \$50.6 million, \$27.1 million, and \$19.5 million, respectively.

Charter Bank was granted national banking association charter number 16442 by this Office on March 13, 1975. As of the aforementioned date for banking data, Charter Bank's total deposits were \$4.6 million.

All of the Merging Banks and Charter Bank are banking subsidiaries of the 11th largest multi-bank holding company headquartered in Florida, Pan American Bancshares, Inc., Miami, Fla. This application is, therefore, deemed to be essentially a corporate reorganization initiated by the parent bank holding company inasmuch as Pan American Bancshares, Inc. exercises a controlling influence over each of the proponent banks. The combination of these commonly owned and controlled affiliates will merely combine a portion of the holding company's banking interests in Dade County and will have no adverse effect upon competition. Additionally, the effects of this proposal appear to be in compliance with applicable state branching statutes, and the economies of scale to be realized, *pro forma*, should better serve the needs of the banking public within portions of Dade County.

The management of Pan American Bancshares, Inc., and its banking subsidiaries is regarded as satisfactory. The financial resources of Charter Bank are satisfactory, although the financial resources of some of the Merging Banks, especially Miami Bank, are considered to be somewhat less than totally satisfactory.

As has been the case with many Florida banks,

Miami Bank has felt the effects of the recently-past depressed economy in Florida, particularly with respect to the real estate industry. The vast majority of Miami Bank's classified assets are real estate-related, and this Office has substantial concern with respect to allowing the largest state-chartered commercial bank in Florida to convert to a national banking association charter when the effect upon Charter Bank will be to greatly increase its level of classified assets. Therefore, while this Office does not regard the financial resources of the resulting bank to be inadequate, the Office does consider it necessary and appropriate to institute measures to insure the financial well-being and enhance the favorable future prospects of the new bank resulting from the subject proposal.

Therefore, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved, subject to the following conditions. Prior to consummation of this proposal, the parent holding company, Pan American Bancshares, Inc. shall set aside in a separate capital reserve, an amount equal to at least \$2.5 million for a period of 2 years subsequent to, and concurrent with, the date of this statement. Such capital reserve will represent a segregation of net worth and will not include any element of known loss. However, that capital reserve will be available for placement of equity capital into the resulting bank for indeterminable or unforeseen shrinkage in the book value of classified assets. The placement of such equity capital in the resulting bank by the holding company shall be upon any such written request by the Office of the Comptroller of the Currency and in the full amount(s) so requested by this Office. At the end of 2 years, the holding company will have the option to return the remaining portion of the capital reserve to the equity capital account from which the amount was originally set aside.

November 23, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

ATLANTIC NATIONAL BANK OF WEST HOLLYWOOD, Hollywood, Fla., and Atlantic National Bank of Hollywood, Hollywood, Fla., and Atlantic National Bank of Davie, Davie, Fla., and Atlantic National Bank of Fort Lauderdale, Fort Lauderdale, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Atlantic National Bank of Hollywood, Hollywood, Fla. (15147), with	\$ 34,768,000	2	_____
and Atlantic National Bank of Davie, Davie, Fla. (15739), with	21,202,000	1	_____
and Atlantic National Bank of Fort Lauderdale, Fort Lauderdale, Fla. (16034), with	11,987,000	1	_____
and Atlantic National Bank of West Hollywood, Hollywood, Fla. (15166), which had	79,927,000	1	_____
merged Dec. 31, 1977, under charter of the latter bank (15166) and title "Atlantic National Bank of Broward." The merged bank at date of merger had	142,835,000	_____	5

## COMPTROLLER'S DECISION

Pursuant to 12 USC 1828(c), application has been made to the Comptroller of the Currency requesting prior consent to merge Atlantic National Bank of Hollywood, Hollywood, Fla. ("Hollywood Bank"); Atlantic National Bank of Davie, Davie, Fla. ("Davie Bank"); and Atlantic National Bank of Fort Lauderdale, Fort Lauderdale, Fla. ("Fort Lauderdale Bank") (collectively, "Merging Banks"), into Atlantic National Bank of West Hollywood, Hollywood, Fla. ("Charter Bank"), under the charter of Atlantic National Bank of West Hollywood, and with the title of "Atlantic National Bank of Broward." The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

Charter Bank was established in 1957 as Citizens National Bank of West Hollywood. As of December 31, 1976, Charter Bank held total commercial bank deposits aggregating approximately \$63 million.

Hollywood Bank was established in 1963, operates under national banking association charter number of 15147 and, as of calendar year-end 1976, had total deposits of \$28.1 million.

Davie Bank was organized as The Citizens National Bank of Davie in 1969; and, on December 31, 1976, held deposits of \$15.4 million.

\* \* \*

## FIRST & MERCHANTS NATIONAL BANK, Richmond, Va., and Mountain Trust Bank, Roanoke, Va.

Names of banks and type of transaction	Total assets *	Banking offices	
		In operation	To be operated
Mountain Trust Bank, Roanoke, Va., with	\$ 117,508,000	10	—
and First & Merchants National Bank, Richmond, Va. (1111), which had	1,270,796,000	55	—
merged Dec. 31, 1977, under charter and title of the latter bank (1111). The merged bank			
at date of merger had	1,289,306,000	—	65

## COMPTROLLER'S DECISION

Pursuant to 12 USC 1828(c), the Office of the Comptroller of the Currency has received an application requesting prior consent to merge Mountain Trust Bank, Roanoke, Va. ("Merging Bank"), into First & Merchants National Bank, Richmond, Va. ("Charter Bank"), under the charter and title of First & Merchants National Bank. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Charter Bank, the second largest commercial bank headquartered within the Commonwealth of Virginia, was granted national banking association charter number 1111 by this Office on May 3, 1865. As of June 30,

\* Asset figures are as of call dates immediately before and after transaction.

Established as a *de novo* entry by its parent bank holding company, Citizens Bancshares of Florida, Inc., in 1972, Fort Lauderdale Bank's total deposits were \$10.8 million on December 31, 1976.

Citizens Bancshares of Florida, Inc., was acquired via merger, in 1973, by Atlantic Bancorporation, Jacksonville, Fla., the sixth largest multi-bank holding company headquartered in Florida, and all of the Merging Banks and Charter Bank are commonly owned and controlled by Atlantic Bancorporation.

Accordingly, this proposal must be regarded essentially as a corporate reorganization and does not appear to be in violation of applicable state branching statutes.

This application is regarded as being not adverse to the public interest and should be, and hereby is, approved.

November 15, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The banks are all wholly-owned subsidiaries of the same bank holding company. As such, the proposed transaction is essentially a corporate reorganization and would have no effect on competition.

1977, Charter Bank held total commercial bank deposits of approximately \$1.1 billion. In addition to its main office in Richmond, Charter Bank operates 53 banking offices in 18 Virginia cities and communities and one branch office in Nassau, Bahamas.

Merging Bank is a state-chartered banking institution operating six offices within the city of Roanoke and four offices in Roanoke County. As of June 30, 1977, Merging Bank's total deposits were \$102 million.

Both Charter Bank and Merging Bank are banking subsidiaries of First & Merchants Corporation, Richmond, Va. ("F&M"), a registered multi-bank holding company that controls six affiliated banks. Thus, since the proponent banks became commonly owned and controlled in 1973, there has been no meaningful degree of existing competition between them. Accordingly, this application is deemed to be essentially a corporate reorganization whereby F&M is consolidating a portion of its banking interests.



Applying the statutory criteria, it is the conclusion of this Office that this application is not adverse to the public interest and should be, and hereby is, approved.

November 29, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

\* \* \*

### FIRST BANK AND TRUST COMPANY OF BOCA RATON, NATIONAL ASSOCIATION, Boca Raton, Fla., and University National Bank of Boca Raton, Boca Raton, Fla., and First Bank of West Boca Raton, Boca Raton, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
University National Bank of Boca Raton, Boca Raton, Fla. (15554), with . . . . .	\$ 49,349,000	1	_____
and First Bank of West Boca Raton, Boca Raton, Fla., with . . . . .	8,481,000	1	_____
and First Bank and Trust Company of Boca Raton, National Association, Boca Raton, Fla. (15421), which had . . . . .	156,072,000	2	_____
merged Dec. 31, 1977, under charter and title of the latter bank (15421). The merged bank at date of merger had . . . . .	175,047,000	_____	4

## COMPTROLLER'S DECISION

Pursuant to 12 U.S.C. 1828(c), an application has been filed with the Office of the Comptroller of the Currency requesting prior permission to effectuate a merger of University National Bank of Boca Raton, Boca Raton, Fla. ("UNB"), and First Bank of West Boca Raton, Boca Raton, Fla. ("First Bank") (collectively, "Merging Banks"), into First Bank and Trust Company of Boca Raton, National Association, Boca Raton, Fla. ("Charter Bank"), under the charter and title of First Bank and Trust Company of Boca Raton, National Association. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

UNB was chartered in 1965 and, as of December 31, 1976, its total deposits were \$38.2 million.

First Bank was established *de novo* in 1974 by its parent bank holding company, First Bancshares of Florida, Inc., Boca Raton, Fla. ("Bancshares"). As of year-end 1976, First Bank's total commercial bank deposits were \$6.1 million. Charter Bank was granted national banking association charter number 15521 by

this Office on November 5, 1964, and as of December 31, 1976, it held total deposits of \$130.6 million.

Both of the Merging Banks and Charter Bank are banking subsidiaries of Bancshares, the 13th largest multi-bank holding company headquartered in Florida, which controls 13 banks. Due to the common ownership and control of the proponent banks, this application is regarded essentially as a corporate reorganization.

Accordingly, applying the statutory criteria, it is the conclusion of this Office that the combination of three of Bancshares' subsidiaries located in the Boca Raton area will produce no adverse impact upon any relevant area of consideration. Furthermore, the application is deemed to be not adverse to the public interest and should be, and hereby is, approved.

December 1, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are all wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

\* \* \*

### FIRST NATIONAL BANK OF SAN DIEGO COUNTY, Escondido, Calif., and Balboa Bank, Chula Vista, Calif.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Balboa Bank, Chula Vista, Calif., with . . . . .	\$ 25,058,000	2	_____
and First National Bank of San Diego County, Escondido, Calif. (15453), which had . . . . .	86,934,000	7	_____
merged Dec. 31, 1977, under charter and title of the latter bank (15453). The merged bank at date of merger had . . . . .	122,331,000	_____	9

## COMPTROLLER'S DECISION

Pursuant to 12 USC 1828(c), an application has been

filed with the Comptroller of the Currency asking prior consent to merge Balboa Bank, Chula Vista, Calif.

("Merging Bank"), into First National Bank of San Diego County, Escondido, Calif. ("Charter Bank"), under the charter and title of First National Bank of San Diego County. This application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Charter Bank was granted national banking association charter number 15453 by this Office on December 17, 1964. As of December 31, 1976, Charter Bank's total deposits aggregated \$65.8 million.

Merging Bank is a state-chartered commercial banking institution that opened for business on June 14, 1972. As of calendar year-end 1976, its total deposits were \$26.2 million.

Charter Bank operates its main office and six branches in the northern portion of San Diego County, north of the city of San Diego, and it has not successfully penetrated the city of Chula Vista, situated in the southern portion of the county.

The proponent banks serve two separate and distinct service areas, and the closest offices of Merging Bank and Charter Bank are approximately 10 miles apart, with several intervening offices of competing banks, including offices of the largest California-based commercial banks. Accordingly, approval of this application would result in no substantially adverse effect upon existing competition.

The combination of the proponent banks, resulting from approval of this proposal, should better serve the banking public by the creation of a larger independent competitor that will have a better opportunity to expand the banking services currently offered to customers within the respective service areas of both Charter Bank and Merging Bank. Additionally, consid-

erable savings in operational costs should be realized by both banks, thereby creating a more profitable institution. Considerations relating to convenience and needs benefits are deemed to be a positive factor in approving this application.

The managements of Charter Bank and Merging Bank are satisfactory. The financial resources of the proponent banks are regarded as somewhat less than totally satisfactory, and both of the proponents are only marginally capitalized. As of June 30, 1977, Charter Bank's loans to equity ratio was 11.93 and its equity to assets ratio was 4.95. As of the same date, the ratios for Merging Bank were 11.78 and 5.69, respectively. In a *pro forma* combination, the resulting bank's loan to equity ratio would be 12.21, its equity to assets ratio would be 5.03, and the resulting bank would rank 32nd of 35 California state and national banks in the \$100 million to \$500 million size group. Although this Office is willing to approve this transaction, in order to insure the favorable future prospects of the resulting bank, it is understood that Charter Bank will provide the Regional Administrator of National Banks with an acceptable equity capital augmentation program, in the amount of at least \$1.5 million, within 6 months of the date of consummation of this merger. Furthermore, this Office will not be receptive to further expansion through branching, acquisitions, or otherwise until the capital of the bank reaches an acceptable level.

November 29, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

\* \* \*

#### HERITAGE BANK NATIONAL ASSOCIATION, Cherry Hill, N.J., and Pineland State Bank, Brick Town, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Pineland State Bank, Brick Town, N.J., with . . . . .	\$100,813,000	4	_____
was purchased Dec. 31, 1977, by Heritage Bank National Association, Cherry Hill, N.J.			
(1209), which had . . . . .	568,994,000	42	_____
After the purchase was effected, the receiving bank had . . . . .	686,040,000	_____	46

#### COMPTROLLER'S DECISION

Application has been made to the Office of the Comptroller of the Currency requesting prior permission for Heritage Bank National Association, Cherry Hill, N.J. ("HBNA"), the purchasing bank, to purchase the assets and assume the liabilities of Pineland State Bank, Brick Town, N.J. ("Selling Bank"). The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

HBNA was organized in 1812 and was granted na-

tional banking association charter number 1209 by this Office on June 2, 1865. As of June 30, 1977, HBNA held total commercial bank deposits of \$488.5 million.

Selling Bank is a state-chartered commercial banking institution which, as of June 30, 1977, had total deposits of \$85.5 million. Selling Bank operates four banking offices, all located within Ocean County.

HBNA is a wholly-owned banking subsidiary of Heritage Bancorporation, Cherry Hill, N.J. ("Heritage"), a registered bank holding company that controls two commercial banks and ranks as the sixth largest banking organization headquartered in New Jersey. Presently, HBNA does not operate any of its 41 banking offices in Ocean County and the acquisition of Selling

\*Asset figures are of call dates immediately before and after transaction.

Bank would constitute HBNA's initial entry into the county. The closest office of HBNA to any office of Selling Bank is HBNA's Vicentown Office, approximately 37 miles distant from Selling Bank's Brick Plaza Office. Due to the geographic distance involved and the presence of numerous intervening banking alternatives, approval of this proposal would have no more than a slightly adverse effect upon existing competition.

The combination of HBNA and Selling Bank should introduce new and expanded banking services into the Brick Town area of the fastest growing county in New Jersey. Additionally, the introduction of Heritage into Ocean County should provide additional competition to its two larger bank holding competitors within Ocean County, thereby better serving the banking public. Considerations relating to convenience and needs benefits are, therefore, regarded as being consistent with approval.

The financial and managerial resources of HBNA and Selling Bank are regarded as generally satisfactory. Likewise, the future prospects of both proponent banks are considered to be favorable.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that the subject application is not adverse to the public interest and should be, and hereby is, approved.

December 1, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Bank's four offices are separated by approximately 40 miles from the closest office of Applicant. It does not appear that Applicant competes to any significant extent in Bank's primary service area and therefore the proposed acquisition will not have any significant effects on existing competition.

New Jersey law permits *de novo* branching into any municipality except those with a population of less than 10,000 in which the principal office of another bank is located. Bank is the fourth largest commercial banking institution by total deposits in the Ocean County market, a market presently served by 15 banks holding total deposits of \$3.2 billion as of June 30, 1976. Bank's market share in the county is 9.27 percent. Applicant holds 11.1 percent of total deposits in Burlington County (which is adjacent to Ocean County) and 25.0 percent of total deposits in nearby Camden County. Therefore, Applicant would appear to be a possible candidate for *de novo* branching in Ocean County absent the proposed acquisition. It thus appears that the proposed acquisition will have some adverse effects on potential competition presently available through branching.

We conclude that, overall, the proposed acquisition will have a slightly adverse effect on competition.

\* \* \*

## II. Mergers consummated, involving a single operating bank.

### THE FIRST NATIONAL BANK OF ATHOL, Athol, Mass., and First Bank of Athol (National Association), Athol, Mass.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Athol, Athol, Mass. (13733), with	\$15,655,000	2	—
and First Bank of Athol (National Association), Athol, Mass. (13733), which had	120,000	0	—
merged Mar. 16, 1977, under the charter of the latter bank (13733) and title "The First National Bank of Athol." The merged bank at date of merger had	15,905,000	—	2

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency for prior permission to effectuate a merger between The First National Bank of Athol, Athol, Mass. ("FNB"), the merging bank, and First Bank of Athol (National Association) (organizing), Athol, Mass. ("Charter Bank"), under the charter of First Bank of Athol (National Association) and with the title of The First National Bank of Athol.

FNB received its charter as a national banking association on July 18, 1933, and as of June 30, 1976, had total commercial bank deposits of \$12.7 million.

Charter Bank is a newly organized institution and, to date, has no operating history. Charter Bank will act as the vehicle for the acquisition of FNB by T.N.B. Financial Corporation, Springfield, Mass., a registered bank holding company; and as such, would have the effect

of merely combining an existing bank with a non-operating institution, with no resultant adverse competitive effect.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved.

February 14, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank of Athol would become a subsidiary of T.N.B. Financial Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by T.N.B. Financial Corporation, it would have no effect on competition.

\* \* \*

**DALLAS NATIONAL BANK IN DALLAS,  
Dallas, Tex., and 3300 Commerce National Bank, Dallas, Tex.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Dallas National Bank in Dallas, Dallas, Tex. (14563), with and 3300 Commerce National Bank, Dallas, Tex. (14563), which had merged May 2, 1977, under charter of the latter bank (14563) and title "Dallas National Bank in Dallas." The merged bank at date of merger had	\$40,011,000 250,000 40,261,000	1 0 —	— — 1

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of Dallas National Bank in Dallas, Dallas, Tex. ("Merging Bank"), into 3300 Commerce National Bank (organizing), Dallas, Tex. ("Charter Bank"), under the charter of 3300 Commerce National Bank and with the title of Dallas National Bank in Dallas. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging Bank was chartered as a national bank on October 15, 1946, and as of June 30, 1976, had total deposits of \$32.7 million.

The Office of the Comptroller of the Currency on November 18, 1976, granted preliminary approval for Charter Bank to organize. To date, Charter Bank has no operating history. Charter Bank will serve as the vehicle for the acquisition of Merging Bank by Republic of Texas Corporation, Dallas, Tex. ("Republic"), a registered multi-bank holding company. This application

would, therefore, have the effect of merely combining an existing bank with a non-operating entity; and as such, without regard to the acquisition of the surviving bank by Republic, would not adversely affect competition within the Dallas area.

Accordingly, applying the statutory criteria, it is the conclusion of this Office that this application is not adverse to the public interest and should be, and hereby is, approved.

April 1, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The proposed merger is part of a plan through which Dallas National Bank in Dallas would become a subsidiary of Republic of Texas Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Republic of Texas Corporation, it would have no effect on competition.

\* \* \*

**FIRST NATIONAL BANK IN GARLAND,  
Garland, Tex., and Glenbrook & Avenue A National Bank, Garland, Tex.**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
First National Bank in Garland, Garland, Tex. (7989), with and Glenbrook & Avenue A National Bank, Garland, Tex. (7989), which had merged May 2, 1977, under charter of the latter bank (7989) and title "First National Bank in Garland." The merged bank at date of merger had	\$85,978,000 250,000 86,228,000	1 0 —	— — 1

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior permission to merge First National Bank in Garland, Garland, Tex. ("Merging Bank"), into Glenbrook & Avenue A National Bank (organizing), Garland, Tex. ("Charter Bank"), under the charter of Glenbrook & Avenue A National Bank, and with the title of First National Bank in Garland. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging Bank received its charter as a national banking association on November 27, 1905, and as of June 30, 1976, had total commercial bank deposits of \$72.5 million.

Charter Bank received preliminary approval to organize from this Office on June 11, 1974, and, to date, has no operating history. Charter Bank was organized by principals of Republic of Texas Corporation, Dallas, Tex. ("Republic"), a registered multi-bank holding company, and Charter Bank will serve as the vehicle for the acquisition of Merging Bank by Republic. The subject merger would, therefore, have the effect of

merely combining an existing bank with a non-operating institution; and as such, with no regard to the acquisition of the surviving bank by Republic, would have no effect upon competition.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is not adverse to the public interest and should be, and hereby is, approved.

March 28, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank in Garland would become a subsidiary of Republic of Texas Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Republic of Texas Corporation, it would have no effect on competition.

\* \* \*

### THE IRON RIVER NATIONAL BANK, Iron River, Mich., and The First Iron River National Bank, Iron River, Mich.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Iron River National Bank, Iron River, Mich. (14102), with	\$15,172,000	3	—
and The First Iron River National Bank, Iron River, Mich. (14102), which had	125,000	0	—
merged May 31, 1977, under charter of the latter bank (14102) and title "The Iron River National Bank." The merged bank at date of merger had	15,297,000	—	3

## COMPTROLLER'S DECISION

The Iron River National Bank, Iron River, Mich. ("Merging Bank"), and The First Iron River National Bank (organizing), Iron River, Mich. ("Charter Bank"), have made application to the Comptroller of the Currency for prior permission to effectuate a merger under the charter of The First Iron River National Bank and with the title of The Iron River National Bank. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Charter Bank is a newly formed entity and, to date, has no operating history. A wholly-owned subsidiary of Michigan Financial Corporation, Marquette, Mich., a multi-bank holding company that controls seven subsidiary banks with aggregate deposits of \$184.4 million, Charter Bank is the facility whereby Merging Bank will become a wholly-owned subsidiary of Michigan Financial Corporation.

Chartered as a national banking association on April 12, 1934, Merging Bank, as of September 30, 1976,

had total deposits of \$13.7 million, and was the fourth largest of eight commercial banks located within its relevant banking market (approximated by the southeastern half of Iron County, the southwestern half of Dickinson County and the northwestern corner of Menominee County).

Accordingly, applying the statutory criteria, it is the conclusion of this Office that the subject application essentially represents a corporate reorganization and is not adverse to the public interest in any respect.

March 31, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Iron River National Bank would become a subsidiary of Michigan Financial Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Michigan Financial Corporation, it would have no effect on competition.

\* \* \*

### THE FIRST NATIONAL BANK OF LAPEER, Lapeer, Mich., and Lapeer Bank, N.A., Lapeer, Mich.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Lapeer Bank, N.A., Lapeer, Mich. (1731), with	\$ 130,000	8	—
and The First National Bank of Lapeer, Lapeer, Mich. (1731), which had	68,982,000	0	—
consolidated June 7, 1977, under the charter and title of the latter bank (1731). The consolidated bank at date of consolidation had	69,114,000	—	8

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to consolidate

The First National Bank of Lapeer, Lapeer, Mich. ("FNB"), the charter bank, and Lapeer Bank, N.A. (organizing), Lapeer, Mich. ("Lapeer Bank"), the consoli-

dating bank, under the charter and title of The First National Bank of Lapeer, Lapeer, Mich. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

FNB received its charter as a national banking association on November 2, 1870, and as of June 30, 1976, held total deposits of \$58.2 million.

Lapeer Bank was given preliminary approval to organize by this Office on November 9, 1976. To date, Lapeer Bank has no operating history.

This application is a portion of a transaction to facilitate the acquisition of FNB by Peoples Banking Corporation, Bay City, Mich., a registered bank holding company, and would merely combine an existing bank with a non-operating institution.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is not adverse to the public interest and should be, and hereby is, approved.

May 6, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed consolidation is part of a plan through which First National Bank of Lapeer would become a subsidiary of Peoples Banking Corporation, a bank holding company. The instant transaction, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Peoples Banking Corporation, it would have no effect on competition.

\* \* \*

#### THE FIRST NATIONAL BANK OF ALBANY, Albany, Ga., and First National Interim Bank of Albany, Georgia, Albany, Ga.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Albany, Albany, Ga. (14907), with	\$39,344,000	4	—
and First National Interim Bank of Albany, Georgia, Albany, Ga. (14907), which had	250,000	0	—
merged July 1, 1977, under charter of the latter bank (14907) and title "The First National Bank of Albany." The merged bank at date of merger had.	37,653,000	—	4

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of The First National Bank of Albany, Albany, Ga. ("FNB"), the merging bank, into First National Interim Bank of Albany, Georgia (organizing), Albany, Ga., the charter bank, under the charter of First National Interim Bank of Albany, Albany, Ga., and with the title of The First National Bank of Albany, Albany, Ga. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

The Comptroller of the Currency on December 30, 1976, gave preliminary approval for the charter bank to organize and, to date, the bank has no operating history.

FNB was organized as a national banking association in 1960 and, as of year-end 1976, held total commercial bank deposits of \$31.6 million.

On March 16, 1977, the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority for the Board of Governors of the Federal Reserve System, approved an application filed by Trust Company of Georgia, Atlanta, Ga. ("Applicant"), a registered multi-bank holding company, to acquire all of the outstand-

ing voting shares (less directors' qualifying shares) of the successor by merger to FNB. Applicant currently ranks as the third largest banking organization headquartered in Georgia and controls eight subsidiary banks with total deposits of \$1.2 billion, approximately 10 percent of deposits in all commercial banks within the state.

Charter bank will act as the means to facilitate the acquisition of FNB by Applicant; and as such, would merely combine a non-operating entity with an existing commercial bank, with no resultant adverse consequences impacting upon any relevant area of consideration.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this application is in the public interest and should be, and hereby is, approved.

May 31, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank of Albany would become a subsidiary of Trust Company of Georgia, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Trust Company of Georgia, it would have no effect on competition.

\* \* \*

\*Asset figures are as of call dates immediately before and after transaction.

**THE NATIONAL BANK OF COMMERCE OF JACKSON,  
Jackson, Tenn., and The Fourth National Bank of Jackson, Jackson, Tenn.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The National Bank of Commerce of Jackson, Jackson, Tenn. (12790), with . . . . .	\$83,785,000	6	—
and The Fourth National Bank of Jackson, Jackson, Tenn. (12790), which had . . . . .	120,000	0	—
merged July 1, 1977, under charter of the latter bank (12790), and title "The National Bank of Commerce of Jackson." The merged bank at date of merger had . . . . .	84,734,000	—	6

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of The National Bank of Commerce of Jackson, Jackson, Tenn. ("Jackson Bank"), the merging bank, and The Fourth National Bank of Jackson (organizing), Jackson, Tenn., the charter bank, under the charter of The Fourth National Bank of Jackson, and with the title of The National Bank of Commerce of Jackson, Jackson, Tenn. The subject application rests upon an agreement executed between the proponent banks, which is incorporated herein by reference the same as if fully set forth.

The Office of the Comptroller of the Currency on January 5, 1977, granted preliminary approval for charter bank to organize. To date, the bank has no operating history.

Merging bank received its charter as a national banking association on July 15, 1925, and as of December 31, 1976, had total deposits of \$71.5 million.

On April 6, 1977, the Board of Governors of the Federal Reserve System granted approval of the application of NBC Corporation, Jackson, Tenn. ("NBC"), to become a bank holding company through the acquisition of Jackson Bank and The First National Bank of Gibson County, Humboldt, Tenn. ("FNB"). Upon con-

summation, NBC will rank as the 11th largest of 12 multi-bank holding companies headquartered within the state, controlling approximately 0.6 percent of the total deposits held by commercial banks in Tennessee.

The primary significance of charter bank is to act as the vehicle for the acquisition of Jackson Bank by NBC; and, accordingly, would merely have the effect of combining a non-operating entity with an existing commercial bank. The merger of the proponent banks, therefore, would have no adverse competitive impact.

Thus, applying the statutory criteria, it is the conclusion of this Office that this application is in the public interest and should be, and hereby is, approved.

May 10, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The Proposed merger is part of a plan through which National Bank of Commerce of Jackson would become a subsidiary of NBC Corporation, a bank holding company. The instant merger, however, would combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by NBC Corporation, it would have no effect on competition.

\* \* \*

**CITY NATIONAL BANK OF AUSTIN,  
Austin, Tex., and New City National Bank, Austin, Tex.**

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
City National Bank of Austin, Austin, Tex. (14728), with . . . . .	\$378,941,756	1	—
and New City National Bank, Austin, Tex. (14728), which had . . . . .	242,000	0	—
merged July 28, 1977, under charter of the latter bank (14728) and title "City National Bank of Aus- tin." The merged bank at date of merger had . . . . .	361,992,310	—	1

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency seeking prior permission to merge City National Bank of Austin, Austin, Tex. ("Merging Bank"), into New City National Bank (organizing), Austin, Tex. ("Charter Bank"), under the charter of New City National Bank, and with the title of City National Bank of Austin, Austin, Tex. The subject application rests upon an agreement executed between the proponent

banks, which is incorporated herein by reference the same as if fully set forth.

On February 16, 1977, the Office of the Comptroller of the Currency granted prior permission for Charter Bank to organize; and, to date, the bank has no operating history. Charter Bank was organized by principals and directors of First City Bancorporation of Texas, Inc., Houston, Tex., Inc., Houston, Tex., and will serve as the vehicle for the acquisition of City National

Bank of Austin, year-end 1976 total deposits of \$302.7 million, by the bank holding company.

Accordingly, approval of this transaction would merely have the effect of combining a non-operating entity with an existing commercial bank, and would produce no adverse effect upon any relevant area of consideration. The application is regarded as not being adverse to the public interest and is, hereby, approved.

June 22, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which City National Bank of Austin would become a subsidiary of First City Bancorporation of Texas, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First City Bancorporation of Texas, Inc., it would have no effect on competition.

\* \* \*

### THE FIRST NATIONAL BANK OF BRUNSWICK, Brunswick, Ga., and First National Interim Bank of Brunswick, Georgia, Brunswick, Ga.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Brunswick, Brunswick, Ga. (4944), with . . . . .	\$75,190,000	4	—
and First National Interim Bank of Brunswick, Georgia, Brunswick, Ga. (4944), which had . . . . .	250,000	0	—
merged Aug. 1, 1977, under charter of the latter bank (4944) and title "The First National Bank of Brunswick." The merged bank at date of merger had . . . . .	75,190,000	—	4

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to merge The First National Bank of Brunswick, Brunswick, Ga. ("FNB"), the merging bank, into First National Interim Bank of Brunswick, Georgia (organizing), Brunswick, Ga. ("Charter Bank"), under the charter of First National Interim Bank of Brunswick, Georgia and with the title of The First National Bank of Brunswick, Brunswick, Ga. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

FNB received charter number 4944 as a national banking association on March 19, 1894, and as of December 31, 1976, had total commercial bank deposits of \$61.5 million.

Charter Bank was organized by principals and directors of Trust Company of Georgia, Atlanta, Ga., with preliminary approval to organize granted by this Office on December 30, 1976. To date, Charter Bank has no operating history. The primary significance of Charter Bank is to act as the vehicle for the acquisition

of FNB by Trust Company of Georgia, the third largest banking organization headquartered in Georgia. As such, this transaction would have the effect of merely combining a non-operating entity with an existing commercial banking institution, and no adverse consequences within any relevant area of consideration would result.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that this proposal is not adverse to the public interest and should be, and hereby is, approved.

June 30, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank of Brunswick would become a subsidiary of Trust Company of Georgia, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Trust Company of Georgia, it would have no effect on competition.

\* \* \*

### THE MILLIKIN NATIONAL BANK OF DECATUR, Decatur, Ill., and Second National Bank of Decatur, Illinois, Decatur, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Millikin National Bank of Decatur, Decatur, Ill. (5089), with . . . . .	\$197,786,000	2	—
and Second National Bank of Decatur, Illinois, Decatur, Ill. (5089), which had . . . . .	254,000	0	—
merged Aug. 1, 1977, under charter of the latter bank (5089) and title "The Millikin National Bank of Decatur." The merged bank at date of merger had . . . . .	198,040,000	—	2



## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of The Millikin National Bank of Decatur, Decatur, Ill. ("MNB"), the merging bank, into Second National Bank of Decatur, Illinois (organizing), Decatur, Ill. ("Second National"), the charter bank, under the charter of Second National Bank of Decatur, Illinois, Decatur, Ill., and with the title of The Millikin National Bank of Decatur, Decatur, Ill. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

The Comptroller of the Currency, on December 22, 1975, granted preliminary approval for the organization of Second National. To date, the charter bank has no operating history.

MNB was chartered as a national banking association on September 28, 1897, and, as of June 30, 1976, had total deposits of approximately \$148 million.

In a related matter, on November 5, 1976, the Board of Governors of the Federal Reserve System gave approval to the application of Millikin Bancshares, Inc., Decatur, Ill. ("Applicant"), to become a bank holding company through the acquisition of 100 percent (less

directors' qualifying shares) of the successor by merger to MNB. Additionally, on the same date, the Board gave permission for the estate of James Millikin, deceased, Decatur, Ill., to acquire 55 percent of the voting shares of Applicant.

The significance of Second National lies in the fact that the new national bank will serve as the vehicle for the acquisition of MNB by Applicant. Accordingly, the merger will merely have the effect of combining a non-operating entity with an existing commercial bank, with no adverse effects upon any relevant statutory topic.

This application is, therefore, deemed to be in the public interest and should be, and hereby is, approved.

June 23, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Millikin National Bank of Decatur would become a subsidiary of Millikin Bancshares, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Millikin Bancshares, Inc., it would have no effect on competition.

\* \* \*

## THE FIRST NATIONAL BANK OF YARMOUTH, Yarmouth, Mass., and The Yarmouth Bank, National Association, Yarmouth, Mass.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Yarmouth, Yarmouth (P.O. Yarmouth Port), Mass. (516), with . . . . .	\$44,490,000	6	_____
and The Yarmouth Bank, National Association, Yarmouth (P.O. Yarmouth Port), Mass. (516), which had . . . . .	737,000	0	_____
merged Aug. 29, 1977, under charter of the latter bank (516) and title "Old Colony Bank of Barnstable County, N.A." The merged bank at date of merger had . . . . .	45,227,000	_____	6

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of The First National Bank of Yarmouth, Yarmouth (P.O. Yarmouth Port), Mass. ("Merging Bank"), into The Yarmouth Bank, National Association (organizing), Yarmouth (P.O. Yarmouth Port), Mass. ("Charter Bank"), under the charter of The Yarmouth Bank, National Association, and with the title of "Old Colony Bank of Barnstable County, N.A." The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Charter Bank was organized by principals of First National Boston Corporation, Boston, Mass., the largest commercial banking organization headquartered within the state of Massachusetts, controlling four subsidiary banks, with aggregate deposits of \$3.5 billion. This Office granted preliminary approval on No-

vember 26, 1976, for Charter Bank to organize; but, to date, the bank has no operating history.

Merging Bank was granted national banking association charter number 516 on September 12, 1864, and as of December 31, 1976, had total commercial bank deposits of \$35.5 million, and operated six banking offices.

Accordingly, consummation of this proposal would merely have the effect of combining a non-operating entity with an existing commercial bank; and as such, would have no adverse impact upon any relevant area of consideration. It is noted that the Board of Governors of the Federal Reserve System, on February 9, 1977, granted prior approval for First National Boston Corporation to acquire 100 percent of the outstanding voting shares of the successor by merger to The First National Bank of Yarmouth.

This application is therefore deemed to be not adverse to the public interest, and should be, and hereby is, approved.

July 27, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank of Yarmouth would become a subsidiary of First National Boston Corporation, a bank

holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First National Boston Corporation, it would have no effect on competition.

\* \* \*

## MIDWAY NATIONAL BANK OF GRAND PRAIRIE, Grand Prairie, Tex., and Parkway National Bank, Grand Prairie, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Midway National Bank of Grand Prairie, Grand Prairie, Tex. (15120), with	\$32,446,000	1	_____
and Parkway National Bank, Grand Prairie, Tex. (15120), which had	240,000	0	_____
merged Sept. 1, 1977, under charter of the latter bank (15120) and title "Midway National Bank of Grand Prairie." The merged bank at date of merger had	32,686,000	_____	1

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency seeking prior permission to effectuate a merger of Midway National Bank of Grand Prairie, Grand Prairie, Tex. ("Merging Bank"), into Parkway National Bank (organizing), Grand Prairie, Tex. ("Charter Bank"), under the charter of Parkway National Bank and with the title of Midway National Bank of Grand Prairie. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Principals of Republic of Texas Corporation, Dallas, Tex., a registered multi-bank holding company, the fourth largest banking organization headquartered in Texas which controls eight commercial banking subsidiaries with aggregate deposits of \$2.8 billion, received preliminary approval from this Office on April 8, 1977, to organize Charter Bank. To date, Charter Bank has no operating history; the primary significance of this new national banking association is to serve as the vehicle for the acquisition of Merging Bank by Republic of Texas Corporation. (In an order dated June 20, 1977, the Board of Governors of the Federal Reserve System granted prior approval of the application by Republic of Texas Corporation to acquire 100 percent,

less directors' qualifying shares, of the successor by merger to Midway National Bank of Grand Prairie, Grand Prairie, Tex.)

Merging Bank was granted a national banking charter on June 3, 1963, and as of December 31, 1976, had total deposits of \$28.2 million.

Accordingly, applying the statutory criteria, consummation of this proposal would merely combine a non-operating entity with an existing commercial bank; as such, the merger would produce no adverse impact upon any relevant area of consideration. The application is, therefore, regarded as being not adverse to the public interest and should be, and hereby is, approved.

July 29, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Midway National Bank of Grand Prairie would become a subsidiary of Republic of Texas Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Republic of Texas Corporation, it would have no effect on competition.

\* \* \*

## MAIN STREET NATIONAL BANK OF DALLAS, Dallas, Tex., and Main Street Commerce Bank National Association, Dallas, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Main Street National Bank of Dallas, Dallas, Tex. (15328), with	\$26,372,000	1	_____
and Main Street Commerce Bank National Association, Dallas, Tex. (15328), which had	240,000	0	_____
merged Sept. 12, 1977, under charter of the latter bank (15328) and title "Main Street National Bank of Dallas." The merged bank at date of merger had	27,573,000	_____	1

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to merge Main Street National Bank of Dallas, Dallas, Tex. ("Merging Bank"), into Main Street Commerce Bank National Association (organizing), Dallas, Tex. ("Charter Bank"), under the charter of Main Street Commerce Bank National Association and with the title of Main Street National Bank of Dallas. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging Bank commenced business on June 8, 1964, after having been granted national banking charter number 15328. As of December 31, 1977, Merging Bank's commercial bank deposits aggregated approximately \$25 million, and the bank was the 46th largest of 110 banking organizations in the Dallas banking market (approximated by Dallas County and portions of six adjacent counties as defined by the Dallas RMA).

On May 23, 1977, this Office granted preliminary approval for the organization of Charter Bank. Charter Bank was organized by principals of the second

largest banking organization headquartered in Texas, Texas Commerce Bancshares, Inc., Houston, Tex. The primary significance of Charter Bank is to act as the vehicle for the acquisition of the surviving institution by the registered multi-bank holding company. Accordingly, the effect of the transaction will be to merely combine an existing bank with a non-operating entity, and as such, it will produce no adverse impact upon any relevant area of consideration.

This application is, therefore, deemed to be not adverse to the public interest and should be, and hereby is, approved.

August 9, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Main Street National Bank of Dallas would become a subsidiary of Texas Commerce Bancshares, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Texas Commerce Bancshares, Inc., it would have no effect on competition.

\* \* \*

## NATIONAL UNION BANK, Columbiana, Ohio, and X National Bank, Columbiana, Ohio

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
X National Bank, Columbiana, Ohio (15694), with	\$ 5,500,000	0	—
and National Union Bank, Columbiana, Ohio (15694), which had	40,300,000	1	—
consolidated Sept. 30, 1977, under charter and title of the latter bank (15694). The consolidated bank at date of consolidation had	45,800,000	—	1

## COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to consolidate National Union Bank, Columbiana, Ohio ("Charter Bank"), with X National Bank (organizing), Columbiana, Ohio ("New Bank"), under the charter and title of National Union Bank. The subject application rests upon an application executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

Charter Bank was granted national banking association charter number 15694 on January 30, 1969, and as of December 31, 1976, had total commercial bank deposits of approximately \$34 million.

The Office of the Comptroller of the Currency, on March 25, 1977, granted preliminary approval for the organization of X National Bank. To date, the New Bank has no operating history. The primary significance of New Bank is to act as the vehicle for the acquisition of Charter Bank by the third largest banking organization headquartered within the state of Ohio, National City Corporation, Cleveland, Ohio, a registered multi-bank holding company that controls five

banks with total deposits of \$1.8 billion. (The Board of Governors of the Federal Reserve System on August 24, 1977, announced its approval of the application of National City Corporation, Cleveland, Ohio, to acquire National Union Bank, Columbiana, Ohio.)

Accordingly, applying the statutory criteria, it is the conclusion of this Office that the instant transaction would merely combine an existing commercial bank with a non-operating institution, and as such, would have no adverse impact upon any relevant area of consideration. The application is hereby approved.

August 31, 1977.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed consolidation is part of a plan through which National Union Bank, would become a subsidiary of National City Corporation, a bank holding company. The instant transaction, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by National City Corporation, it would have no effect on competition.

\* \* \*

**BELLEFONTAINE NATIONAL BANK,  
Bellefontaine, Ohio, and The Huntington National Bank of Bellefontaine, Bellefontaine, Ohio**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Bellefontaine National Bank, Bellefontaine, Ohio (13749), with	\$41,122,000	4	—
and The Huntington National Bank of Bellefontaine, Bellefontaine, Ohio (13749), which had	120,000	0	—
merged Oct. 11, 1977, under charter and title of the latter bank (13749). The merged bank			
at date of merger had	42,493,000	—	4

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency seeking prior permission to effectuate a merger of Bellefontaine National Bank, Bellefontaine, Ohio ("Merging Bank"), into The Huntington National Bank of Bellefontaine (organizing), Bellefontaine, Ohio ("Charter Bank"). The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging Bank was granted national banking association charter number 13749 on August 9, 1933, and as of December 31, 1976, the bank had total commercial bank deposits aggregating \$29.9 million.

On June 6, 1977, this Office granted preliminary approval for the organization of Charter Bank. Charter Bank was organized by principals of Huntington Bancshares Incorporated, Columbus, Ohio, and to date, has no operating history. The primary significance of Charter Bank is to act as the vehicle for the acquisition

of Merging Bank by the registered multi-bank holding company and, as such, it would merely combine an existing commercial bank with a non-operating entity. Accordingly, the proposal would produce no adverse impact upon any relevant area of consideration.

This application is thus deemed to be not adverse to the public interest and should be, and hereby is, approved.

September 9, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The proposed merger is part of a plan through which Bellefontaine National Bank would become a subsidiary of Huntington Bancshares Incorporated, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Huntington Bancshares Incorporated, it would have no effect on competition.

\* \* \*

**UNIVERSITY NATIONAL BANK,  
Rockville, Md., and New University National Bank, Rockville, Md.**

<i>Names of banks and type of transaction</i>	<i>Total assets*</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
University National Bank, Rockville, Md. (15365), with	\$120,336,000	16	—
and New University National Bank, Rockville, Md. (15365), which had	240,000	0	—
merged Oct. 17, 1977, under charter of the latter bank (15365) and title "University National Bank." The merged bank at date of merger had	126,882,000	—	16

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency by University National Bank, Rockville, Md. ("Merging Bank"), and New University National Bank (organizing), Rockville, Md. ("Charter Bank"), requesting prior permission to merge University National Bank, Rockville, Md., into New University National Bank (organizing), under the charter of New University National Bank and with the title of University National Bank. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

The Office of the Comptroller of the Currency, on June 6, 1977, granted preliminary approval for the organization of Charter Bank by principals of Equitable Bancorporation, Baltimore, Md., a registered multi-bank holding company which controls five subsidiary banks that hold aggregate deposits of approximately \$1.3 billion. To date, Charter Bank has no operating history, and the primary purpose for the creation of Charter Bank is to act as the vehicle for acquisition of Merging Bank by Equitable Bancorporation.

Merging Bank was granted national banking association charter number 15365 and commenced commercial banking operations in 1964. As of December 31, 1976, Merging Bank's deposits totaled \$96.8 million.

\*Asset figures are as of call dates immediately before and after transaction.

Accordingly, applying the statutory criteria, it is the conclusion of this Office that approval of this proposal would merely permit the combination of a non-operating entity with an existing commercial bank, and as such, it would have no adverse effect upon any relevant area of consideration. The application is thus regarded as being not adverse to the public interest and should be, and hereby is, approved.

September 15, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which University National Bank would become a subsidiary of Equitable Bancorporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Equitable Bancorporation, it would have no effect on competition.

\* \* \*

#### THE CENTRAL NATIONAL BANK OF LONDON, London, Ohio, and The Huntington National Bank of London, London, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Central National Bank of London, London, Ohio (10373), with . . . . .	\$25,173,000	2	—
and The Huntington National Bank of London, London, Ohio (10373), which had . . . . .	120,000	0	—
merged Oct. 24, 1977, under charter and title of the latter bank (10373). The merged bank at date of merger had . . . . .	25,490,000	—	2

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency seeking prior permission to effectuate a merger of The Central National Bank of London, London, Ohio ("Merging Bank"), into The Huntington National Bank of London (organizing), London, Ohio ("Charter Bank"). The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference the same as if fully set forth.

Merging Bank was granted national banking association charter number 10373 on April 23, 1913, and as of December 31, 1976, the bank had total commercial bank deposits aggregating \$24.9 million.

On June 6, 1977, this Office granted preliminary approval for the organization of Charter Bank. Charter Bank was organized by principals of Huntington Bancshares Incorporated, Columbus, Ohio, and, to date, has no operating history. The primary significance of Charter Bank is to act as the vehicle for the acquisition

of Merging Bank by the registered multi-bank holding company; as such, it would merely combine an existing commercial bank with a non-operating entity. Accordingly, the proposal would produce no adverse impact upon any relevant area of consideration.

This application is thus deemed to be not adverse to the public interest and should be, and hereby is, approved.

September 23, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Central National Bank of London would become a subsidiary of Huntington Bancshares Incorporated, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Huntington Bancshares Incorporated, it would have no effect on competition.

\* \* \*

#### THE CITY NATIONAL BANK OF BRYAN, Bryan, Tex., and New City National Bank of Bryan, Bryan, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The City National Bank of Bryan, Bryan, Tex. (4070), with . . . . .	\$64,694,000	1	—
and New City National Bank of Bryan, Bryan, Tex. (4070), which had . . . . .	243,000	0	—
merged Nov. 1, 1977, under charter of the latter bank (4070) and title "The City National Bank of Bryan." The merged bank at date of merger had . . . . .	65,190,000	—	1

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency requesting prior permission to merge The

City National Bank of Bryan, Bryan, Tex. ("Merging Bank"), into New City National Bank of Bryan (organizing), Bryan, Tex. ("Charter Bank"), under the charter of New City National Bank of Bryan, and with the title of

The City National Bank of Bryan. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

Merging Bank commenced operations as a national banking association on February 1, 1886, and as of December 31, 1976, had total commercial bank deposits of \$54.8 million.

This Office, on June 10, 1977, granted preliminary approval for the organization of Charter Bank. Organized by principals of First City Bancorporation of Texas, Inc., Houston, Tex., a registered multi-bank holding company, to date, Charter Bank has no operating history and its main significance is to serve as the vehicle for the acquisition of Merging Bank by the bank holding company.

Accordingly, the subject proposal would merely

combine an existing commercial bank with a non-operating entity; as such, it would produce no adverse effect upon any relevant area of consideration.

The application is therefore regarded as being not adverse to the public interest, and is hereby approved. September 19, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which City National Bank of Bryan would become a subsidiary of First City Bancorporation of Texas, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First City Bancorporation of Texas, Inc., it would have no effect on competition.

\* \* \*

#### FIRST NATIONAL BANK OF MERCER COUNTY, Celina, Ohio, and The Central Trust Company of Mercer County, National Association, Celina, Ohio

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First National Bank of Mercer County, Celina, Ohio (5523), with . . . . .	\$75,540,000	6	_____
and The Central Trust Company of Mercer County, National Association, Celina, Ohio (5523), which had . . . . .	120,000	0	_____
merged Dec. 2, 1977, under charter of the latter bank (5523) and title "First National Bank of Mercer County." The merged bank at date of merger had . . . . .	80,822,000	_____	6

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency pursuant to the Bank Merger Act (12 USC 1828(c)), requesting prior approval to merge First National Bank of Mercer County, Celina, Ohio ("Merging Bank"), into Central Trust Company of Mercer County, National Association (organizing), Celina, Ohio ("Charter Bank"), under the charter of Central Trust Company of Mercer County, National Association and with the title of First National Bank of Mercer County. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

The Office of the Comptroller of the Currency, on June 21, 1977, granted preliminary approval to organize Charter Bank and, to date, Charter Bank has no operating history.

Merging Bank has operated under national banking association charter number 5523 since July 31, 1900. As of March 31, 1977, Merging Bank had total deposits of \$66.6 million.

Charter Bank was organized by principals of the eighth largest banking organization headquartered within the state of Ohio, The Central Bancorporation, Inc., Cincinnati, Ohio ("Central"), a registered multi-

bank holding company which controls nine commercial banking subsidiaries with total deposits of approximately \$1.1 billion.

Merging Bank is the largest bank domiciled within Mercer County and is situated approximately 11 miles from Central's closest existing subsidiary in St. Marys, Ohio.

The primary purpose of Charter Bank is to serve as the vehicle for the acquisition of all of Merging Bank's voting shares (less directors' qualifying shares) by Central. Accordingly, the effect of this proposal is merely to combine a non-operating entity with an existing commercial bank and would cause no adverse impact upon any relevant area of consideration.

This application is, therefore, regarded as being not adverse to the public interest and should be, and hereby is, approved.

October 27, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank of Mercer County would become a subsidiary of Central Bancorporation, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Central Bancorporation, Inc., it would have no effect on competition.

\* Asset figures are as of call dates immediately before and after transaction.

\* \* \*

**THE FIRST NATIONAL BANK, DAYTON, OHIO,  
Dayton, Ohio, and New National Bank, Dayton, Ohio**

<i>Names of banks and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The First National Bank, Dayton, Ohio, Dayton, Ohio (1788), with and New National Bank, Dayton, Ohio (1788), which had merged Dec. 29, 1977, under charter of the latter bank (1788) and title "The First National Bank." The merged bank at date of merger had	\$375,730,000 241,000 375,971,000	18 0 —	— — 18

**COMPTROLLER'S DECISION**

Pursuant to applicable provisions of 12 USC 1828(c), an application has been filed with the Comptroller of the Currency requesting his prior permission to merge The First National Bank, Dayton, Ohio, Dayton, Ohio ("FNB"), the merging bank, into New National Bank (organizing), Dayton, Ohio ("Charter Bank"), under the charter of New National Bank and with the title of "The First National Bank." The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

The Office of the Comptroller of the Currency, by an action dated September 20, 1977, granted preliminary approval for the organization of Charter Bank. The new national banking association charter application was sponsored by principals of Ohio's third largest banking organization, National City Corporation, Cleveland, Ohio, a registered multi-bank holding company which controls six banks with aggregate deposits of \$1.7 billion. To date, the Charter Bank has no operating history.

FNB was chartered as a national banking association on February 11, 1871, and as of June 30, 1977, FNB had total deposits of \$310.6 million.

By action dated November 16, 1977, the Board of

Governors of the Federal Reserve System, granted its prior approval, pursuant to 12 USC 1842(a)(3), for National City Corporation to acquire 100 percent of the outstanding voting shares of the successor by merger to FNB. The primary function of Charter Bank is, therefore, to serve as the vehicle for the acquisition of FNB by National City Corporation. Accordingly, approval of this application would have the effect of merely combining a non-operating institution with an existing commercial bank, and as such, would have no adverse effect upon any relevant area of consideration.

The application is thus deemed to be not adverse to the public interest, and should be, and hereby is, approved.

November 29, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The proposed merger is part of a plan through which First National Bank would become a subsidiary of National City Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by National City Corporation, it would have no effect on competition.

\* \* \*

**AMERICAN NATIONAL BANK,  
Humble, Tex., and Allied Humble Bank, N.A., Humble, Tex.**

<i>Names of banks and type of transaction</i>	<i>Total assets *</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
American National Bank, Humble, Tex. (15809), with and Allied Humble Bank, N.A., Humble, Tex. (15809), which had merged Dec. 30, 1977, under charter of the latter bank (15809) and title "Allied Humble Bank, N.A." The merged bank at date of merger had	\$19,365,000 120,000 20,835,000	1 0 —	— — 1

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency seeking prior consent to the proposed merger of American National Bank, Humble, Tex. ("Merging Bank"), into Allied Humble Bank, N.A. (organizing), Humble, Tex. ("Charter Bank"), under the charter and title of Allied Humble Bank, N.A. The sub-

ject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

Merging Bank has operated under national banking association charter number 15809 since June 17, 1970. As of June 30, 1977, Merging Bank's total commercial bank deposits aggregated \$17.9 million.

The Office of the Comptroller of the Currency, in a letter dated October 12, 1977, granted preliminary approval for the organization of Charter Bank and, to

\*Asset figures are as of call dates immediately before and after transaction.

date, Charter Bank has no operating history. On November 3, 1977, the Board of Governors of the Federal Reserve System granted its prior approval to an application submitted pursuant to the Bank Holding Company Act of 1956 (12 USC 1842(a)(3)) for the acquisition of 100 percent of the voting shares of the successor by merger to American National Bank, Humble, Tex. by the tenth largest banking organization in Texas, Allied Bancshares, Inc., Houston, Tex., a registered multi-bank holding company.

The primary function of Charter Bank is to act as the vehicle for the acquisition of Merging Bank by Allied Bancshares, Inc. and the transaction would merely combine a non-operating institution with an existing commercial bank. Accordingly, this proposal would produce no adverse consequence upon any relevant area of consideration.

This application is therefore deemed to be not adverse to the public interest and should be, and hereby is, approved.

November 22, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed mergers are part of a plan through which American National Bank and First National Bank of Newton, would become subsidiaries of Allied Bancshares, Inc., a bank holding company. The instant mergers, however, would merely combine existing banks with non-operating institutions; as such, and without regard to the acquisition of the surviving banks by Allied Bancshares, Inc., they would have no effect on competition.

\* \* \*

#### THE FIRST NATIONAL BANK OF NEWTON, Newton, Tex., and Allied First National Bank, Newton, Tex.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Newton, Newton, Tex. (12898), with, . . . . .	\$12,318,000	1	_____
and Allied First National Bank, Newton, Tex. (12898), which had. . . . .	60,000	0	_____
merged Dec. 30, 1977, under charter of the latter bank (12898) and title "Allied First National Bank." The merged bank at date of merger had. . . . .	13,720,000	_____	1

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency seeking prior consent to the proposed merger of The First National Bank of Newton, Newton, Tex. ("Merging Bank"), into Allied First National Bank (organizing), Newton, Tex. ("Charter Bank"), under the charter and title of Allied First National Bank. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

Merging Bank has operated under national banking association charter number 12898 since March 6, 1926. As of June 30, 1977, Merging Bank's total commercial bank deposits aggregated \$10.8 million.

The Office of the Comptroller of the Currency, in a letter dated October 12, 1977, granted preliminary approval for the organization of Charter Bank; to date, Charter Bank has no operating history. On November 3, 1977, the Board of Governors of the Federal Reserve System granted its prior approval to an application submitted pursuant to the Bank Holding Company Act of 1956 (12 USC 1842(a)(3)) for the acquisition of 100 percent of the voting shares of the successor by

merger to The First National Bank of Newton, Newton, Tex. by the tenth largest banking organization in Texas, Allied Bancshares, Inc., Houston, Tex., a registered multi-bank holding company.

The primary function of Charter Bank is to act as the vehicle for the acquisition of Merging Bank by Allied Bancshares, Inc. Thus, the transaction would merely combine a non-operating institution with an existing commercial bank. Accordingly, this proposal would produce no adverse consequence upon any relevant area of consideration.

This application is, therefore, deemed to be not adverse to the public interest and should be, and hereby is, approved.

November 22, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed mergers are part of a plan through which American National Bank and First National Bank of Newton, would become subsidiaries of Allied Bancshares, Inc., a bank holding company. The instant mergers, however, would merely combine existing banks with non-operating institutions; as such, and without regard to the acquisition of the surviving banks by Allied Bancshares, Inc., they would have no effect on competition.

\*Asset figures are as of call dates immediately before and after transaction.

\* \* \*



**THE FRANKLIN NATIONAL BANK,  
Franklin, Ohio, and The Huntington National Bank of Franklin, Franklin, Ohio**

<i>Names of banks and type of transaction</i>	<i>Total assets*</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Franklin National Bank, Franklin, Ohio (5100), with . . . . .	\$31,785,000	4	—
and The Huntington National Bank of Franklin, Franklin, Ohio (5100), which had . . . . .	120,000	0	—
merged Dec. 31, 1977, under charter of the latter bank (5100) and title "The Huntington National Bank of Franklin." The merged bank at date of merger had . . . . .	32,985,000	—	4

**COMPTROLLER'S DECISION**

Application has been made to the Comptroller of the Currency requesting prior permission to effectuate a merger of The Franklin National Bank, Franklin, Ohio ("Merging Bank"), into The Huntington National Bank of Franklin (organizing), Franklin, Ohio ("HNB"), the charter bank, under the charter and title of The Huntington National Bank of Franklin. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

On July 5, 1977, the Office of the Comptroller of the Currency granted preliminary approval for the organization of HNB; to date, the charter bank has no operating history.

Merging Bank has operated pursuant to national banking association charter number 5100 since December 8, 1897. As of December 31, 1976, Merging Bank had total deposits of \$24.8 million.

HNB was organized by principals of Huntington Na-

tional Bancshares Incorporated, Columbus, Ohio, a registered multi-bank holding company which, as of year-end 1976, controlled 12 banking subsidiaries with commercial bank deposits aggregating \$1.4 billion. The combination of HNB and Merging Bank would have merely the effect of combining a non-operating entity with an existing commercial banking institution and, as such, would produce no adverse effect upon any relevant area of consideration.

Accordingly, applying the statutory criteria, it is the conclusion of this Office that the proposal considered herein is not adverse to the public interest and the application should be, and hereby is, approved.

November 17, 1977.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

The proposed merger is part of a plan through which Franklin National Bank would become a subsidiary of Huntington Bancshares Incorporated, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Huntington Bancshares Incorporated, it would have no effect on competition.

\* \* \*

**RANDOLPH FIELD NATIONAL BANK,  
Universal City, Tex., and Randolph Field Bank of Commerce, N.A., Universal City, Tex.**

<i>Names of banks and type of transaction</i>	<i>Total assets*</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Randolph Field National Bank, Universal City, Tex. (15236), with . . . . .	\$22,599,000	1	—
and Randolph Field Bank of Commerce, N.A., Universal City, Tex. (15236), which had . . . . .	120,000	0	—
merged Dec. 31, 1977, under charter of the latter bank (15236) and title "Randolph Field National Bank." The merged bank at date of merger had . . . . .	23,902,000	—	1

**COMPTROLLER'S DECISION**

Pursuant to 12 USC 1828(c), a merger application has been filed with the Office of the Comptroller of the Currency, requesting prior permission to effectuate a merger of Randolph Field National Bank, Universal City, Tex. ("Merging Bank"), into Randolph Field Bank of Commerce, N.A. (organizing), Universal City, Tex. ("Charter Bank"), under the charter of Randolph Field Bank of Commerce, N.A., and with the title of Ran-

dolph Field National Bank. The subject application rests upon an agreement executed between the proponent banks, incorporated herein by reference, the same as if fully set forth.

Merging Bank has operated under national banking association charter number 15236 since January 2, 1964. As of December 31, 1976, the bank held total deposits of \$16.4 million.

By action dated October 14, 1977, this Office granted its preliminary approval for the organization of Charter Bank which, to date, has no operating history. Charter Bank's application to organize was sponsored

\*Asset figures are as call dates immediately before and after transaction.

by principals of National Bancshares Corporation of Texas, San Antonio, Tex. ("NBC"), a registered multi-bank holding company that presently owns 53.4 percent of the outstanding voting shares of Merging Bank. The primary function of Charter Bank is, therefore, to serve as the vehicle for the acquisition of Merging Bank by NBC and, thus the transaction would have no adverse effect upon any relevant area of consideration.

As noted above, NBC currently exercises majority control over Merging Bank through its 53.4 percent ownership of Merging Bank's stock. In passing upon the application for the chartering of Charter Bank, this Office considered, among other factors, the business reasons for NBC eliminating Merging Bank's minority shareholders' interests, the treatment of those minority shareholders and the benefits and convenience to the banking public within the Universal City area. Therefore, applying the statutory criteria, it is the conclusion of this Office that this application is not adverse to the public interest or the minority shareholders and

should be, and hereby is, approved, subject to the following condition: Evidence must be presented to this Office that a minimum of 90 percent of the total outstanding voting shares of Merging Bank, have been voted in the affirmative for this proposed merger, and such evidence must be submitted to the Office of the Comptroller of the Currency prior to consummation of the proposal.

December 1, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Randolph Field National Bank would become a subsidiary of National Bancshares Corporation of Texas, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by National Bancshares Corporation of Texas, it would have no effect on competition.

\* \* \*

### III. Mergers approved but in litigation.

#### THE SECOND NATIONAL BANK AND TRUST COMPANY OF LEXINGTON, Lexington, Ky., and Bank of Lexington, Lexington, Ky.

---

##### *Names of banks and type of transaction*

---

Bank of Lexington, Lexington, Ky., and The Second National Bank and Trust Company of Lexington, Lexington, Ky. (2901), applied for permission to merge Aug. 18, 1976, under charter of the latter bank (2901) and title "Second National/Bank of Lexington." The application was approved Apr. 27, 1977. The pending merger was challenged by Justice Department May 26, 1977, and is presently in litigation.

---

#### COMPTROLLER'S DECISION

Application has been made to the Comptroller of the Currency for prior permission to merge Bank of Lexington, Lexington, Ky. ("BL"), the merging bank, and The Second National Bank and Trust Company of Lexington, Lexington, Ky. ("SNB"), the charter bank, under the charter of The Second National Bank and Trust Company of Lexington, Lexington, Ky., and with the title of "Second National/Bank of Lexington." The application rests upon an agreement executed between the proponent banks which is incorporated herein by reference.

SNB received its charter as a national banking association on March 15, 1883, and as of December 31, 1976, held total commercial bank deposits of \$81.8 million.

BL is a state-chartered bank which commenced operations in 1966. As of December 31, 1976, BL had total deposits of \$52.3 million.

##### Geographic Market

This application represents the first participation in a merger, consolidation or purchase and assumption transaction for both SNB and BL. For purposes of anal-

ysis and consideration of impact, it is the opinion of this Office that the relevant geographic banking market to be considered herein is approximated by the Lexington, Ky. Standard Metropolitan Statistical Area ("SMSA") which consists of the counties of Bourbon, Clark, Jessamine, Scott and Woodford and, in addition, an area that is coterminous with Fayette County but which is presently designated as "Lexington-Fayette Metro Government." Within the Lexington SMSA, there are 22 commercial banks operating a total of 80 banking offices. SNB operates seven branches and ranks as the fifth largest commercial bank headquartered within the market. The seventh largest bank within the market, BL, operates a total of six banking offices. On a *pro forma* basis, the resulting bank would control approximately 10-percent of total market deposits and rank as the fourth largest banking institution in the SMSA.

This Office regards the present SMSA as the relevant geographic market despite the view expressed in the Justice Department advisory opinion that only Fayette County, the legal branching area, should be so considered. Fayette County was also considered the relevant geographic market in a 1964 case decided by

the U. S. Supreme Court (*U.S. vs. First National Bank and Trust Company of Lexington*, 376 U.S. 665 (1964)).<sup>1</sup> We believe that the Justice advisory opinion did not give sufficient weight to the substantial changes which have taken place in Fayette County and the surrounding counties since 1964. Since then there has been an increasing economic integration within the 6-county area which has resulted in its designation as a Standard Metropolitan Statistical Area. The present Lexington SMSA was also determined to be the relevant geographic market area in the advisory opinions of the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation.

Reflecting some of the changes that have occurred since the First National Bank decision is the fact that Fayette County is no longer a legal entity. The city of Lexington and Fayette County were merged several years ago into the Lexington-Fayette Urban Government Area, more commonly known as Lexington-Fayette Metro Government. Creation of the Metro Government Area reflected Fayette County's rapid growth of population, the increasingly extensive urbanization of the county and its economic integration with the city of Lexington.

Since the early 1960's, a large number of manufacturing plants have located within the Lexington SMSA, but most of that expansion has been within the counties outside the former Fayette County. Residential growth outside the Metro Government Area has accelerated in recent years, reflecting not only the geographic dispersion of employment opportunities but also limitations affecting further growth in the Metro Government Area, e.g., land prices and land-use restrictions. At the same time, Lexington has also experienced major growth and development as a retail trade center. The pattern of development within the SMSA is that an increasing proportion of the population resides outside the Lexington-Fayette Metro Government Area, that future expansion in manufacturing employment will be mainly outside the Metro Area, and that the Metro Area will be the retail-trade services center of the SMSA.

At the present time, about two-thirds of the population in the SMSA reside within the Metro Government Area. The residents of the Metro Government Area receive approximately 70 percent of the annual personal income from the SMSA. Applicant claims that, depending upon the type of function involved, BL and SNB derive between 10 percent and 30 percent of their deposit and loan business from SMSA areas outside the Lexington-Fayette Metro Government Area. Data are not available to estimate the proportion of business that other banks within the Metro Government Area derive from the non-Metro portion of the SMSA nor are data available to estimate the proportion of business that non-Metro banks attract from the Metro Area.

As additional empirical evidence indicating that the relevant geographic market is the present SMSA, there is evidence indicating that The Second National Bank has a heavier preponderance of agricultural loans than other banks headquartered in Lexington. (Second National Bank's ratio is 13.2 percent of gross loans, less personal loans, as opposed to 7.3 percent for all other

Lexington banks.) Considering that about two thirds of the inhabitants of the Lexington SMSA reside within the Metro Government Area, a significant proportion of these loans have been made outside the Metro Government Area in the more rural portions of the SMSA. In view of the growth and changes that have taken place since the early 1960's, we find that the Lexington SMSA is the appropriate relevant section of the country for evaluation of the competitive effects of the proposed merger of BL and SNB.

#### Negative Effects on Competition

Some existing and potential competition between the merging banks will be eliminated. The head offices of SNB and BL are located approximately 0.3 mile apart in the downtown center area of the city of Lexington. In one instance, the Woodhill Drive area, branches of the two proponent banks are situated directly across the street from each other. Two other offices of SNB are located within approximately 0.5 mile of two branches of BL. In all four cases, there are no intervening offices of competing banks. The maximum distance separating any two offices of the charter bank and the merging bank is approximately 2.4 miles. Additionally, in accordance with applicable Kentucky branching statutes which limit branching to the county within which a commercial bank is headquartered, all offices of the proponent banks are domiciled within the Metro Government area. It is, therefore, evident that approval of this proposal would have the effect of eliminating some degree of existing competition between SNB and BL. However, in terms of the whole market, the degree does not appear to be "substantial".

#### Positive Effects on Competition

Currently, BL does not offer trust services to its customers. A major basis for pursuing this merger, according to the record, is to enable the surviving bank to more effectively compete for trust business. There now exists a large volume of trust business within the board of directors of the merging bank which, absent this proposal, if placed locally, must be put into the hands of a competing bank. That increased trust business alone would enable the resultant bank to compete more effectively and provide a much more viable source of trust services to the banking public by the expansion of SNB's present trust assets and the probable attraction of additional business.

Branch expansion by the market's largest bank was prohibited from 1967 to 1972 under a consent decree that resulted from a merger in 1961.<sup>2</sup> (The bank currently operates 12 branches and 2 CBCT's.) As presently constituted, neither SNB nor BL could afford, on its own, to meet the increased branching competition inasmuch as both banks have reached their respective maximum level for fixed asset investments.

The relevant banking market is one which may properly be characterized as having an intense and ag-

<sup>1</sup> Only Fayette County was considered the SMSA at the time of this decision.

<sup>2</sup> *United States v. First National Bank and Trust Company of Lexington*, 376 U.S. 665 (1964).

gressive competitive atmosphere within which the area's banks must operate, notwithstanding that the banking resources of the area are concentrated. The largest bank in the market, First Security National Bank & Trust Co., controls approximately 31 percent of the total commercial bank deposits derived from the relevant geographic market and almost 75 percent of the market area's trust assets are in the hands of this institution.<sup>3</sup> Central Bank & Trust Co., the second largest bank headquartered within the relevant market, serves as the "lead bank" for a group of six banks located within the Lexington SMSA, known as "The Kentucky Group." This *de facto* multi-bank holding company controls, in the aggregate, almost 24 percent of the market's total deposits. Also, the third largest bank, Citizens Union Bank, holds 11 percent of total deposits within the area. Thus, almost two-thirds of the market's total commercial bank deposits are concentrated among the three largest banking organizations.

In addition to applicable state branching statutes that prohibit branching across the political boundaries of counties, state statutes also prohibit multi-bank holding companies; there is virtually no prospect of entry by banking organizations headquartered outside the market area. The two dominant banking organizations are thereby insulated from meaningful competitive challenge from banking organizations of comparable size located elsewhere within the state. Any significant competitive challenge to these dominant banking organizations *must* come from the other banking organizations located within the market. The charter bank and the merging bank have tended to specialize in different deposit, loan and investment activities. (SNB's deposit business has been oriented toward the more affluent income levels and to public funds in comparison to BL's relatively large number of small individual accounts and SNB has specialized in real estate mortgage loans and agriculturally related loans, whereas BL has emphasized construction lending and small business loans.) This "dovetailing" of operations is complementary, not opposing, and will enable the merged bank to be a more meaningful banking alternative and a far more viable competitor. The end result should prove to be procompetitive by the creation of a vibrant challenger to the dominant banking institutions within the market. Although a competitive entity would be eliminated, there would remain sufficient competing banking alternatives to adequately serve the banking public. It is thus the opinion of this Office that the adverse competitive effects of this merger, through the elimination of existing competition between SNB and BL, will not diminish substantially the degree of competition existent among all of the commercial banking institutions represented within the relevant market; nor is there any apparent trend toward the creation of any monopoly or any restraint of trade.

<sup>3</sup> In 1964, the Antitrust Division of the U.S. Department of Justice alleged that trust business within Fayette County was monopolized by Security Trust Company and First National Bank and Trust Company of Lexington (now, First Security National Bank & Trust Co.). See *United States v. First National Bank and Trust Company of Lexington*, 376 U.S. 665 (1964).

Based upon the foregoing analysis of the relevant geographic market, we do not find that the lessening of competition within the area, as a result of the merger, will be substantial or tend to create a monopoly, therefore, it is not necessary to determine that the convenience and needs of the public clearly outweigh the anticompetitive effects of this merger.

The merged bank should be able to compete more effectively with First Security Corporation and The Kentucky Group. In particular, the merged bank would be positioned to be ready to meet the re-entry of First Security into the trust business upon the expiration of the consent decree in 1977. BL does not now have a trust department and is not in a good position to establish one.

The resulting bank will also be in a better position to develop a greater degree of specialization in various types of commercial and agricultural credits. Supplemental services such as data processing, wire transfers and "money desk" functions are to be offered. An increased loan limit will of course, facilitate the merged bank's competitive power.

#### Banking Factors

Probably the strongest arguments in favor of the merger lie in the banking factors. BL lacks depth in management which will be remedied by the merger. Through better application of personnel to current duplicative functions, the merged bank will be able to "buy some time" in the development of its managerial resources, in general, and will have a stronger senior management team.

BL has had an earnings problem, at least partly due to the high costs of penetrating the local banking market. BL's low earnings pose obvious constraints upon its further growth and development as well as on the accumulation of more adequate reserves against adverse contingencies.

Both banks could use improvement in their capital positions. The earnings problem at BL is an obstacle to the sale of additional stock and SNB has been a closely held "family" bank. The merged bank therefore should be better positioned to raise capital.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that the elimination of direct and potential competition between SNB and BL will not constitute a "substantial" lessening of competition within the meaning of 12 USC 1828(c) in the relevant geographic market (Lexington SMSA). Even if it did, we find the anti-competitive effect to be "clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served."

The future prospects of both SNB and BL, independently, are considered generally satisfactory, but in combination are regarded as significantly more favorable. Approval of this proposal will favorably impact upon the future prospects of the combined institutions and adds additional weight to approval of this application.

In view of the improved financial and managerial resources, competitive ability, and more favorable future prospects of the proposed institution, and the absence

of significant negative effects, we find the subject application to be in the public interest and it is, hereby, approved.

April 27, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The head offices of Applicant and Bank are located 0.3 mile apart in the center of Lexington. The Woodhill Drive offices of the two banks are directly across the street from each other. Applicant's New Circle Road office is 0.2 mile from Bank's North Park office and there are no competing bank offices between them. Applicant's Gardenside office is 0.6 miles from Bank's Versailles Road office. It is apparent that the proposed merger will eliminate substantial direct competition between Applicant and Bank in Fayette County.

Fayette County is currently served by seven banks operating 50 offices. Among these Applicant ranks

fourth and Bank sixth with 9.1 and 4.8 percent of total deposits, respectively. Banking is highly concentrated in Fayette County; as of December 31, 1975 the two largest banks held 61.9 percent of total deposits, the three largest banks held 76.8 percent of total deposits and the four largest banks held 85.9 percent of total deposits. If the proposed merger were consummated, the resulting bank would hold 14 percent of total deposits, and the four largest of the then existing six banks would hold 90.7 percent of total deposits. Moreover, Fayette County is insulated from *de novo* entry by banking organizations headquartered outside of the county, since present Kentucky law prohibits banks from branching across county lines and also prohibits multi-bank holding companies.

For these reasons, we conclude that the proposed merger would have a significantly adverse effect on competition.

\* \* \*

#### IV. Mergers denied.

FIRST PEOPLES NATIONAL BANK OF NEW JERSEY,  
Haddon Township, N.J., and The Mainland Bank, Linwood, N.J.

---

##### *Names of banks and type of transaction*

---

First Peoples National Bank of New Jersey, Haddon Township, N.J. (399), was denied permission on Dec. 1, 1977, to purchase The Mainland Bank, Linwood, N.J.

---

#### COMPTROLLER'S DECISION

Pursuant to 12 USC 1828(c), application has been made to the Comptroller of the Currency seeking prior consent for First Peoples National Bank of New Jersey, Haddon Township (P.O. Westmont), N.J. ("FPNB"), the purchasing bank, to purchase the assets and assume the liabilities of The Mainland Bank, Linwood, N.J. ("Mainland"), the selling bank. The subject application rests upon an agreement executed between the proponent banks which is incorporated herein by reference, the same as if fully set forth.

FPNB, operating under national banking association charter number 399, commenced operations in 1864. As of March 31, 1977, the purchasing bank had total deposits of \$583.3 million. FPNB's principal area of operation is Camden County wherein it operates 15 banking offices, including its main office. FPNB also operates 30 other branch offices throughout the southern portion of New Jersey.

Mainland was organized in 1972 and, as of March 31, 1977, the bank's total deposits were \$31.9 million. Mainland operates its main office and four branches in the eastern portion of Atlantic County, and holds less than 6 percent of total commercial bank deposits within the county.

FPNB currently operates one branch in northwestern Atlantic County (Hammonton Office), bordering on Camden County. The nearest offices of FPNB and Mainland are the two offices of FPNB in Tuckerton, approximately 7 and 8 miles distant from Mainland's Pomona Office. Additionally, FPNB's Ocean View Office

is about 10 miles south of Mainland's southernmost branch. There are, however, numerous intervening banks that provide competition and Mainland is subject to the competitive impact of numerous and substantially larger Atlantic City-based banks. It is therefore concluded that approval of this proposal would have only a slightly adverse effect upon existing competition.

Pursuant to applicable New Jersey branch statutes, FPNB could legally expand *de novo* into Mainland's service areas. Inasmuch as FPNB has undergone significant expansion in recent years (presently the 12th largest commercial banking institution headquartered in New Jersey), primarily via merger and purchase acquisition of smaller banks, this proposed acquisition would foreclose the potential for future competition between the proponent banks.

FPNB has stated its intent to offer new and expanded banking services to the customers of Mainland. Furthermore, approval of this proposal would have the effect of eliminating a relatively small, presently ineffectual competitor by replacing it with a larger more aggressive competitor. The potential for FPNB to offer expanded and better services to customers now served by Mainland is a positive factor in considering approval of this application, particularly in relation to considerations of convenience and needs benefits.

As previously stated, FPNB has undergone an extensive and rapid expansion during the recent past. In 1969, FPNB's deposits totaled \$117.3 million, and it operated a branch network of 14 offices. Since that

time, FPNB has merged with, or purchased, seven smaller institutions and has opened 17 *de novo* branch offices. (FPNB acquired 13 of its total 45 offices as a result of merger transactions during this period.) This accelerated growth has placed considerable strain upon both the purchasing bank's capital and senior management. Although FPNB's net earnings have increased in recent years, those earnings have been largely supplemented by pre-tax securities transactions. The bank's capital resources have been required to support an inordinate and increasing volume of resources primarily due to rapid growth. Stated briefly, deposit and asset growth have outpaced capital.

Of particular concern to this Office is the thin line of executive management and the need for additional senior management in FPNB. FPNB has demonstrated an ability to generally cope with problems inherited from past acquisitions, and its management has provided the direction required by those institutions. The myriad problems now confronting Mainland, however, would place a substantial additional strain upon FPNB's senior management, thereby further diverting the attention of FPNB's management from addressing existing problems of that bank.

Accordingly, applying the statutory criteria, it is the conclusion of the Office of the Comptroller of the Currency that the financial and managerial resources of FPNB do not warrant further expansion, by acquisition, at this time. Furthermore, it is the opinion of this Office that the attention of FPNB's senior management should be directed toward correcting internal deficiencies and not toward incurring any additional problems through acquisition. The application is, hereby, denied.

December 1, 1977.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Although Applicant operates only one branch within Atlantic County at present, it operates ten branches within approximately 15 miles of existing branches of Bank. Applicant's branches in Tuckerton, Ocean County, are approximately 8 miles from Bank's Pomona branch; in addition, Applicant's Ocean View,

Cape May County, branch is approximately 10 miles south of Bank's southernmost branch. However, there are numerous intervening banks that provide considerable competition and also Bank experiences competition from nearby Atlantic City area banks. The proposed acquisition thus would eliminate some existing competition.

Defining the relevant market to include the Cape May and Atlantic County markets as well as portions of Cumberland, Ocean and Burlington counties adjacent to Bank's principal trade area (an area that somewhat overstates the relevant market), Applicant states that 22 institutions operate 144 offices in that market; that Applicant's 16 offices hold 10 percent of the total deposits in that area; and that Bank's share of total deposits is 2.1 percent in that market. Thus, while the parties' trade areas overlap to some extent, there is significant competition overall within the trade area. It therefore appears that the proposed acquisition will have slightly adverse effects on present competition.

Applicant, the 12th largest banking institution in New Jersey, is a significant competitor in several markets surrounding the communities comprising Bank's principal trade area. New Jersey law, which permits *de novo* branching by commercial banks in any municipality in the state except for those in which another banking institution maintains its principal office and whose population is less than 10,000, allows Applicant to enter Bank's service areas *de novo*. Applicant has undergone significant expansion in recent years principally by merger with smaller institutions. Given the likelihood of expanding growth in the eastern Atlantic County market, Bank's service area would appear to offer an attractive opportunity for *de novo* entry absent the proposed acquisition. Thus, the proposed acquisition would eliminate potential competition. However, given Bank's present financial circumstances (Bank's operating losses as of mid-May 1977 were in excess of \$162,000), it does not appear that the proposed acquisition will have a substantial effect on potential competition.

We conclude that, overall, the proposed acquisition will have some adverse competitive consequences.

\* \* \*

# APPENDIX B

## Statistical Tables

## Statistical Tables

<i>Table No.</i>	<i>Title</i>	<i>Page</i>	<i>Table No.</i>	<i>Title</i>	<i>Page</i>
B-1	Comptrollers of the Currency, 1863 to the present . . . . .	143	B-20	Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks, United States and other areas, December 31, 1977 . . . . .	169
B-2	Deputy Comptrollers of the Currency . .	144	B-21	Loans of national banks, by states, December 31, 1977 . . . . .	177
B-3	Regional administrators of national banks . . . . .	144	B-22	Outstanding balances, credit cards and related plans of national banks, December 31, 1977 . . . . .	178
B-4	Changes in the structure of the National Banking System, by states, 1863-1977 . . . . .	145	B-23	National banks engaged in direct lease financing, December 31, 1977 . . . . .	179
B-5	Charters, liquidations and changes in issued capital stock of national banks, calendar 1977 . . . . .	146	B-24	Income and expenses of foreign and domestic offices and subsidiaries of national banks, United States and other areas, year ended December 31, 1977 . .	180
B-6	Applications for national bank charters, approved and rejected, by states, calendar 1977 . . . . .	147	B-25	Principal domestic assets, liabilities and capital accounts of national banks, by asset size, year-end 1977 . . . . .	196
B-7	Applications for national bank charters, pursuant to corporate reorganizations, by states, calendar 1977 . . . . .	148	B-26	Income and expenses of national banks, including foreign offices, by asset size, December 31, 1977 . . . . .	197
B-8	Newly organized national banks, by states, calendar 1977 . . . . .	148	B-27	Assets and equity capital, net income and dividends of national banks, 1967-77 . . . . .	198
B-9	Mergers consummated pursuant to corporate reorganizations, by states, calendar 1977 . . . . .	149	B-28	Loan losses and recoveries of national banks, domestic offices only, 1961-1977 . . . . .	199
B-10	State-chartered banks converted to national banks, by states, calendar 1977 . . . . .	151	B-29	Assets and liabilities of domestic operations of national banks, date of last report of condition, 1961-1977 . . . . .	200
B-11	National bank charters issued pursuant to corporate reorganizations, by states, calendar 1977 . . . . .	152	B-30	Consolidated assets and liabilities of national banks with foreign operations, December 31, 1977 . . . . .	201
B-12	National banks reported in voluntary liquidation, by states, calendar 1977 . . . . .	153	B-31	Foreign branches of national banks, by region and country, December 31, 1977 . . . . .	202
B-13	National banks merged or consolidated with state banks, by states, calendar 1977 . . . . .	154	B-32	Total foreign branch assets of national banks, year-end 1953-1977 . . . . .	203
B-14	National banks converted into state banks, by states, calendar 1977 . . . . .	154	B-33	Foreign branches of national banks, 1960-1977 . . . . .	203
B-15	Purchases of state banks by national banks, by states, calendar 1977 . . . . .	156	B-34	Foreign branch assets and liabilities of national banks, December 31, 1977 . . . . .	203
B-16	Consolidations of national banks or national and state banks, by states, calendar 1977 . . . . .	156	B-35	Trust assets and income of national banks, by states, calendar 1977 . . . . .	204
B-17	Mergers of national banks or national and state banks, by states, calendar 1977 . . . . .	157			
B-18	Mergers resulting in national banks, by assets of acquiring and acquired banks, 1960-1977 . . . . .	160			
B-19	Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks, United States and other areas, June 30, 1977 . . . . .	161			



Table B-1  
Comptrollers of the Currency, 1863 to the present

No.	Name	Date of appointment	Date of resignation	State
1	McCulloch, Hugh	May 9, 1863	Mar. 8, 1865	Indiana.
2	Clarke, Freeman	Mar. 21, 1865	July 24, 1866	New York.
3	Hulburd, Hiland R.	Feb. 1, 1867	Apr. 3, 1872	Ohio.
4	Knox, John Jay	Apr. 25, 1872	Apr. 30, 1884	Minnesota.
5	Cannon, Henry W.	May 12, 1884	Mar. 1, 1886	Minnesota.
6	Trenholm, William L.	Apr. 20, 1886	Apr. 30, 1889	South Carolina.
7	Lacey, Edward S.	May 1, 1889	June 30, 1892	Michigan.
8	Hepburn, A. Barton	Aug. 2, 1892	Apr. 25, 1893	New York.
9	Eckels, James H.	Apr. 26, 1893	Dec. 31, 1897	Illinois.
10	Dawes, Charles G.	Jan. 1, 1898	Sept. 30, 1901	Illinois.
11	Ridgely, William Barret	Oct. 1, 1901	Mar. 28, 1908	Illinois.
12	Murray, Lawrence O.	Apr. 27, 1908	Apr. 27, 1913	New York.
13	Williams, John Skelton	Feb. 2, 1914	Mar. 2, 1921	Virginia.
14	Crissinger, D.R.	Mar. 17, 1921	Apr. 30, 1923	Ohio.
15	Dawes, Henry M.	May 1, 1923	Dec. 17, 1924	Illinois.
16	McIntosh, Joseph W.	Dec. 20, 1924	Nov. 20, 1928	Illinois.
17	Pole, John W.	Nov. 21, 1928	Sept. 20, 1932	Ohio.
18	O'Connor, J. F. T.	May 11, 1933	Apr. 16, 1938	California.
19	Delano, Preston	Oct. 24, 1938	Feb. 15, 1953	Massachusetts.
20	Gidney, Ray M.	Apr. 16, 1953	Nov. 15, 1961	Ohio.
21	Saxon, James J.	Nov. 16, 1961	Nov. 15, 1966	Illinois.
22	Camp, William B.	Nov. 16, 1966	Mar. 23, 1973	Texas.
23	Smith, James E.	July 5, 1973	July 31, 1976	South Dakota.
24	Heimann, John G.	July 21, 1977	.....	New York.

Table B-2

## Deputy Comptrollers of the Currency

No.	Name	Dates of tenure		State
1	Howard, Samuel T.	May 9, 1963	Aug. 1, 1865	New York.
2	Hulburd, Hiland R.	Aug. 1, 1865	Jan. 31, 1867	Ohio.
3	Knox, John Jay	Mar. 12, 1867	Apr. 24, 1872	Minnesota.
4	Langworthy, John S.	Aug. 8, 1872	Jan. 3, 1886	New York.
5	Snyder, V. P.	Jan. 5, 1886	Jan. 3, 1887	New York.
6	Abrahams, J. D.	Jan. 27, 1887	May 25, 1890	Virginia.
7	Nixon, R. M.	Aug. 11, 1890	Mar. 16, 1893	Indiana.
8	Tucker, Oliver P.	Apr. 7, 1893	Mar. 11, 1896	Kentucky.
9	Coffin, George M.	Mar. 12, 1896	Aug. 31, 1898	South Carolina.
10	Murray, Lawrence O.	Sept. 1, 1898	June 27, 1899	New York.
11	Kane, Thomas P.	June 29, 1899	Mar. 2, 1923	District of Columbia
12	Fowler, Willis J.	July 1, 1908	Feb. 14, 1927	Indiana.
13	McIntosh, Joseph W.	May 21, 1923	Dec. 19, 1924	Illinois.
14	Collins, Charles W.	July 1, 1923	June 30, 1927	Illinois.
15	Stearns, E. W.	Jan. 6, 1925	Nov. 30, 1928	Virginia.
16	Awalt, F. G.	July 1, 1927	Feb. 15, 1936	Maryland.
17	Gough, E. H.	July 6, 1927	Oct. 16, 1941	Indiana.
18	Proctor, John L.	Dec. 1, 1928	Jan. 23, 1933	Washington.
19	Lyons, Gibbs	Jan. 24, 1933	Jan. 15, 1938	Georgia.
20	Prentiss, Jr., William	Feb. 24, 1936	Jan. 15, 1938	California.
21	Diggs, Marshall R.	Jan. 16, 1938	Sept. 30, 1938	Texas.
22	Oppegard, G. J.	Jan. 16, 1938	Sept. 30, 1938	California.
23	Upham, C. B.	Oct. 1, 1938	Dec. 31, 1948	Iowa.
24	Mulroney, A. J.	May 1, 1939	Aug. 31, 1941	Iowa.
25	McCandless, R. B.	July 7, 1941	Mar. 1, 1951	Iowa.
26	Sedlacek, L. H.	Sept. 1, 1941	Sept. 30, 1944	Nebraska.
27	Robertson, J. L.	Oct. 1, 1944	Feb. 17, 1952	Nebraska.
28	Hudspeth, J.W.	Jan. 1, 1949	Aug. 31, 1950	Texas.
29	Jennings, L. A.	Sept. 1, 1950	May 16, 1960	New York.
30	Taylor, W. M.	Mar. 1, 1951	Apr. 1, 1962	Virginia.
31	Garwood, G. W.	Feb. 18, 1952	Dec. 31, 1962	Colorado.
32	Fleming, Chapman C.	Sept. 15, 1959	Aug. 31, 1962	Ohio.
33	Haggard, Hollis S.	May 16, 1960	Aug. 3, 1962	Missouri.
34	Camp, William B.	Apr. 2, 1962	Nov. 15, 1966	Texas.
35	Redman, Clarence B.	Aug. 4, 1962	Oct. 26, 1963	Connecticut.
36	Watson, Justin T.	Sept. 3, 1962	July 18, 1975	Ohio.
37	Miller, Dean E.	Dec. 23, 1962		Iowa.
38	DeShazo, Thomas G.	Jan. 1, 1963		Virginia.
39	Egertson, R. Coleman	July 13, 1964	June 30, 1966	Iowa.
40	Blanchard, Richard J.	Sept. 1, 1964	Sept. 26, 1975	Massachusetts.
41	Park, Radcliffe	Sept. 1, 1964	June 1, 1967	Wisconsin.
42	Faulstich, Albert J.	July 19, 1965	Oct. 26, 1974	Louisiana.
43	Motter, David C.	July 1, 1966		Ohio.
44	Gwin, John D.	Feb. 21, 1967	Dec. 31, 1974	Mississippi.
45	Howland, Jr., W. A.	July 5, 1973		Georgia.
46	Mullin, Robert A.	July 5, 1973		Kansas.
47	Ream, Joseph M.	Feb. 2, 1975		Pennsylvania.
48	Bloom, Robert	Aug. 31, 1975		New York.
49	Chotard, Richard D.	Aug. 31, 1975	Nov. 25, 1977	Missouri.
50	Hall, Charles B.	Aug. 31, 1975		Pennsylvania.
51	Jones, David H.	Aug. 31, 1975	Sept. 20, 1976	Texas.
52	Murphy, C. Westbrook	Aug. 31, 1975		Maryland.
53	Selby, H. Joe	Aug. 31, 1975		Texas.

Table B-3

## Regional administrators of national banks

Region	Name	Headquarters	States
1	Charles H. Paterson	Boston, Mass.	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
2	Charles M. Van Horn	New York, N.Y.	New Jersey, New York, Puerto Rico, Virgin Islands.
3	R. Coleman Egertson	Philadelphia, Pa.	Pennsylvania, Delaware.
4	Larry T. Gerzema	Cleveland, Ohio	Indiana, Kentucky, Ohio.
5	Clifton A. Poole	Richmond, Va.	District of Columbia, Maryland, North Carolina, Virginia, West Virginia.
6	John G. Hensel	Atlanta, Ga.	Florida, Georgia, South Carolina.
7	Billy C. Wood	Chicago, Ill.	Illinois, Michigan.
8	John W. Schaffer, Jr.	Memphis, Tenn.	Alabama, Arkansas, Louisiana, Mississippi, Tennessee.
9	Kenneth W. Leaf	Minneapolis, Minn.	Minnesota, North Dakota, South Dakota, Wisconsin.
10	John R. Burt	Kansas City, Mo.	Iowa, Kansas, Missouri, Nebraska.
11	Michael Doman	Dallas, Tex.	Oklahoma, Texas.
12	Kent D. Glover	Denver, Colo.	Arizona, Colorado, New Mexico, Utah, Wyoming.
13	M. B. Adams	Portland, Oreg.	Alaska, Idaho, Montana, Oregon, Washington.
14	Victor E. DelTredici	San Francisco, Calif.	California, Guam, Hawaii, Nevada.

Table B-4

## Changes in the structure of the National Banking System, by states, 1863-1977

	Organized and opened for business 1863-1977	Consolidated and merged under 12 USC 215		Insol- vencies	Liqui- dated	12 USC 214		In operation Dec. 31, 1977
		Consoli- dated	Merged			Converted to state banks	Merged or consolidated with state banks	
All national banks .....	6,704	730	971	2,841	6,793	322	392	4,655
Alabama .....	237	4	26	45	64	1	0	97
Alaska .....	9	0	0	0	2	0	1	6
Arizona .....	33	1	0	6	21	1	1	3
Arkansas .....	174	1	3	39	55	4	0	72
California .....	627	21	56	69	397	6	20	58
Colorado .....	290	5	4	59	86	3	0	133
Connecticut .....	141	11	10	7	69	7	16	21
Delaware .....	32	0	0	1	18	0	8	5
District of Columbia .....	44	8	1	7	13	0	0	15
Florida .....	400	2	41	43	48	0	3	263
Georgia .....	219	8	6	43	89	9	0	64
Hawaii .....	8	1	0	0	4	1	0	2
Idaho .....	114	0	2	35	65	2	4	6
Illinois .....	1,017	20	20	228	299	25	2	423
Indiana .....	457	14	8	98	205	7	4	121
Iowa .....	569	4	2	206	243	13	2	99
Kansas .....	465	6	4	77	198	19	1	160
Kentucky .....	253	11	3	37	110	8	2	82
Louisiana .....	130	4	3	17	53	0	0	53
Maine .....	131	8	11	13	79	1	2	17
Maryland .....	162	4	20	17	69	3	13	36
Massachusetts .....	403	45	30	28	208	4	16	72
Michigan .....	413	11	36	77	158	3	5	123
Minnesota .....	527	8	0	116	193	6	0	204
Mississippi .....	107	6	7	16	36	4	2	36
Missouri .....	354	13	12	59	149	7	1	113
Montana .....	213	4	1	76	76	0	0	56
Nebraska .....	416	2	3	83	199	12	0	117
Nevada .....	18	1	0	4	8	0	1	4
New Hampshire .....	91	4	13	5	23	5	0	41
New Jersey .....	505	57	97	63	158	1	29	100
New Mexico .....	104	1	1	25	37	0	0	40
New York .....	1,066	127	132	132	444	14	90	127
North Carolina .....	170	8	23	44	58	0	9	28
North Dakota .....	265	3	0	100	119	0	0	43
Ohio .....	763	33	51	113	340	2	6	218
Oklahoma .....	795	12	11	85	454	40	0	193
Oregon .....	154	2	4	31	103	0	7	7
Pennsylvania .....	1,304	112	123	211	497	18	110	233
Rhode Island .....	70	3	2	2	58	0	0	5
South Carolina .....	140	8	14	44	49	2	4	19
South Dakota .....	225	14	3	93	81	2	0	32
Tennessee .....	240	9	15	36	95	10	2	73
Texas .....	1,517	45	81	142	574	66	5	604
Utah .....	53	4	3	6	23	3	2	12
Vermont .....	85	3	9	18	29	3	9	14
Virginia .....	313	23	66	28	74	5	14	103
Washington .....	252	19	10	52	149	0	1	21
West Virginia .....	226	11	2	38	68	1	0	106
Wisconsin .....	314	9	1	54	118	4	0	128
Wyoming .....	85	0	1	12	26	0	0	46
Virgin Islands .....	2	0	0	1	1	0	0	0
Puerto Rico .....	2	0	0	0	1	0	0	1

Does not include one non-national bank in the District of Columbia supervised by the Comptroller of the Currency.

Table B-5

## Charters, liquidations, and changes in issued capital stock of national banks, calendar 1977

(Dollar amounts in thousands)

	Number of banks	Capital stock		Capital notes and debentures
		Common	Preferred	
<b>Increases:</b>				
Banks newly chartered:				
Primary organization:	60*	\$ 27,398		
Conversion of State banks	6	13,960		\$ 1,000
Capital stock:				
Preferred: 6 cases by new issue			\$7,250	
Common:				
436 cases by statutory sale		296,613		
475 cases by statutory stock dividends		209,195		
28 cases by statutory merger		12,875		
23 cases by conversion of preferred stock		254		
32 cases by conversion of capital notes		451		
Capital notes and debentures: 228 cases by new issue				418,657
Total increases	66	560,746	7,250	419,657
<b>Decreases:</b>				
Banks ceasing operations:				
Voluntary liquidations:				
Succeeded by National banks	17	11,906		175
Succeeded by State banks	3	1,549		
Statutory consolidations	1	497		
Statutory mergers	71†			
Converted into State banks	44	50,583		8,017
Merged or consolidated into State banks	11	10,491		950
Capital stock:				
Preferred: 21 Retired			2,144	
Common:				
5 cases by statutory reduction		2,080		
22 cases by statutory merger		15,969		
Capital notes and debentures:				
135 retirements				35,869
32 converted to common stock				1,442
Total decreases	147	93,075	2,144	46,453
Net change	-81	467,671	5,106	373,204
Charters in force Dec. 31, 1976	4,741			
Charters in force Dec. 31, 1977	4,660			

\* Includes 25 reorganized banks with capital stock of \$3,500.

† Includes 21 reorganized banks.

NOTE: Premium on sale of common stock ..... \$232,472 (349 cases)  
Premium on sale of convertible notes ..... 991 ( 32 cases)  
Total ..... \$233,463 (381 cases)

Table B-6

*Applications for national bank charters \*, approved and rejected, by states, calendar 1977*

	Approved	Rejected		Approved	Rejected
<b>ALABAMA</b>			<b>MISSISSIPPI</b>		
Vernon . . . . .	_____	Aug. 26	Brookhaven . . . . .	_____	June 3
<b>ARKANSAS</b>			Citizens National Bank of Columbus, Columbus. . . . .	June 14	_____
Conway . . . . .	_____	Sept. 29	<b>MISSOURI</b>		
Harrisburg . . . . .	_____	Aug. 15	Commerce Bank of Clay County, National Association, Kansas City . . . . .	Aug. 22	_____
<b>CALIFORNIA</b>			<b>NEW MEXICO</b>		
Sonoma . . . . .	_____	Mar. 28	Cedar Crest . . . . .	_____	Mar. 31
Thousands Oaks . . . . .	_____	Jan. 17	Southwest National Bank, Hobbs . . . . .	Dec. 22	_____
<b>COLORADO</b>			Las Vegas . . . . .	_____	Aug. 30
United Bank of Arvada National Association, Arvada . . . . .	Feb. 10	_____	Roswell . . . . .	_____	July 7
Westland National Bank, Arvada . . . . .	Aug. 2	_____	<b>NEW YORK</b>		
The Women's Bank, N.A., Denver . . . . .	July 6	_____	Twin Tiers National Bank, Elmira . . . . .	Mar. 24	_____
Vail National Bank, Vail . . . . .	Mar. 31	_____	Rochester . . . . .	_____	June 3
<b>CONNECTICUT</b>			<b>OHIO</b>		
Danbury . . . . .	_____	Dec. 6	Cincinnati . . . . .	_____	Apr. 28
<b>DELAWARE</b>			TNB National Bank, Circleville . . . . .	Sept. 20	_____
First National Bank of Georgetown, Georgetown . . . . .	May 18	_____	<b>OKLAHOMA</b>		
<b>DISTRICT OF COLUMBIA</b>			Owasso . . . . .	_____	Sept. 23
The Women's National Bank, Washington . . . . .	July 6	_____	Woodward . . . . .	_____	Aug. 17
Washington . . . . .	_____	Jan. 7	<b>PUERTO RICO</b>		
<b>FLORIDA</b>			Municipality of Naranjito . . . . .	_____	June 3
Coral Gables . . . . .	_____	June 3	Old San Juan . . . . .	_____	Oct. 6
First National Bank of West Delray, Delray Beach . . . . .	Sept. 30	_____	<b>SOUTH CAROLINA</b>		
Unincorporated Area of Escambia County . . . . .	_____	Mar. 28	Liberty National Bank, Charleston . . . . .	Oct. 6	_____
Hialeah . . . . .	_____	July 11	Charleston . . . . .	_____	Oct. 6
Maitland . . . . .	_____	June 27	<b>TEXAS</b>		
The Hemisphere National Bank, Miami . . . . .	June 13	_____	Alvin . . . . .	Withdrawn	Apr. 25
Miami . . . . .	_____	July 15	Arlington . . . . .	_____	Aug. 19
First National Bank of Jefferson County, Monticello . . . . .	Sept. 29	_____	First National Bank of Dimmit County, Carrizo Springs . . . . .	May 24	_____
Pahokee . . . . .	_____	Dec. 6	Carrollton First National Bank, Carrollton . . . . .	Jan. 6	_____
Security Trust Company of Sarasota, N.A., Sarasota . . . . .	Jan. 25	_____	First National Bank, Copperas Cove . . . . .	Jan. 10	_____
Tallahassee . . . . .	_____	July 11	American National Bank of Dallas, Dallas . . . . .	July 21	_____
Tampa . . . . .	_____	Feb. 2	Dallas . . . . .	_____	Aug. 11
All American National Bank, Virginia Gardens . . . . .	Nov. 1	_____	Dallas . . . . .	_____	June 14
<b>GEORGIA</b>			Eules . . . . .	_____	Jan. 18
Unincorporated Area of Cobb County . . . . .	_____	Aug. 4	Overton Park National Bank, Fort Worth . . . . .	July 26	_____
<b>HAWAII</b>			Fort Worth . . . . .	_____	July 11
Bank of Maui, National Association, Wailuku . . . . .	July 11	_____	Fort Worth . . . . .	_____	Oct. 17
<b>INDIANA</b>			National Bank of Commerce, Kerrville . . . . .	Oct. 6	_____
Lafayette . . . . .	_____	Aug. 11	Kerrville . . . . .	_____	Oct. 6
<b>LOUISIANA</b>			Lake Worth National Bank, Lake Worth . . . . .	Aug. 12	_____
National Bank of Commerce of DeRidder, DeRidder . . . . .	Oct. 13	_____	Lake Worth . . . . .	_____	Aug. 12
<b>MICHIGAN</b>			Longview . . . . .	_____	July 28
Old Kent Bank of Norton Shores National Association, Norton Shores . . . . .	Apr. 20	_____	Southwest Lubbock National Bank, Lubbock . . . . .	Oct. 6	_____
Michigan National Bank - Port Huron, Port Huron . . . . .	Aug. 4	_____	City National Bank of Plano, Plano . . . . .	Jan. 13	_____
The Detroit Bank - Sterling, N.A., Sterling Heights . . . . .	July 20	_____	Northwest Bank of Commerce National Association, San Antonio . . . . .	Oct. 7	_____
Michigan National Bank - Sterling, Sterling Heights . . . . .	Jan. 4	_____	San Antonio . . . . .	_____	Nov. 3
			American National Bank, Texarkana . . . . .	Sept. 29	_____
			Weslaco . . . . .	_____	June 7
			<b>UTAH</b>		
			Logan . . . . .	Withdrawn	Oct. 17
			<b>WEST VIRGINIA</b>		
			Unincorporated Area of Shady Springs . . . . .	_____	Mar. 17
			<b>WISCONSIN</b>		
			Menasha . . . . .	_____	Jan. 6
			<b>WYOMING</b>		
			Mills . . . . .	_____	Mar. 31

\* Does not include applications for conversion or pursuant to corporate reorganization.

Table B-7

## Applications for national bank charters pursuant to corporate reorganizations, by states, calendar 1977

	Approved	Rejected		Approved	Rejected
<b>MASSACHUSETTS</b>			<b>TENNESSEE</b>		
Old Colony Bank of Worcester County, National Association, Northbridge . . . . .	Aug. 5	_____	The Fourth National Bank of Jackson, Jackson . .	Jan. 3	_____
<b>MICHIGAN</b>			<b>TEXAS</b>		
National Bank of Traverse City, Traverse City . . .	July 15	_____	New City National Bank, Austin . . . . .	Feb. 15	_____
PBT Bank, National Association, Trenton . . . . .	Aug. 17	_____	New City National Bank of Bryan, Bryan . . . . .	June 9	_____
<b>OHIO</b>			Main Street Commerce Bank National Association, Dallas . . . . .	May 18	_____
The Huntington National Bank of Bellefontaine, Bellefontaine . . . . .	June 3	_____	South Main National Bank, Duncanville . . . . .	Dec. 5	_____
The Central Trust Company of Mercer County, National Association, Celina . . . . .	June 15	_____	Parkway National Bank, Grand Prairie . . . . .	Apr. 7	_____
X National Bank, Columbiana . . . . .	Mar. 25	_____	Allied Humble Bank, N.A., Humble . . . . .	Oct. 12	_____
New National Bank, Dayton . . . . .	Sept. 20	_____	McAllen Commerce Bank National Association, McAllen . . . . .	Aug. 24	_____
Second National Bank, Flushing . . . . .	Sept. 23	_____	Allied First National Bank, Newton . . . . .	Oct. 12	_____
The Huntington National Bank of Franklin, Franklin . . . . .	July 1	_____	American Servicemen's National Bank, San Antonio . . . . .	June 9	_____
The Huntington National Bank of London, London . . . . .	June 3	_____	Randolph Field Bank of Commerce, N.A., Universal City . . . . .	Oct. 14	_____
The Central Trust Company of Lorain County, National Association, Lorain . . . . .	June 15	_____	City Bank, National Association, Wichita Falls . .	Oct. 18	_____

Table B-8

## Newly organized national banks, by states, calendar 1977

Charter No.	Title and location of bank	Total capital accounts
	Total, United States: 35 banks . . . . .	\$53,124,850
	<b>ARKANSAS</b>	
16665	First National Bank of Sheridan, Sheridan . . . . .	1,000,000
	<b>CALIFORNIA</b>	
16645	Fidelity National Bank, Concord . . . . .	1,500,000
16633	National Bank of Long Beach, Long Beach . . . . .	1,500,000
	Total: 2 banks . . . . .	3,000,000
	<b>COLORADO</b>	
16690	Vail National Bank, Vail . . . . .	1,000,000
	<b>FLORIDA</b>	
16670	West Broward National Bank, Lauderdale Lakes . . . . .	1,500,000
16641	First National Bank of Marathon, unincorporated area of Monroe County . . . . .	1,000,000
16652	Security Trust Company of Sarasota N.A., Sarasota . . . . .	2,000,000
16642	Vero Beach National Bank, Vero Beach . . . . .	1,000,000
	Total: 4 banks . . . . .	5,500,000
	<b>ILLINOIS</b>	
16643	Market Place National Bank, Champaign . . . . .	1,000,000
16688	Washington National Bank of Chicago, Chicago . . . . .	1,524,850
16684	The Guaranty National Bank of Rockford, Rockford . . . . .	1,500,000
	Total: 3 banks . . . . .	4,024,850
	<b>INDIANA</b>	
16669	South Lake National Bank, Lowell . . . . .	1,500,000
	<b>MICHIGAN</b>	
16660	Michigan National Bank-Farmington, Farmington Hills . . . . .	1,500,000
16672	Kentwood Bank, N.A., Kentwood . . . . .	2,500,000
	Total: 2 banks . . . . .	4,000,000
	<b>MINNESOTA</b>	
16650	First National Bank of Burnsville, Burnsville . . . . .	1,700,000
	<b>NEW JERSEY</b>	
16631	City Trust Services, National Association, Elizabeth . . . . .	1,000,000
16636	The Montgomery National Bank, Montgomery Township . . . . .	1,620,000
	Total: 2 banks . . . . .	2,620,000

**Table B-8—Continued**  
*Newly organized national banks, by states, calendar 1977*

<i>Charter No.</i>	<i>Title and location of bank</i>	<i>Total capital accounts</i>
<b>NEW YORK</b>		
16646	Golden Pacific National Bank, New York . . . . .	\$ 3,500,000
<b>NORTH DAKOTA</b>		
16661	First National Bank of Crosby, Crosby . . . . .	750,000
<b>OHIO</b>		
16685	TNB National Bank, Circleville . . . . .	180,000
<b>OKLAHOMA</b>		
16637	Lakeshore Bank, N.A., Oklahoma City . . . . .	1,500,000
16659	Western National Bank of Tulsa, Tulsa . . . . .	5,000,000
	Total: 2 banks. . . . .	6,500,000
<b>TEXAS</b>		
16634	Republic National Bank of Austin, Austin . . . . .	1,200,000
16683	First National Bank, Copperas Cove. . . . .	1,000,000
16635	Citizens National Bank, Denton . . . . .	1,050,000
16655	Sugar Creek National Bank, unincorporated area of Fort Bend County. . . . .	1,200,000
16653	Las Colinas National Bank of Irving, Irving . . . . .	1,250,000
16686	South Texas National Bank of Laredo, Laredo . . . . .	1,650,000
16658	Western National Bank, Odessa . . . . .	2,500,000
16677	City National Bank of Plano, Plano . . . . .	1,750,000
16649	University National Bank, San Antonio . . . . .	1,500,000
	Total: 9 banks. . . . .	12,550,000
<b>WASHINGTON</b>		
16663	Pioneer National Bank, Yakima. . . . .	1,500,000
<b>WEST VIRGINIA</b>		
16675	Central National Bank, Morgantown . . . . .	1,250,000
16687	Mountaineer National Bank, Morgantown. . . . .	1,000,000
	Total: 2 banks. . . . .	2,250,000
<b>WISCONSIN</b>		
16638	The First National Bank of Boscobel, Boscobel . . . . .	1,000,000

**Table B-9**  
*Mergers consummated pursuant to corporate reorganizations, by states, calendar 1977*  
(Dollar amounts in thousands)

Effective date of merger	Operating bank New bank Resulting bank	Total capital accounts	Total assets
	<b>GEORGIA</b>		
July 1	The First National Bank of Albany, Albany		
	First National Interim Bank of Albany, Albany		
	Charter issued June 30, 1977		
	The First National Bank of Albany. . . . .	\$4,571	\$39,344
Aug. 1	The First National Bank of Brunswick, Brunswick		
	First National Interim Bank of Brunswick, Brunswick		
	Charter issued July 29, 1977		
	The First National Bank of Brunswick, Brunswick. . .	6,773	75,190
	<b>ILLINOIS</b>		
Aug. 1	The Millikin National Bank of Decatur, Decatur		
	Second National Bank of Decatur, Decatur		
	Charter issued July 25, 1977		
	The Millikin National Bank of Decatur. . . . .	15,355	198,040
	<b>MARYLAND</b>		
Oct. 17	University National Bank, Rockville		
	New University National Bank, Rockville		
	Charter issued October 14, 1977		
	University National Bank, Rockville. . . . .	8,341	120,754

Table B-9—Continued

*Mergers consummated pursuant to corporate reorganizations, by states, calendar 1977*

(Dollar amounts in thousands)

<i>Effective date of merger</i>	<i>Operating bank New bank Resulting bank</i>	<i>Total capital accounts</i>	<i>Total assets</i>
<b>MASSACHUSETTS</b>			
Mar. 16	The First National Bank of Athol, Athol First Bank of Athol National Association, Athol Charter issued March 15, 1977 The First National Bank of Athol, Athol .....	\$ 1,841	\$15,905
Aug. 29	The First National Bank of Yarmouth, Yarmouth The Yarmouth Bank, National Association, Yarmouth Charter issued August 23, 1977 Old Colony Bank of Barnstable County, N.A., Yarmouth .....	2,969	45,227
<b>MICHIGAN</b>			
May 31	The Iron River National Bank, Iron River The First Iron River National Bank, Iron River Charter issued May 31, 1977 The Iron River National Bank, Iron River .....	1,422	15,297
June 7	The First National Bank of Lapeer, Lapeer Lapeer Bank, N.A., Lapeer Charter issued June 6, 1977 The First National Bank of Lapeer, Lapeer .....	4,193	69,114
<b>OHIO</b>			
Oct. 11	Bellefontaine National Bank, Bellefontaine The Huntington National Bank of Bellefontaine Charter issued October 5, 1977 The Huntington National Bank of Bellefontaine, Bellefontaine .....	4,468	42,493
Dec. 2	First National Bank of Mercer County, Celina The Central Trust Company of Mercer County, National Association, Celina Charter issued December 2, 1977 First National Bank of Mercer County, Celina .....	4,700	75,540
Sept. 30	National Union Bank, Columbiana X National Bank, Columbiana Charter issued September 27, 1977 National Union Bank, Columbiana .....	3,704	45,800
Dec. 29	The First National Bank, Dayton New National Bank, Dayton Charter issued December 21, 1977 The First National Bank, Dayton .....	39,689	375,971
Dec. 31	The Franklin National Bank, Franklin The Huntington National Bank of Franklin, Franklin Charter issued December 21, 1977 The Huntington National Bank of Franklin, Franklin .....	4,348	33,782
Oct. 24	The Central National Bank of London, London The Huntington National Bank of London, London Charter issued October 21, 1977 The Huntington National Bank of London, London .....	3,895	25,490
<b>TENNESSEE</b>			
July 1	The National Bank of Commerce of Jackson, Jackson The Fourth National Bank of Jackson, Jackson Charter issued June 28, 1977 The National Bank of Commerce of Jackson, Jackson .....	5,920	84,734
<b>TEXAS</b>			
July 28	City National Bank of Austin, Austin New City National Bank, Austin Charter issued July 25, 1977 City National Bank of Austin, Austin .....	19,335	361,992
Nov. 1	The City National Bank of Bryan, Bryan New City National Bank of Bryan, Bryan Charter issued October 25, 1977 The City National Bank of Bryan, Bryan .....	4,132	65,190
May 2	Dallas National Bank in Dallas, Dallas 3300 Commerce National Bank, Dallas Charter issued April 29, 1977 Dallas National Bank in Dallas, Dallas .....	4,342	40,261
Sept. 12	Main Street National Bank of Dallas, Dallas Main Street Commerce Bank National Association, Dallas Charter issued September 6, 1977 Main Street National Bank of Dallas, Dallas .....	2,730	27,573
May 2	First National Bank in Garland, Garland Glenbrook & Avenue A National Bank, Garland Charter issued April 29, 1977 First National Bank in Garland, Garland .....	6,974	86,228



Table B-9—Continued

*Mergers consummated pursuant to corporate reorganizations, by states, calendar 1977*

(Dollar amounts in thousands)

<i>Effective date of merger</i>	<i>Operating bank New bank Resulting bank</i>	<i>Total capital accounts</i>	<i>Total assets</i>
	<b>TEXAS—Continued</b>		
Sept. 1	Midway National Bank of Grand Prairie, Grand Prairie Parkway National Bank, Grand Prairie Charter issued August 29, 1977 Midway National Bank of Grand Prairie, Grand Prairie . . .	\$ 2,318	\$32,686
Dec. 30	American National Bank, Humble Allied Humble Bank, N.A., Humble Charter issued December 23, 1977 Allied First National Bank, Humble . . . . .	1,073	19,365
Dec. 30	First National Bank of Newton, Newton Allied First National Bank, Newton Charter issued December 23, 1977 Allied First National Bank, Newton . . . . .	1,132	12,318
Dec. 31	Randolph Field National Bank, Universal City Randolph Field Bank of Commerce, N.A., Universal City Charter issued December 23, 1977 Randolph Field National Bank, Universal City . . . . .	1,768	22,599

Table B-10

*State-chartered banks converted to national banks, by states, calendar 1977*

<i>Charter No.</i>	<i>Title and location of bank</i>	<i>Effective date of charter</i>	<i>Outstanding capital stock</i>	<i>Surplus, undivided profits and reserves</i>	<i>Total assets</i>
	Total: 6 banks . . . . .		\$13,959,935	\$27,761,843	\$471,564,554
	<b>IDAHO</b>				
16654	Citizens National Bank of Idaho, Boise Conversion of Commercial State Bank, Boise . . . . .	May 31	1,000,000	784,000	32,050,000
	<b>NEW MEXICO</b>				
16640	First National Bank of Socorro, Socorro Conversion of The Bank of Socorro, Socorro . . . . .	Feb. 25	178,575	309,620	11,616,823
16682	First Sierra National Bank, Truth or Consequences Conversion of First State Bank of Sierra County, Truth or Consequences . . . . .	Oct. 28	350,000	365,684	6,786,521
	<b>TEXAS</b>				
16632	First International Bank in Houston, N.A., Houston Conversion of First International Bank in Houston, Houston . . . . .	Jan. 17	12,000,000	25,212,669	403,366,000
	<b>WEST VIRGINIA</b>				
16639	First Wetzel National Bank, New Martinsville Conversion of First Wetzel Savings & Loan Company, New Martinsville . . . . .	Feb. 25	231,360	370,004	4,631,210
16651	Weirton National Bank, Weirton Conversion of Weirton Bank & Trust Company, Weirton . . .	Apr. 29	200,000	728,866	13,114,000

Table B-11

## National bank charters issued pursuant to corporate reorganizations, by states, calendar 1977

Charter No.	Title and location of bank	Date of issuance	
	Total: 25 banks		
	<b>GEORGIA</b>		
14907	First National Interim Bank of Albany, Georgia, Albany . . . . .	June	30
4944	First National Interim Bank of Brunswick, Georgia, Brunswick . . . . .	July	29
	Total: 2 banks		
	<b>ILLINOIS</b>		
5089	Second National Bank of Decatur, Illinois, Decatur . . . . .	July	25
	<b>MARYLAND</b>		
15365	New University National Bank, Rockville . . . . .	Oct.	14
	<b>MASSACHUSETTS</b>		
13733	First Bank of Athol (National Association), Athol . . . . .	Mar.	15
516	The Yarmouth Bank, National Association, Yarmouth . . . . .	Aug.	23
	Total: 2 banks		
	<b>MICHIGAN</b>		
14102	The First Iron River National Bank, Iron River . . . . .	May	31
1731	Lapeer Bank, N.A., Lapeer . . . . .	June	6
16571	PBT Bank, National Association, Trenton . . . . .	Dec.	28
	Total: 3 banks		
	<b>OHIO</b>		
13749	The Huntington National Bank of Bellefontaine, Bellefontaine . . . . .	Oct.	5
5523	The Central Trust Company of Mercer County, National Association, Celina . . . . .	Dec.	2
15694	X National Bank, Columbiana . . . . .	Sept.	27
1788	New National Bank, Dayton . . . . .	Dec.	21
5100	The Huntington National Bank of Franklin, Franklin . . . . .	Dec.	21
10373	The Huntington National Bank of London, London . . . . .	Oct.	21
	Total: 6 banks		
	<b>TENNESSEE</b>		
12790	The Fourth National Bank of Jackson, Jackson . . . . .	June	28
	<b>TEXAS</b>		
14728	New City National Bank, Austin . . . . .	July	25
4070	New City National Bank of Bryan, Bryan . . . . .	Oct.	25
15328	Main Street Commerce Bank National Association, Dallas . . . . .	Sept.	6
14563	3300 Commerce National Bank, Dallas . . . . .	Apr.	29
7989	Glenbrook & Avenue A National Bank, Garland . . . . .	Apr.	29
15120	Parkway National Bank, Grand Prairie . . . . .	Aug.	29
15809	Allied Humble Bank, N.A., Humble . . . . .	Dec.	23
12898	Allied First National Bank, Newton . . . . .	Dec.	23
15236	Randolph Field Bank of Commerce, N.A., Universal City . . . . .	Dec.	23
	Total: 9 banks		

Table B-12

## National banks reported in voluntary liquidation, by states, calendar 1977

(Dollar amounts in thousands)

<i>Title and location of bank</i>	<i>Date of liquidation</i>	<i>Total capital accounts of liquidated bank*</i>
Total: 20 national banks .....		\$164,232
<b>CALIFORNIA</b>		
Peninsula National Bank (15310), Burlingame, absorbed by Central Bank, National Association (6919), Oakland ..	Mar. 31	28,652
<b>FLORIDA</b>		
Lauderdale Lakes National Bank (15868), Lauderdale Lakes, absorbed by Century National Bank of Broward (14554), Fort Lauderdale .....	Sept. 30	3,075
Broward National Bank of Plantation (16171), Plantation, absorbed by Century National Bank of Broward (14554), Fort Lauderdale .....	Sept. 30	22,426
The City National Bank of Coral Gables (14792), Coral Gables, absorbed by City National Bank of Miami (14718), Miami .....	Jan. 1	3,626
City National Bank of Miami Beach (15173), Miami, absorbed by City National Bank of Miami (14718), Miami ..	Jan. 1	9,527
City National Bank of North Miami (16530), North Miami, absorbed by City National Bank of Miami (14718), Miami ..	Jan. 1	1,566
City National Bank of South Dade (16447), Dade County, absorbed by City National Bank of Miami (14718), Miami ..	Jan. 1	1,229
<b>ILLINOIS</b>		
The National Stock Yards National Bank of National City (12991)†, National City, absorbed by First National Bank at East St. Louis (14127), East St. Louis .....	Nov. 14	50,558
<b>LOUISIANA</b>		
Republic National Bank of Louisiana (16339), New Orleans, absorbed by First City Bank, New Orleans .....	Aug. 1	186
<b>MICHIGAN</b>		
Kentwood National Bank (16152), Kentwood, absorbed by Kentwood Bank, N.A. (16672), Kentwood .....	Aug. 31	701
<b>NEW JERSEY</b>		
The First National Bank of Cape May Court House (7945), Cape May Court House, absorbed by Guarantee Bank, Atlantic City .....	Jan. 1	4,254
The First National Bank of Dunellen (8501), Dunellen, absorbed by Provident Savings Bank, Jersey City .....	Dec. 30	2,638
Shore National Bank (15913), Brick Township, absorbed by Garden State National Bank (15570), Paramus .....	Aug. 15	2,148
Bankers National Bank (11543), Elmwood Park, absorbed by Valley National Bank (15790), Passaic .....	June 17	4,053
<b>NORTH DAKOTA</b>		
Columbus National Bank (15973), Columbus, absorbed by First National Bank of Crosby (16661), Crosby .....	Aug. 1	339
<b>OHIO</b>		
The Third National Bank of Circleville (2817), Circleville, absorbed by T N B National Bank (16685), Circleville ..	Dec. 1	1,958
<b>PENNSYLVANIA</b>		
The Northampton National Bank of Easton (5118), Easton, absorbed by The First National Bank of Allentown (373), Allentown .....	June 10	2,252
<b>WASHINGTON</b>		
Valley National Bank of Auburn (15233), Auburn, absorbed by Puget Sound National Bank (12292), Tacoma .....	Sept. 9	2,745
<b>WISCONSIN</b>		
Midland National Bank (15510), Milwaukee, absorbed by The National Bank of Wisconsin in La Crosse (7347), La Crosse .....	July 23	22,299
<b>VIRGIN ISLANDS</b>		
Deposit Insurance National Bank of the Virgin Islands, Charlotte Amalie was terminated .....	Oct. 26	0

\* Includes subordinated notes and debentures, if any.

† Certain assets and liabilities of The National Stockyards National Bank (Charter No. 12991) were purchased by The Boatmen's National Bank of St. Louis Mo. (Charter No. 12991) as of the same date.

Table B-13

**National banks merged or consolidated with state banks, by states, calendar 1977**  
(Dollar amounts in thousands)

Title and location of bank		Effective date	Total capital accounts of national bank*
Total: 11 banks .....			\$30,623
<b>FLORIDA</b>			
Sun Bank of Bal Harbour, National Association (14696), Bal Harbour, merged into Sun Bank of Miami, Coral Gables, under title "Sun Bank of Miami" .....	Nov. 25	5,885	
Capital Bank of Miami, N.A. (15307), Miami, merged into Capital Bank, North Bay Village, under title "Capital Bank" .....	Dec. 30	748	
Atlantic National Bank of Winter Park (15135), Winter Park, merged into Atlantic Bank of Conway, Orange County, under title "Atlantic Bank of Orlando" .....	Nov. 1	1,066	
<b>IDAHO</b>			
The First National Bank of Grace (11179), Grace, merged into First Bank & Trust of Idaho, Malad City, under title "First Bank & Trust of Idaho" .....	Dec. 20	582	
<b>KANSAS</b>			
The Citizens National Bank of Minneapolis (4931), Minneapolis, merged into The Ottawa County Bank, Minneapolis, under title "The Ottawa County Bank" .....	Jan. 1	871	
<b>MARYLAND</b>			
The Citizens National Bank of Havre De Grace (5445), Havre De Grace, merged into Elkton Banking and Trust Company of Maryland, Elkton, under title "County Banking and Trust Company" .....	Oct. 3	908	
Potomac National Bank (14856), Potomac, merged into The Commerce Bank and Trust Company of Maryland, under title "Potomac Valley Bank"† .....	Oct. 3	2,437	
<b>MISSISSIPPI</b>			
The First National Bank of Canton (6847), Canton, merged into The Mississippi Bank, Jackson, under title "The Mississippi Bank" .....	Dec. 31	1,616	
<b>NEW YORK</b>			
Chemical Bank Hudson Valley, National Association (14734), Nyack, merged into Chemical Bank, New York, New York, under title "Chemical Bank" .....	Mar. 31	4,925	
<b>PENNSYLVANIA</b>			
Sullivan County National Bank (9528), Laporte, merged into Citizens & Northern Bank, Ralston, under title "Citizens & Northern Bank" .....	Sept. 30	524	
<b>VIRGINIA</b>			
Bank of Virginia N.A. (16485), Roanoke, merged into Bank of Virginia-Southwest, Bristol, under title "Bank of Virginia-Southwest" .....	June 30	11,061	

\* Includes subordinated notes and debentures, if any.

† Formerly The Commerce Bank and Trust Company of Maryland.

Table B-14

**National banks converted into state banks, by states, calendar 1977**  
(Dollar amounts in thousands)

Charter No.	Title and location	Effective date	Total capital accounts of national banks *
Total: 44 banks .....			\$202,605
<b>ARKANSAS</b>			
10087	Citizens First National Bank of Arkadelphia, Arkadelphia, converted into Citizens First State Bank of Arkadelphia .....	May 24	1,573
11367	Arkansas National Bank of Heber Springs, Heber Springs, converted into Heber Springs State Bank .....	May 24	1,239
<b>CALIFORNIA</b>			
15241	San Luis Obispo National Bank, San Luis Obispo, converted into First Central Coast Bank .....	June 13	2,698
<b>CONNECTICUT</b>			
780	The City National Bank of Connecticut, Bridgeport, converted into Citytrust .....	Jan. 1	32,845
2	The First New Haven National Bank, New Haven, converted into First Bank .....	Apr. 1	28,871

See footnote at end of table.

Table B-14—Continued

*National banks converted into state banks, by states, calendar 1977*  
(Dollar amounts in thousands)

<i>Charter No.</i>	<i>Title and location</i>	<i>Effective date</i>	<i>Total capital accounts of national banks*</i>
<b>ILLINOIS</b>			
3190	United Bank of Belvidere, National Association, Belvidere, converted into United Bank of Belvidere	June 30	2,197
14363	Upper Avenue National Bank, Chicago, converted into Upper Avenue Bank	July 28	9,063
14575	Union National Bank of East St. Louis, East St. Louis, converted into Union Trust Company of East St. Louis	Jan. 13	3,757
14854	American National Bank of Granite City, Granite City, converted into American Heritage Bank of Granite City, Illinois	Apr. 2	1,287
<b>IOWA</b>			
14970	First National Bank of Evansdale, Evansdale, converted into Evansdale State Bank	Nov. 21	498
<b>KANSAS</b>			
7303	The Home National Bank of Eureka, Eureka, converted into Home Bank and Trust Company of Eureka	Mar. 31	1,294
14961	The First National Bank in Hoisington, Hoisington, converted into First Kansas Bank	Nov. 3	1,168
14048	The Chandler National Bank of Lyons, Lyons, converted into The Chandler Bank of Lyons	Mar. 29	578
3687	The First National Bank and Trust Company, Norton, converted into First Security Bank & Trust Company	Jan. 1	838
8162	The First National Bank of Troy, Troy, converted into First Bank of Troy	Jan. 1	584
11855	First National Bank of WaKeeney, WaKeeney, converted into The First Bank of WaKeeney	June 30	528
8399	The National Bank of Commerce of Wellington, Wellington, converted into Bank of Commerce and Trust Company	Nov. 1	579
14999	City National Bank of Wichita, Kansas, Wichita, converted into City Bank and Trust Company	Nov. 1	1,689
<b>MARYLAND</b>			
14937	American National Bank of Maryland, Silver Spring, converted into American Bank of Maryland	Mar. 31	14,262
15154	Peoples National Bank of Maryland, Suitland, converted into Peoples Security Bank of Maryland	Nov. 1	8,809
<b>MASSACHUSETTS</b>			
1082	First Agricultural National Bank of Berkshire County, Pittsfield, converted into First Agricultural Bank	Jan. 21	8,454
14798	South Shore National Bank, Quincy, converted into South Shore Bank	Jan. 21	17,189
1135	The Mechanics National Bank of Worcester, Worcester, converted into Mechanics Bank	Jan. 21	8,434
<b>MISSOURI</b>			
14528	St. Louis County National Bank, Clayton, converted into St. Louis County Bank	Apr. 22	20,562
15242	Dexter National Bank, Dexter, converted into First State Bank of Dexter	Mar. 30	852
<b>NEBRASKA</b>			
9731	The City National Bank of Crete, Crete, converted into Citibank and Trust Company of Crete	Sept. 26	1,284
8760	The First National Bank of Hay Springs, Hay Springs, converted into Northwestern State Bank	May 11	811
13446	The Overton National Bank, Overton, converted into Bank of Overton	Apr. 9	198
<b>NEW HAMPSHIRE</b>			
5151	The First National Bank of Briston, Briston, converted into The Briston Bank	Jan. 3	491
537	Connecticut River National Bank, Charleston, converted into Connecticut River Bank	July 31	1,153
<b>OKLAHOMA</b>			
10804	The First National Bank of Beaver, Beaver, converted into The First Security Bank	May 9	1,379
9008	The Alfalfa County National Bank of Cherokee, Cherokee, converted into Alfalfa County Bank	Jan. 31	573
12104	State National Bank of Depeu, Depeu, converted into Central Oklahoma Bank	Dec. 1	230
14960	Community National Bank of Warr Acres, Warr Acres, converted into Community Bank	June 30	3,542
<b>PENNSYLVANIA</b>			
14344	The Hanover National Bank of Wilkes-Barre, Wilkes-Barre, converted into Hanover Bank of Pennsylvania	Apr. 17	4,170
<b>TENNESSEE</b>			
14822	The First National Bank of Rogersville, Rogersville, converted into City & County Bank of Hawkins County	May 30	1,549
<b>TEXAS</b>			
15125	White Rock National Bank of Dallas, Dallas, converted into White Rock Bank of Dallas	May 15	3,040
14634	First National Bank of Edna, Edna, converted into First Bank of Edna	Oct. 3	1,660
15764	Northwest National Bank, Houston, converted into Northwest Bank and Trust	Feb. 15	3,462
5710	The First National Bank of Roxton, Roxton, converted into The First Bank, Roxton, Texas	Apr. 14	416
<b>VIRGINIA</b>			
15390	First Virginia Bank-Monticello National, Charlottesville, converted into First Virginia Bank-Central	Sept. 1	1,810

See footnote at end of table.

Table B-14—Continued

**National banks converted into state banks, by states, calendar 1977**  
(Dollar amounts in thousands)

Charter No.	Title and location	Effective date	Total capital accounts of national banks *
4775	<b>WEST VIRGINIA</b> The First National Bank of Ceredo, Ceredo, converted into First Bank of Ceredo . . . . .	Dec. 14	2,927
11783	<b>WISCONSIN</b> First National Bank and Trust Company, Burlington, converted into First Bank & Trust Company . . . . .	Jan. 3	2,574
13932	First National Bank of Edgerton, Edgerton, converted into First State Bank of Edgerton . . . . .	Jan. 3	948

\* Includes subordinated notes and debentures, if any.

Table B-15

**Purchases of state banks by national banks, by states, calendar 1977**  
(Dollar amounts in thousands)

Title and location of bank	Effective date	Total capital accounts of state banks *
Total: 5 banks . . . . .		\$16,802
<b>GEORGIA</b> The First National Bank of Atlanta (1559), Atlanta, purchased The First Augusta Bank and Trust Company, Augusta . . . . .	May 20	1,873
<b>NEW JERSEY</b> Heritage Bank National Association (1209), Cherry Hill, purchased Pineland State Bank, Brick Town . . . . .	Dec. 31	6,506
<b>OHIO</b> The Central Trust Company of Northeastern Ohio, N.A., (76), Canton, purchased The Dime Bank, Canton . . . . .	Aug. 13	948
<b>UTAH</b> First Security Bank of Utah, National Association (2597), Ogden, purchased First Security State Bank of Springville, Springville . . . . .	Jan. 31	390
<b>WASHINGTON</b> Peoples National Bank of Washington (14394), Seattle, purchased Bank of Yakima, Yakima . . . . .	Mar. 24	7,085

\* Includes subordinated notes and debentures, if any.

Table B-16

**Consolidations of national banks, or national and state banks, by states, calendar 1977**  
(Dollar amounts in thousands)

Effective date	Consolidating banks Resulting bank	Outstanding capital stock	Surplus	Undivided profits and reserves	Total assets
	Total: 1 consolidation				
	<b>MARYLAND</b>				
	The Citizens National Bank (4364), Laurel . . . . .	\$1,342	\$2,500	\$2,723	\$73,637
	Belair National Bank (15285), Bowie . . . . .	494	471	1,490	21,299
Jan. 3	The Citizens National Bank (4364), Laurel . . . . .	1,339	3,468	4,229	94,936

Table B-17

## Mergers of national banks, or national and state banks, by states, calendar 1977

(Dollar amounts in thousands\*)

Effective date	Merging banks Resulting bank	Outstanding capital stock	Surplus	Undivided profits and reserves	Total assets
	Total: 47 merger actions				
	<b>CALIFORNIA</b>				
	Balboa Bank, Chula Vista .....	\$621	\$694	\$323	\$25,058
	First National Bank of San Diego County, Escondido (15453)	933	1,589	1,617	86,934
Dec. 31	First National Bank of San Diego County, Escondido (15453)	1,308	2,559	2,131	122,331
	<b>FLORIDA</b>				
	Sun Bank of Seminole, Altamonte Springs .....	500	350	150	10,105
	Sun Bank of Semoran, National Association, Seminole County (16108) .....	952	498	370	33,407
Jan. 1	Sun Bank of Seminole, National Association, Seminole County (16108) .....	952	498	381	36,083
	Barnett Bank of Bay Harbor Islands, National Association, Bay Harbor Islands (15413) .....	1,500	905	1,324	49,409
	Barnett Bank of Miami, Miami .....	1,330	979	324	39,555
	Barnett Bank at Midway, National Association, Dade County (15870) .....	300	200	202	21,995
	Barnett Bank at Westchester, National Association, Dade County (15337) .....	440	440	1,598	46,596
	Barnett Bank of Miami Beach, National Association, Miami Beach (13828) .....	2,200	2,800	3,281	101,624
Jan. 1	Barnett Bank of Miami, National Association, Miami Beach (13828) .....	5,770	5,324	6,729	259,179
	Barnett Bank of East Ocala, National Association, Ocala (15647) .....	500	650	403	22,344
	Barnett Bank of Ocala, National Association, Ocala (10578)	2,200	2,514	1,150	56,020
Jan. 1	Barnett Bank of Ocala, National Association, Ocala (10578)	2,779	3,085	1,553	78,034
	Barnett Bank of Orlando, Orlando .....	564	250	186	11,296
	Barnett Bank of South Orlando, Orlando .....	500	400	98	7,006
	Barnett Bank of West Orlando, Orlando .....	400	240	171	9,796
	Barnett Mall Bank, National Association, Winter Park (15900)	700	216	34	10,142
	Barnett Bank of Winter Park, National Association, Winter Park (14767) .....	2,320	3,942	4,824	137,518
Jan. 1	Barnett Bank of Orlando/Winter Park, National Association, Winter Park (14767) .....	3,119	6,413	5,313	175,758
	First National Bank of Princeton-Naranja, Princeton-Naranja (15469) .....	200	215	95	5,050
	The First National Bank of Homestead, Homestead (13641)	600	1,800	740	44,086
Jan. 1	The First National Bank of Homestead, Homestead (13641)	694	2,121	835	49,136
	Barnett Bank of Cypress Gardens, National Association, Winter Haven (15270) .....	1,500	1,789	1,487	50,398
	Barnett Bank of Winter Haven, National Association, Winter Haven (13383) .....	309	477	454	19,991
Jan. 1	Barnett Bank of East Polk County, National Association, Win- ter Haven (13383) .....	1,880	2,195	1,941	72,814
	Landmark Bank of Clearwater, National Association, Clearwater (15426) .....	300	400	748	18,273
	Landmark Bank of Seminole, National Association, Pinellas County (16036) .....	755	608	75	14,916
	Landmark Bank at Tyrone, St. Petersburg .....	550	350	16	12,183
	Landmark Bank of Tarpon Springs, National Association, Tarpon Springs (16391) .....	400	400	66	6,215
	Landmark Union Trust Bank of St. Petersburg, National As- sociation, St. Petersburg (15507) .....	3,600	4,200	6,429	290,239
Jan. 3	Landmark Union Trust Bank of St. Petersburg, National As- sociation, St. Petersburg (15507) .....	4,907	6,656	7,334	340,193
	Sun Second National Bank of Delray Beach, Delray Beach (15787) .....	400	450	403	14,349
	Sun First National Bank of Delray Beach, Delray Beach (14556) .....	1,142	2,200	3,395	88,493
Feb. 1	Sun First National Bank of Delray Beach, Delray Beach (14556) .....	1,362	2,830	3,798	102,842
	Sunrise American National Bank of Fort Lauderdale, Fort Lauderdale (15191) .....	550	850	429	35,297
	Southport American National Bank of Fort Lauderdale, Fort Lauderdale (16064) .....	800	842	231	22,905
	American National Bank and Trust Company of Fort Lauder- dale, Fort Lauderdale (14741) .....	1,807	2,927	2,426	103,414
Mar. 31	American National Bank and Trust Company of Fort Lauder- dale, Fort Lauderdale (14741) .....	1,807	5,969	3,086	161,524

See footnotes at end of table.

**Table B-17—Continued**  
**Mergers of national banks, or national and state banks, by states, calendar 1977**  
(Dollar amounts in thousands\*)

Effective date	Merging banks Resulting bank	Outstanding capital stock	Surplus	Undivided profits and reserves	Total assets
<b>FLORIDA—Continued</b>					
Apr. 1	Flagship Bank North of St. Petersburg, N.A., St. Petersburg (15905) . . . . .	\$400	\$400	\$366	\$19,154
	Flagship Bank South, St. Petersburg, St. Petersburg . . . . .	350	310	101	13,640
	Flagship Bank of St. Petersburg, N.A., St. Petersburg (15281) . . . . .	654	1,755	1,457	53,102
	Flagship Bank of St. Petersburg, N.A., St. Petersburg (15281) . . . . .	1,404	2,465	1,924	85,896
	First National Bank of Broward County, Lighthouse Point (15004) . . . . .	1,100	1,400	1,674	52,911
	First National Bank of Margate, Margate (15113) . . . . .	500	750	1,344	30,594
	First National Bank on the Beach, Pompano Beach (15724) . . . . .	500	500	1,138	27,865
	First National Bank of Pompano Beach, Pompano Beach (14723) . . . . .	3,000	3,000	4,153	120,675
May 2	First National Bank of Broward County, Pompano Beach (14723) . . . . .	5,597	5,597	7,866	214,495
June 1	Sun First National Bank of Melbourne, Melbourne (14845) . . . . .	440	810	1,174	31,373
	Sun First National Bank of Palm Bay, Palm Bay (16107) . . . . .	200	200	248	10,133
	Sun First National Bank of Melbourne, Melbourne (16107) . . . . .	640	1,010	1,422	41,506
June 30	Second National Bank of Lakeland, Lakeland (16561) . . . . .	400	520	42	2,729
	First National Bank of Lakeland, Lakeland (15066) . . . . .	585	1,215	1,100	47,213
	First National Bank of Lakeland, Lakeland (15066) . . . . .	780	1,940	1,142	49,942
June 30	First Financial National Bank of Tampa, Hillsborough County (16135) . . . . .	400	650	42	6,019
	First National Bank of Florida, Tampa (3497) . . . . .	7,590	17,410	5,661	450,196
	First National Bank of Florida, Tampa (3497) . . . . .	7,860	18,190	5,703	453,983
	Landmark Bank of North Fort Lauderdale, National Association, Fort Lauderdale (15143) . . . . .	800	2,161	1,869	74,554
	Landmark Bank of Plantation National Association, Plantation (14802) . . . . .	1,826	1,531	387	50,256
	Landmark Bank at the Ocean, National Association, Fort Lauderdale (15213) . . . . .	520	616	1,006	31,282
	Landmark Bank of West Broward, National Association, Plantation (15859) . . . . .	973	621	436	33,556
	Landmark Bank of Sunrise, National Association, Sunrise (16292) . . . . .	500	300	306	18,969
	Landmark Bank of Pompano Beach, N.A., Pompano Beach (16574) . . . . .	270	135	121	4,321
July 1	Landmark First National Bank of Fort Lauderdale, Fort Lauderdale (14376) . . . . .	4,600	5,880	7,984	316,751
	Landmark First National Bank of Fort Lauderdale, Fort Lauderdale (14376) . . . . .	8,192	12,542	12,108	529,662
	Sun Bank of South Orlando, National Association, Orlando (14883) . . . . .	709	1,841	1,961	56,405
	Sun Bank of College Park, National Association, Orlando (14675) . . . . .	500	2,000	1,567	47,041
	Sun Bank of Pine Hills, National Association, Orange County (14892) . . . . .	565	1,285	1,248	35,892
	Sun Bank of Central Park, National Association, Orange County (15803) . . . . .	441	659	523	26,457
July 1	Sun Bank of East Orlando, National Association, Orlando (15062) . . . . .	540	1,710	804	40,036
	Sun First National Bank of Orlando, Orlando (14003) . . . . .	2,876	16,124	7,991	380,348
	Sun First National Bank of Orlando, Orlando (14003) . . . . .	2,876	26,374	14,103	587,925
July 1	First State Bank of Sarasota County, Osprey . . . . .	500	400	28	7,012
	First National Bank of Venice, Venice (15071) . . . . .	1,201	1,703	2,610	83,405
	First National Bank of Venice, Venice (15071) . . . . .	1,401	2,404	2,638	90,418
July 8	Southeast Bank of West Bradenton, National Association, Manatee County (16276) . . . . .	500	300	0	5,376
	Southeast National Bank of Bradenton, Bradenton (14704) . . . . .	1,500	4,500	2,410	87,212
	Southeast National Bank of Bradenton, Bradenton (14704) . . . . .	1,500	4,500	2,414	92,046
Aug. 15	Southeast Bank of Naples, N.A., Naples (16268) . . . . .	1,000	350	0	8,251
	Southeast National Bank of Naples, Naples (15967) . . . . .	1,658	1,373	461	36,159
	Southeast National Bank of Naples, Naples (15967) . . . . .	1,658	1,373	461	43,548
Sept. 30	Century National Bank of Fort Lauderdale, Fort Lauderdale (14567) . . . . .	1,000	2,500	2,538	88,393
	Century National Bank of Broward, Fort Lauderdale (14554) . . . . .	2,500	8,500	4,388	128,073
	Century National Bank of Broward, Fort Lauderdale (14554) . . . . .	3,483	11,017	7,295	306,702
Nov. 7	Florida First National Bank at Brent, Brent (14797) . . . . .	200	750	537	15,064
	The Florida First National Bank at Pensacola, Pensacola (5603) . . . . .	1,200	4,800	3,334	63,963
	The Florida First National Bank at Pensacola, Pensacola (5603) . . . . .	1,200	4,800	3,364	75,855
Nov. 30	Flagship National Bank of Westland, Hialeah (15944) . . . . .	1,050	160	0	27,334
	Flagship National Bank of Miami, Miami (15411) . . . . .	1,800	2,700	2,819	90,333
	Flagship National Bank of Miami, Miami (15411) . . . . .	2,068	3,642	2,699	117,667

See footnotes at end of table.



**Table B-17—Continued**  
**Mergers of national banks, or national and state banks, by states, calendar 1977**

(Dollar amounts in thousands\*)

Effective date	Merging banks Resulting bank	Outstanding capital stock	Surplus	Undivided profits and reserves	Total assets
<b>FLORIDA—Continued</b>					
	Florida Coast Bank of Margate, Margate .....	\$ 500	\$ 950	\$ 205	\$ 27,529
Dec. 1	Florida Coast Bank of Coral Springs, National Associations, Coral Springs (16386) .....	1,000	750	205	15,925
	Florida Coast Bank of Coral Springs, National Association, Coral Springs (16386) .....	1,500	1,700	410	43,454
	Pan American Bank of Miami, Miami .....	2,380	7,620	4,216	232,132
	Pan American Bank of Dade County, Dade County .....	1,000	2,500	1,459	49,101
	Pan American Bank of Miami Beach, Miami Beach .....	1,000	740	500	32,248
	Pan American Bank of West Dade, Dade County .....	500	500	607	28,748
	Pan American Bank of Kendale Lakes, National Association, Dade County (16442) .....	500	300	117	18,101
Dec. 30	Pan American Bank, National Association, Dade County (16442) .....	6,471	10,569	6,899	343,836
	Florida National Bank at Coral Gables, Coral Gables (14497) .....	1,500	3,300	2,467	94,658
	Florida First National Bank at Opa-Locka, Opa-Locka (14895) .....	300	540	379	10,061
	The Florida National Bank and Trust Company at Miami, (13570) .....	7,200	13,500	10,260	279,096
Dec. 30	Florida National Bank of Miami, Miami (13570) .....	7,200	13,500	10,260	382,767
	First Bank of West Boca Raton, Boca Raton .....	350	350	161	8,481
	University National Bank of Boca Raton, Boca Raton (15554) .....	338	1,277	1,046	49,349
	First Bank and Trust Company of Boca Raton, National Association, Boca Raton (15421) .....	1,795	3,948	4,313	156,072
Dec. 31	First Bank and Trust Company of Boca Raton, National Association, Boca Raton (15421) .....	1,795	3,948	5,096	175,047
	Atlantic National Bank of Hollywood, Hollywood (15147)† ..	1,075	856	1,047	34,768
	Atlantic National Bank of Davie, Davie (15739)† ..	581	468	514	21,202
	Atlantic National Bank of Fort Lauderdale, Fort Lauderdale (16034)† ..	667	200	0	11,987
	Atlantic National Bank of West Hollywood, Hollywood (15166)† ..	1,854	1,722	2,355	79,927
Dec. 31	Atlantic National Bank of Broward, Broward (15166) .....	3,568	3,855	3,907	142,835
<b>IOWA</b>					
	Ainsworth State Bank, Ainsworth .....	110	390	206	8,017
Apr. 1	The National Bank of Washington, Washington (13849) .....	120	180	1,377	21,588
	The National Bank of Washington, Washington (13849) .....	173	470	1,833	29,286
<b>MARYLAND</b>					
	The Hancock Bank, Hancock .....	200	350	465	11,926
Mar. 31	The First National Bank of Maryland, Baltimore (1413) .....	15,745	34,534	27,912	1,377,375
	The First National Bank of Maryland, Baltimore (1413) .....	15,945	34,884	28,377	1,389,301
<b>MISSISSIPPI</b>					
	Southern National Bank of Hattiesburg, Hattiesburg (15539) ..	885	2,534	23	33,067
Dec. 30	Deposit Guaranty National Bank, Jackson (15548) .....	10,809	58,972	0	1,127,185
	Deposit Guaranty National Bank, Jackson (15548) .....	11,359	61,841	23	1,157,286
<b>NEW JERSEY</b>					
	Independent National Bank, Stone Harbor (12978) .....	1,074	3,263	1,366	66,597
July 5	First Peoples National Bank of New Jersey, Haddon Township (399) .....	7,859	8,144	7,975	647,731
	First Peoples National Bank of New Jersey, Haddon Township (399) .....	7,859	8,144	5,341	715,490
	The First National Bank of Hamilton Square, Hamilton Square (12646) .....	500	750	2,232	71,179
Sept. 30	Colonial First National Bank, Red Bank (2257) .....	4,965	11,155	14,513	411,911
	Colonial First National Bank, Red Bank (2257) .....	4,965	11,155	12,686	477,737
<b>NEW YORK</b>					
	The First National Bank of Mexico, Mexico (5293) .....	200	200	631	14,571
May 27	The National Bank of Northern New York, Watertown (2657) ..	2,979	2,979	10,426	191,361
	The National Bank of Northern New York, Watertown (2657) ..	3,279	3,279	10,857	202,660
	The Dover Plains National Bank, Dover Plains (822) .....	150	150	821	11,045
	The Fishkill National Bank, Beacon (35) .....	484	936	2,146	45,703
Nov. 28	The Fishkill National Bank, Beacon (35) .....	589	1,131	2,967	56,748
<b>NORTH CAROLINA</b>					
	Lafayette Bank & Trust Company, Fayetteville .....	1,500	1,000	281	10,652
Apr. 1	Southern National Bank of North Carolina, Lumberton (10610) .....	6,553	8,633	9,517	377,920
	Southern National Bank of North Carolina, Lumberton (10610) .....	6,553	8,633	9,517	385,750

See footnotes at end of table.

**Table B-17—Continued**  
**Mergers of national banks, or national and state banks, by states, calendar 1977**

(Dollar amounts in thousands\*)

Effective date	Merging banks Resulting bank	Outstanding capital stock	Surplus	Undivided profits and reserves	Total assets
<b>NORTH CAROLINA—Continued</b>					
Apr. 1	Town and Country Bank, Lumberton . . . . .	\$ 658	\$ 729	\$ 249	\$ 8,639
	Wachovia Bank and Trust Company, N.A., Winston-Salem (15673) . . . . .	51,360	72,000	112,367	3,415,829
	Wachovia Bank and Trust Company, N.A., Winston-Salem (15673) . . . . .	51,360	73,387	112,616	3,424,468
<b>OHIO</b>					
May 13	The Peoples National Bank of Plymouth, Plymouth (7035) . .	117	531	471	17,502
	First National Bank of Mansfield, Mansfield (2577) . . . . .	5,146	13,154	1,942	208,777
	First National Bank of Mansfield, Mansfield (2577) . . . . .	5,412	13,685	2,324	226,279
<b>PENNSYLVANIA</b>					
Mar. 1	Farmers and Merchants Bank, St. Mary's . . . . .	300	900	1,087	18,454
	Deposit National Bank, DuBois (5019) . . . . .	1,560	4,190	2,592	102,025
	Deposit National Bank, DuBois (5019) . . . . .	2,145	5,090	3,370	121,204
June 30	The Reedsville National Bank, Reedsville (4538) . . . . .	78	369	142	8,299
	The Russell National Bank, Lewiston (10506) . . . . .	1,287	2,482	2,101	76,275
	The Russell National Bank, Lewiston (10506) . . . . .	1,412	2,804	2,163	84,600
<b>UTAH</b>					
Aug. 31	First Security Bank of Bountiful, National Association, Bountiful (15942) . . . . .	200	200	214	9,057
	First Security Bank of Utah, National Association, Ogden (2597) . . . . .	22,000	42,000	16,579	1,260,413
	First Security Bank of Utah, National Association, Ogden (2597) . . . . .	22,150	42,350	16,693	1,268,680
<b>VIRGINIA</b>					
Mar. 3	National Bank of Northampton, Nassawadox (14544) . . . .	200	200	322	6,113
	United Virginia Bank /Seaboard National, Norfolk (10194) . .	7,519	9,841	12,281	366,190
	United Virginia Bank /Seaboard National, Norfolk (10194) . .	8,125	9,574	12,304	372,303
Mar. 4	Potomac Bank and Trust Company, Fairfax . . . . .	1,000	758	276	35,043
	Dominion National Bank, Fairfax County (14904) . . . . .	1,775	3,038	922	75,354
	Dominion National Bank of Northern Virginia, Fairfax County (14904) . . . . .	2,368	4,203	1,198	110,397
Mar. 25	Second National Bank of Richmond, Richmond (15567) . . .	1,000	746	249	35,191
	Metropolitan National Bank, Richmond (15530) . . . . .	1,775	3,038	1,124	75,807
	Dominion National Bank of Richmond, Richmond (15530) . .	2,368	4,202	1,309	110,683
Aug. 22	Merchants and Farmers Bank, Portsmouth . . . . .	1,409	1,547	1,437	67,117
	First National Bank of Tidewater, Norfolk (15461) . . . . .	1,216	2,396	705	58,222
	Dominion National Bank of Tidewater, Norfolk (15461) . . .	2,625	3,943	2,070	122,246
Nov. 30	Virginia National Bank /Fairfax, Springfield (16398) . . . . .	502	1,032	7	11,521
	Virginia National Bank, Norfolk (9885) . . . . .	20,552	31,803	60,735	2,043,636
	Virginia National Bank, Norfolk (9885) . . . . .	20,552	33,337	60,742	2,054,628
Dec. 31	Mountain Trust Bank, Roanoke . . . . .	2,015	4,800	1,826	117,508
	First & Merchants National Bank, Richmond (1111) . . . . .	19,967	33,223	30,156	1,306,488
	First & Merchants National Bank, Richmond (1111) . . . . .	21,982	38,023	32,963	1,457,952

\* In some cases nearest Report of Condition figures have been used.

† These banks submitted individual call reports as of December 31, 1977.

**Table B-18**  
**Mergers resulting in national banks, by assets of acquiring and acquired banks, 1960-1977\***

Assets of acquiring banks†	Acquired banks 1960-1977	Assets of acquired banks				
		Under \$10 million	\$10 to 24.9 million	\$25 to 49.9 million	\$50 to 99.9 million	\$100 million and over
Under \$10 million . . . . .	101	101	0	0	0	0
\$10 to 24.9 million . . . . .	155	137	18	0	0	0
\$25 to 49.9 million . . . . .	185	119	51	15	0	0
\$50 to 99.9 million . . . . .	217	120	57	35	5	0
\$100 million and over . . . . .	705	256	242	115	45	47
Total . . . . .	1,363‡	733	368	165	50	47

\* Includes all forms of acquisitions involving two or more banks from May 13, 1960 through December 31, 1977.

† In each transmission, the bank with the larger total assets was considered to be the acquiring bank.

‡ Comprises 1,272 transactions, 32 involving three banks, 11 involving four banks, seven involving five banks, one involving six banks, one involving seven banks and one involving nine banks.

Table B-19

**Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, June 30, 1977**

(Dollar amounts in thousands)

	Total, U.S. and other areas	Total, United States	Alabama	Alaska	Arizona	Arkansas	California
Number of banks	4,703	4,701	97	6	3	71	58
<b>Assets</b>							
Cash and due from banks	\$74,665,758	\$74,641,134	\$814,482	\$158,236	\$660,425	\$504,218	\$9,118,646
U.S. Treasury securities	51,205,681	51,203,586	480,972	60,563	534,455	276,623	5,934,343
Obligations of other U.S. government agencies and corporations	16,725,015	16,723,338	276,999	36,536	110,977	173,542	1,806,585
Obligations of states and political subdivisions	60,667,149	60,661,347	1,187,233	170,311	439,045	554,930	5,970,673
Other bonds, notes and debentures	3,027,428	3,027,428	19,766	471	6,063	9,042	200,912
Federal Reserve stock and corporate stock	992,847	992,649	10,104	2,669	6,611	4,839	114,586
Trading account securities	4,320,807	4,320,807	21,978	0	8,433	29,934	410,741
Federal funds sold and securities purchased under agreements to resell	27,470,292	27,467,342	188,492	52,390	347,200	255,677	6,123,119
Loans, total (excluding unearned income)	316,262,334	316,246,449	4,376,371	691,414	3,382,150	2,376,077	46,917,061
Reserve for possible loan losses	3,758,720	3,758,426	52,472	6,508	26,092	20,471	524,454
Loans, net of reserve	312,503,614	312,488,023	4,323,899	684,906	3,356,058	2,355,606	46,392,607
Direct lease financing	3,947,745	3,947,745	23,583	9,937	5,427	5,582	1,528,437
Bank premises, furniture and fixtures and other assets representing bank premises	10,227,244	10,227,031	151,498	43,530	149,953	88,763	1,526,302
Real estate owned other than bank premises	1,830,382	1,829,529	6,535	1,735	6,985	4,272	94,921
Investments in unconsolidated subsidiaries and associated companies	1,930,294	1,930,294	118	486	0	132	519,583
Customers' liabilities to this bank on acceptances outstanding	7,595,446	7,595,328	20,272	0	3,622	1,145	2,055,757
Other assets	22,688,662	22,687,914	102,180	35,904	85,531	70,432	4,690,976
<b>Total assets</b>	<b>599,798,364</b>	<b>599,743,495</b>	<b>7,628,111</b>	<b>1,257,674</b>	<b>5,720,785</b>	<b>4,334,737</b>	<b>86,488,188</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	144,241,945	144,237,857	1,950,170	502,890	1,667,923	1,145,347	19,783,961
Time and savings deposits of individuals, partnerships and corporations	252,384,821	252,354,366	3,555,634	369,208	3,009,282	1,906,398	39,320,228
Deposits of U.S. government	2,188,579	2,188,528	50,537	10,935	18,513	11,997	264,364
Deposits of states and political subdivisions	38,492,458	38,487,845	707,261	149,051	215,313	342,016	3,816,172
Deposits of foreign governments and official institutions	5,337,624	5,337,624	0	0	5,339	0	1,286,139
Deposits of commercial banks	26,642,073	26,635,999	226,831	1,748	40,101	230,714	2,076,900
Certified and officers' checks	7,141,935	7,139,341	42,936	30,603	83,633	22,173	1,167,027
<b>Total deposits</b>	<b>476,429,435</b>	<b>476,381,560</b>	<b>6,533,369</b>	<b>1,064,435</b>	<b>5,040,104</b>	<b>3,658,645</b>	<b>67,714,791</b>
<b>Total demand deposits</b>	<b>185,874,180</b>	<b>185,866,756</b>	<b>2,428,861</b>	<b>591,731</b>	<b>1,875,308</b>	<b>1,500,562</b>	<b>23,087,122</b>
<b>Total time and savings deposits</b>	<b>290,555,255</b>	<b>290,514,804</b>	<b>4,104,508</b>	<b>472,704</b>	<b>3,164,796</b>	<b>2,158,083</b>	<b>44,627,669</b>
Federal funds purchased and securities sold under agreements to repurchase	53,727,845	53,727,845	313,964	64,268	259,219	279,327	7,918,057
Liabilities for borrowed money	3,555,963	3,555,963	22,221	18,338	339	2,548	1,521,957
Mortgage indebtedness	447,061	447,061	2,198	42	4,155	77	59,691
Acceptances executed by or for account of this bank and outstanding	7,684,371	7,684,253	20,272	0	3,622	1,146	2,057,759
Other liabilities	11,991,566	11,990,302	136,275	11,294	46,369	56,507	1,692,092
<b>Total liabilities</b>	<b>553,836,241</b>	<b>553,786,984</b>	<b>7,028,299</b>	<b>1,158,377</b>	<b>5,353,808</b>	<b>3,998,250</b>	<b>80,964,347</b>
Subordinated notes and debentures	2,815,397	2,813,597	24,496	950	77,638	28,520	408,671
<b>Equity Capital</b>							
Preferred stock	21,559	21,559	0	0	0	0	0
Common stock	9,295,127	9,291,607	115,897	27,635	40,913	69,621	924,778
Surplus	16,257,521	16,253,703	220,669	38,743	99,872	89,131	2,223,244
Undivided profits	16,586,711	16,590,237	231,443	30,035	141,140	135,211	1,924,231
Reserve for contingencies and other capital reserves	985,808	985,808	7,307	1,934	7,414	14,004	42,917
<b>Total equity capital</b>	<b>43,146,726</b>	<b>43,142,914</b>	<b>575,316</b>	<b>98,347</b>	<b>289,339</b>	<b>307,967</b>	<b>5,115,170</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>599,798,364</b>	<b>599,743,495</b>	<b>7,628,111</b>	<b>1,257,674</b>	<b>5,720,785</b>	<b>4,334,737</b>	<b>86,488,188</b>

Table B-19—Continued

**Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, June 30, 1977**

(Dollar amounts in thousands)

	Colorado	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii
Number of banks	132	21	5	15	288	64	2
<b>Assets</b>							
Cash and due from banks	\$1,032,268	\$588,971	\$5,586	\$695,240	\$2,442,734	\$1,361,734	\$20,566
U.S. Treasury securities	449,125	263,134	8,960	511,088	2,663,555	481,737	17,849
Obligations of other U.S. government agencies and corporations	160,416	101,126	2,695	113,283	1,154,731	142,943	5,771
Obligations of states and political subdivisions	716,414	253,952	3,850	631,046	1,896,127	636,987	1,276
Other bonds, notes and debentures	1,013	94,507	383	15,687	140,078	12,529	0
Federal Reserve stock and corporate stock	9,465	5,467	98	8,948	28,116	54,826	206
Trading account securities	26,817	9,360	0	7,627	24,505	37,357	0
Federal funds sold and securities purchased under agreements to resell	368,443	70,640	1,350	343,475	940,711	342,627	6,000
Loans, total (excluding unearned income)	4,136,707	1,677,771	44,762	2,455,601	7,966,266	4,414,186	86,150
Reserve for possible loan losses	39,718	16,719	184	31,136	97,701	57,922	899
Loans, net of reserve	4,096,989	1,661,052	44,578	2,424,465	7,868,565	4,356,264	85,251
Direct lease financing	37,812	8,672	0	26,256	50,315	36,681	0
Bank premises, furniture and fixtures and other assets representing bank premises	140,460	72,590	1,014	49,907	392,592	239,084	2,396
Real estate owned other than bank premises	20,218	9,340	73	1,500	96,063	146,797	4
Investments in unconsolidated subsidiaries and associated companies	2,494	2,069	0	0	3,234	85,204	0
Customers' liabilities to this bank on acceptances outstanding	20,959	25,802	0	2,723	12,661	66,421	67
Other assets	102,850	167,651	465	64,431	311,214	105,031	1,347
<b>Total assets</b>	7,185,743	3,334,333	69,052	4,895,676	18,025,201	8,106,222	140,733
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	1,993,213	1,023,324	16,788	1,803,033	5,243,603	2,501,833	43,730
Time and savings deposits of individuals, partnerships and corporations	2,875,638	1,362,248	42,703	1,877,065	8,123,966	2,569,364	62,488
Deposits of U.S. government	41,999	19,047	511	77,763	49,656	33,419	639
Deposits of states and political subdivisions	650,169	224,289	1,385	6,059	1,278,799	654,790	18,147
Deposits of foreign governments and official institutions	0	0	0	162,209	5,098	14,389	0
Deposits of commercial banks	387,096	208,887	0	60,937	597,899	467,916	2,387
Certified and officers' checks	76,003	29,073	467	129,003	183,905	42,428	2,269
<b>Total deposits</b>	6,024,118	2,866,868	61,854	4,116,069	15,482,926	6,284,139	129,660
<b>Total demand deposits</b>	2,575,359	1,347,689	17,919	2,172,628	6,378,197	3,206,515	49,723
<b>Total time and savings deposits</b>	3,448,759	1,519,179	43,935	1,943,441	9,104,729	3,077,624	79,937
Federal funds purchased and securities sold under agreements to repurchase	462,560	195,901	300	301,712	881,571	834,686	600
Liabilities for borrowed money	49,471	7,246	598	9,929	13,867	38,125	0
Mortgage indebtedness	11,030	113	0	60	7,695	34,128	0
Acceptances executed by or for account of this bank and outstanding	20,959	25,802	0	2,723	12,662	67,404	67
Other liabilities	101,201	20,833	426	50,727	172,624	180,965	1,452
<b>Total liabilities</b>	6,669,339	3,116,763	63,178	4,481,220	16,571,345	7,439,447	131,779
Subordinated notes and debentures	34,400	10,935	200	13,105	37,416	63,048	1,500
<b>Equity Capital</b>							
Preferred stock	0	0	0	374	1,001	0	0
Common stock	100,644	49,542	1,580	64,213	361,743	154,929	3,799
Surplus	164,691	103,704	1,676	134,781	558,622	220,187	2,508
Undivided profits	210,256	50,669	2,349	197,360	469,856	160,080	1,147
Reserve for contingencies and other capital reserves	6,413	2,720	69	4,623	25,218	68,531	0
<b>Total equity capital</b>	482,004	206,635	5,674	401,351	1,416,440	603,727	7,454
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	7,185,743	3,334,333	69,052	4,895,676	18,025,201	8,106,222	140,733

Table B-19—Continued

*Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, June 30, 1977*

(Dollar amounts in thousands)

	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana
Number of banks	7	424	120	100	164	82	54
<b>Assets</b>							
Cash and due from banks	\$280,119	\$5,329,449	\$1,544,603	\$595,479	\$635,134	\$609,258	\$963,076
U.S. Treasury securities	220,027	4,654,943	1,487,399	408,482	518,539	509,813	1,338,118
Obligations of other U.S. government agencies and corporations	59,335	2,002,473	603,892	190,131	240,244	120,482	190,377
Obligations of states and political subdivisions	286,312	5,961,738	1,514,910	582,867	635,738	617,088	897,578
Other bonds, notes and debentures	4,021	427,752	184,716	15,004	11,640	3,125	8,670
Federal Reserve stock and corporate stock	4,393	98,633	17,062	4,771	7,903	6,442	10,344
Trading account securities	0	341,382	32,521	10,542	12,270	7,408	477
Federal funds sold and securities purchased under agreements to resell	67,718	1,444,783	705,378	129,512	322,635	263,450	539,176
Loans, total (excluding unearned income)	1,680,340	29,069,941	6,779,713	2,749,154	2,672,425	2,907,663	3,878,925
Reserve for possible loan losses	13,611	387,165	82,398	21,945	24,712	27,420	43,212
Loans, net of reserve	1,666,729	28,682,776	6,697,315	2,727,209	2,647,713	2,880,243	3,835,713
Direct lease financing	7,517	72,556	130,075	1,819	3,602	68,560	26,245
Bank premises, furniture and fixtures and other assets representing bank premises	47,360	630,717	236,244	69,073	120,269	94,052	158,338
Real estate owned other than bank premises	1,425	216,329	27,671	5,457	3,503	5,967	18,265
Investments in unconsolidated subsidiaries and associated companies	0	209,168	8,024	1,253	1,729	74	1,578
Customers' liabilities to this bank on acceptances outstanding	0	673,772	36,027	889	0	11,232	6,717
Other assets	37,586	1,132,515	432,121	86,065	56,114	77,868	157,816
<b>Total assets</b>	<b>2,682,542</b>	<b>51,878,986</b>	<b>13,657,958</b>	<b>4,828,553</b>	<b>5,217,033</b>	<b>5,275,062</b>	<b>8,152,488</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	697,691	10,294,134	2,871,220	1,063,282	1,286,151	1,481,471	2,235,810
Time and savings deposits of individuals, partnerships and corporations	1,433,714	21,293,012	6,265,256	2,492,160	2,216,487	2,463,576	3,053,768
Deposits of U.S. government	5,672	140,945	41,478	15,786	17,463	21,592	36,934
Deposits of states and political subdivisions	168,288	2,375,510	1,482,927	265,033	657,196	354,494	1,060,804
Deposits of foreign governments and official institutions	0	1,435,738	0	0	2	0	5,052
Deposits of commercial banks	9,584	2,808,278	379,055	262,982	238,261	223,563	352,898
Certified and officers' checks	21,628	470,579	119,969	25,893	30,019	38,279	61,472
<b>Total deposits</b>	<b>2,336,577</b>	<b>38,818,196</b>	<b>11,159,905</b>	<b>4,125,136</b>	<b>4,445,579</b>	<b>4,582,975</b>	<b>6,806,738</b>
Total demand deposits	796,710	13,435,989	3,991,778	1,412,071	1,716,036	1,834,717	2,811,680
Total time and savings deposits	1,539,867	25,382,207	7,168,127	2,713,065	2,729,543	2,748,258	3,995,058
Federal funds purchased and securities sold under agreements to repurchase	130,519	7,527,273	1,222,762	274,313	255,849	206,108	570,156
Liabilities for borrowed money	1,578	37,495	27,237	6,863	15,655	9,523	12,514
Mortgage indebtedness	249	18,703	9,617	438	276	2,536	19,197
Acceptances executed by or for account of this bank and outstanding	0	674,480	36,027	889	0	11,232	6,717
Other liabilities	28,348	981,932	222,648	70,017	43,426	62,228	99,096
<b>Total liabilities</b>	<b>2,497,271</b>	<b>48,058,079</b>	<b>12,678,196</b>	<b>4,477,656</b>	<b>4,760,785</b>	<b>4,874,602</b>	<b>7,514,418</b>
Subordinated notes and debentures	14,806	98,177	20,875	27,729	24,216	12,111	18,104
<b>Equity Capital</b>							
Preferred stock	0	3,115	0	0	0	0	1,650
Common stock	37,630	777,317	194,207	63,012	93,414	75,127	104,680
Surplus	106,879	1,624,468	363,798	86,664	152,274	126,878	226,468
Undivided profits	21,703	1,218,122	382,304	160,839	178,838	173,825	261,812
Reserve for contingencies and other capital reserves	4,253	99,708	18,578	12,653	7,506	12,519	25,356
<b>Total equity capital</b>	<b>170,465</b>	<b>3,722,730</b>	<b>958,887</b>	<b>323,168</b>	<b>432,032</b>	<b>388,349</b>	<b>619,966</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>2,682,542</b>	<b>51,878,986</b>	<b>13,657,958</b>	<b>4,828,553</b>	<b>5,217,033</b>	<b>5,275,062</b>	<b>8,152,488</b>

Table B-19—Continued

*Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, June 30, 1977*

(Dollar amounts in thousands)

	<i>Maine</i>	<i>Maryland</i>	<i>Massachusetts</i>	<i>Michigan</i>	<i>Minnesota</i>	<i>Mississippi</i>	<i>Missouri</i>
Number of banks .....	17	39	72	123	204	38	113
<b>Assets</b>							
Cash and due from banks .....	\$104,981	\$576,113	\$1,867,929	\$2,772,149	\$1,537,923	\$471,814	\$1,643,220
U.S. Treasury securities .....	63,506	261,894	1,546,786	2,026,071	903,936	329,343	642,434
Obligations of other U.S. government agencies and corporations .....	63,768	98,105	184,801	414,316	386,592	99,664	319,995
Obligations of states and political subdivisions .....	166,608	476,231	719,304	2,362,192	1,380,478	524,906	1,144,878
Other bonds, notes and debentures .....	1,485	8,258	53,839	145,973	67,432	7,618	16,507
Federal Reserve stock and corporate stock .....	1,314	5,632	30,765	29,564	17,036	7,031	14,867
Trading account securities .....	0	14,026	76,426	17,257	408,755	45,857	73,238
Federal funds sold and securities purchased under agreements to resell .....	13,915	275,895	351,585	1,066,362	440,628	127,273	1,030,219
Loans, total (excluding unearned income) .....	649,305	3,340,107	5,761,427	11,858,858	7,122,877	1,855,226	4,913,916
Reserve for possible loan losses .....	5,441	28,970	87,802	117,496	66,947	19,938	58,444
Loans, net of reserve .....	643,864	3,311,137	5,673,625	11,741,362	7,055,930	1,835,288	4,855,472
Direct lease financing .....	0	36,645	57,649	45,190	92,196	188	50,323
Bank premises, furniture and fixtures and other assets representing bank premises .....	22,111	86,136	226,639	329,956	152,846	74,694	162,377
Real estate owned other than bank premises .....	1,470	9,874	27,530	38,654	67,035	5,788	21,130
Investments in unconsolidated subsidiaries and associated companies .....	3	3,224	72,955	54,227	12,445	79	12,294
Customers' liabilities to this bank on acceptances outstanding .....	0	48,937	192,799	72,891	104,165	3,017	42,457
Other assets .....	13,650	319,397	1,295,820	569,681	230,475	53,933	117,379
<b>Total assets</b> .....	1,096,675	5,531,504	12,378,452	21,685,845	12,857,872	3,586,493	10,146,790
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations .....	273,642	1,503,051	3,201,744	4,638,033	2,726,622	869,407	2,509,723
Time and savings deposits of individuals, partnerships and corporations .....	586,570	2,701,936	4,055,312	10,825,421	5,621,887	1,490,488	3,482,244
Deposits of U.S. government .....	5,950	16,992	53,869	85,881	27,853	7,201	68,266
Deposits of states and political subdivisions .....	74,036	224,120	782,442	1,720,760	730,804	537,075	528,300
Deposits of foreign governments and official institutions .....	0	7,988	143,638	4,772	332	6,599	126
Deposits of commercial banks .....	4,630	107,885	707,040	412,380	583,824	156,913	836,466
Certified and officers' checks .....	6,935	41,410	125,117	557,662	100,510	10,982	58,917
<b>Total deposits</b> .....	951,763	4,603,382	9,069,162	18,244,909	9,791,832	3,078,665	7,484,042
<b>Total demand deposits</b> .....	314,166	1,761,160	4,445,370	6,036,589	3,562,213	1,220,305	3,500,411
<b>Total time and savings deposits</b> .....	637,597	2,842,222	4,623,792	12,208,320	6,229,619	1,858,360	3,983,631
Federal funds purchased and securities sold under agreements to repurchase .....	53,156	409,390	1,775,008	1,379,973	1,489,592	211,148	1,578,157
Liabilities for borrowed money .....	2,352	21,328	133,424	14,256	188,335	1,718	31,554
Mortgage indebtedness .....	325	428	2,692	6,936	6,375	2,101	35,294
Acceptances executed by or for account of this bank and outstanding .....	0	48,937	193,386	72,891	104,383	3,017	42,457
Other liabilities .....	9,858	75,980	219,965	321,315	268,174	30,346	209,062
<b>Total liabilities</b> .....	1,017,454	5,159,445	11,393,637	20,040,280	11,848,691	3,326,995	9,380,566
Subordinated notes and debentures .....	1,550	4,959	43,263	96,264	132,096	9,430	29,752
<b>Equity Capital</b>							
Preferred stock .....	0	0	0	100	0	0	2,129
Common stock .....	20,480	65,221	164,672	305,698	260,636	45,293	149,886
Surplus .....	23,541	120,090	398,516	615,975	274,552	187,334	234,813
Undivided profits .....	32,761	167,232	354,743	594,023	311,198	13,887	336,699
Reserve for contingencies and other capital reserves .....	889	14,557	23,621	33,505	30,699	3,554	12,945
<b>Total equity capital</b> .....	77,671	367,100	941,552	1,549,301	877,085	250,068	736,472
<b>Total liabilities, subordinated notes and debentures and equity capital</b> .....	1,096,675	5,531,504	12,378,452	21,685,845	12,857,872	3,586,493	10,146,790

Table B-19—Continued

*Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, June 30, 1977*

(Dollar amounts in thousands)

	Montana	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York
Number of banks	56	118	4	42	104	39	128
<b>Assets</b>							
Cash and due from banks	\$199,861	\$606,716	\$180,848	\$153,947	\$1,975,492	\$276,224	\$11,949,151
U.S. Treasury securities	158,021	266,868	188,405	120,406	1,877,340	193,515	4,194,002
Obligations of other U.S. government agencies and corporations	62,698	160,581	88,581	14,427	1,103,748	113,307	587,650
Obligations of states and political subdivisions	278,997	531,713	152,540	176,380	2,461,391	318,869	4,450,441
Other bonds, notes and debentures	3,541	10,594	18,199	1,590	500,705	1,339	328,194
Federal Reserve stock and corporate stock	3,486	5,632	1,837	1,895	23,480	3,818	156,733
Trading account securities	1,009	31,014	0	0	3,808	0	1,555,492
Federal funds sold and securities purchased under agreements to resell	31,545	154,259	37,100	11,825	335,085	131,305	1,309,297
Loans, total (excluding unearned income)	1,297,118	2,799,404	844,497	803,019	9,455,121	1,305,490	35,036,641
Reserve for possible loan losses	11,864	28,234	9,090	7,655	112,584	14,489	596,179
Loans, net of reserve	1,285,254	2,771,170	835,407	795,364	9,342,537	1,291,001	34,440,462
Direct lease financing	3,794	42,587	27,174	73	79,485	1,598	477,513
Bank premises, furniture and fixtures and other assets representing bank premises	36,928	76,715	35,087	29,945	360,348	57,502	802,948
Real estate owned other than bank premises	2,480	4,569	307	829	79,531	6,327	358,770
Investments in unconsolidated subsidiaries and associated companies	0	695	0	0	32	469	771,832
Customers' liabilities to this bank on acceptances outstanding	253	1,271	0	453	21,504	75	2,745,599
Other assets	28,740	66,197	17,353	10,190	352,461	32,961	6,793,013
<b>Total assets</b>	<b>2,096,607</b>	<b>4,730,581</b>	<b>1,582,838</b>	<b>1,317,324</b>	<b>18,516,947</b>	<b>2,428,310</b>	<b>70,921,097</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	476,262	1,131,387	538,556	360,475	4,603,291	687,398	15,018,553
Time and savings deposits of individuals, partnerships and corporations	1,153,084	2,223,327	674,641	654,519	9,801,478	963,762	21,516,568
Deposits of U.S. government	5,005	12,333	6,629	9,045	97,592	28,198	196,080
Deposits of states and political subdivisions	164,228	300,596	165,993	103,845	1,337,129	412,784	1,787,729
Deposits of foreign governments and official institutions	0	0	0	0	1,622	0	1,937,081
Deposits of commercial banks	26,363	301,753	3,556	1,911	166,978	37,611	8,630,570
Certified and officers' checks	15,923	22,127	26,103	12,413	206,821	25,960	1,870,962
<b>Total deposits</b>	<b>1,840,865</b>	<b>3,991,523</b>	<b>1,415,478</b>	<b>1,142,208</b>	<b>16,214,911</b>	<b>2,155,713</b>	<b>50,957,543</b>
<b>Total demand deposits</b>	<b>563,163</b>	<b>1,539,533</b>	<b>621,745</b>	<b>435,811</b>	<b>5,557,550</b>	<b>831,785</b>	<b>25,582,802</b>
<b>Total time and savings deposits</b>	<b>1,277,702</b>	<b>2,451,990</b>	<b>793,733</b>	<b>706,397</b>	<b>10,657,361</b>	<b>1,323,928</b>	<b>25,374,741</b>
Federal funds purchased and securities sold under agreements to repurchase	69,484	302,626	27,222	34,310	678,549	73,042	6,578,361
Liabilities for borrowed money	73	8,840	1,618	14,975	47,403	219	450,955
Mortgage indebtedness	335	1,126	394	1,406	8,836	438	18,077
Acceptances executed by or for account of this bank and outstanding	253	1,271	0	453	21,683	75	2,826,971
Other liabilities	28,096	51,925	13,948	15,053	220,646	24,463	3,220,000
<b>Total liabilities</b>	<b>1,939,106</b>	<b>4,357,311</b>	<b>1,458,660</b>	<b>1,208,405</b>	<b>17,192,028</b>	<b>2,253,950</b>	<b>64,051,907</b>
Subordinated notes and debentures	15,382	23,850	0	1,475	81,241	13,062	365,866
<b>Equity Capital</b>							
Preferred stock	0	101	0	0	2,367	1,500	1,421
Common stock	56,270	73,843	27,518	15,174	303,503	46,626	1,590,380
Surplus	56,600	96,919	28,718	46,631	463,889	59,686	2,197,774
Undivided profits	25,912	169,249	66,025	43,211	445,633	50,156	2,666,416
Reserve for contingencies and other capital reserves	3,337	9,308	1,917	2,428	28,286	3,330	47,333
<b>Total equity capital</b>	<b>142,119</b>	<b>349,420</b>	<b>124,178</b>	<b>107,444</b>	<b>1,243,678</b>	<b>161,298</b>	<b>6,503,324</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>2,096,607</b>	<b>4,730,581</b>	<b>1,582,838</b>	<b>1,317,324</b>	<b>18,516,947</b>	<b>2,428,310</b>	<b>70,920,097</b>

Table B-19—Continued

**Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, June 30, 1977**

(Dollar amounts in thousands)

	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island
Number of banks	28	43	218	195	7	235	5
<b>Assets</b>							
Cash and due from banks	\$1,329,385	\$142,289	\$2,796,781	\$1,217,562	\$785,067	\$4,201,896	\$250,173
U.S. Treasury securities	487,397	115,595	2,659,895	1,002,976	410,093	4,041,553	343,767
Obligations of other U.S. government agencies and corporations	258,310	52,132	619,249	109,877	106,268	1,485,734	50,299
Obligations of states and political subdivisions	1,092,876	226,193	3,700,701	1,338,785	802,561	3,777,098	269,043
Other bonds, notes and debentures	37,763	2,452	98,691	28,139	5,545	258,806	21,716
Federal Reserve stock and corporate stock	12,947	2,000	41,620	13,614	9,367	75,286	5,205
Trading account securities	118,665	0	86,871	47,142	5,816	624,121	59,047
Federal funds sold and securities purchased under agreements to resell	394,571	14,645	827,429	530,418	320,252	2,389,372	47,125
Loans, total (excluding unearned income)	5,596,348	1,026,182	11,789,740	4,617,245	3,571,888	21,314,885	1,741,495
Reserve for possible loan losses	63,799	9,109	143,945	45,214	30,707	247,811	16,002
Loans, net of reserve	5,532,549	1,017,073	11,645,795	4,572,031	3,541,181	21,067,074	1,725,493
Direct lease financing	53,987	224	115,822	30,942	26,988	223,411	95,630
Bank premises, furniture and fixtures and other assets representing bank premises	189,748	30,608	406,313	178,749	149,395	492,672	45,521
Real estate owned other than bank premises	27,225	1,307	12,738	13,405	10,461	97,610	14,968
Investments in unconsolidated subsidiaries and associated companies	11,082	5	13,701	424	7,170	77,517	708
Customers' liabilities to this bank on acceptances outstanding	108,026	376	59,123	1,343	98,038	612,845	53,478
Other assets	300,162	22,430	984,963	106,733	503,033	1,290,197	76,027
<b>Total assets</b>	9,954,693	1,627,329	24,069,692	9,192,140	6,781,235	40,715,192	3,058,200
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	2,891,047	380,030	5,978,495	2,497,197	1,759,307	8,484,225	527,147
Time and savings deposits of individuals, partnerships and corporations	4,015,743	936,630	11,572,891	3,770,327	2,908,478	17,907,782	1,578,345
Deposits of U.S. government	27,974	5,180	71,060	40,470	11,618	98,522	6,572
Deposits of states and political subdivisions	622,641	99,409	1,462,875	1,050,870	379,601	2,045,820	213,240
Deposits of foreign governments and official institutions	19,321	0	1,007	0	0	228,133	0
Deposits of commercial banks	283,491	13,123	319,644	434,566	81,044	1,270,917	10,484
Certified and officers' checks	63,332	12,349	206,716	68,917	54,266	251,823	26,795
<b>Total deposits</b>	7,923,549	1,446,721	19,612,688	7,862,347	5,194,314	30,287,222	2,362,583
<b>Total demand deposits</b>	3,409,480	436,358	7,100,987	3,131,153	2,050,847	10,126,487	628,993
<b>Total time and savings deposits</b>	4,514,069	1,010,363	12,511,701	4,731,194	3,143,467	20,160,735	1,733,590
Federal funds purchased and securities sold under agreements to repurchase	885,955	26,337	2,035,018	458,842	878,289	5,046,799	333,677
Liabilities for borrowed money	39,916	4,290	11,915	28,304	17,346	469,194	12,355
Mortgage indebtedness	3,718	393	7,272	3,215	708	15,191	0
Acceptances executed by or for account of this bank and outstanding	108,026	376	59,123	1,343	98,038	615,688	53,478
Other liabilities	154,729	19,581	354,449	84,990	100,228	1,238,358	74,209
<b>Total liabilities</b>	9,115,893	1,497,698	22,080,465	8,439,041	6,288,923	37,672,452	2,836,302
Subordinated notes and debentures	133,794	13,300	46,950	57,999	100,750	237,871	14,454
<b>Equity Capital</b>							
Preferred stock	0	0	0	500	0	1,153	0
Common stock	166,709	30,449	386,129	142,423	92,532	499,676	30,390
Surplus	252,684	36,260	853,124	184,747	124,633	1,183,981	88,986
Undivided profits	276,377	43,315	670,433	356,074	164,448	1,068,816	81,056
Reserve for contingencies and other capital reserves	9,236	6,307	32,591	11,356	9,949	51,243	7,012
<b>Total equity capital</b>	705,006	116,331	1,942,277	395,100	391,562	2,804,869	207,444
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	9,954,693	1,627,329	24,069,692	9,192,140	6,781,235	40,715,192	3,058,200



Table B-19—Continued

*Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, June 30, 1977*

(Dollar amounts in thousands)

	South Carolina	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia
Number of banks	19	32	73	602	13	14	106
<b>Assets</b>							
Cash and due from banks	\$383,280	\$182,672	\$1,181,910	\$6,051,377	\$267,778	\$35,302	\$1,166,049
U.S. Treasury securities	186,306	155,985	869,661	4,344,297	157,958	31,442	860,380
Obligations of other U.S. government agencies and corporations	90,550	67,076	296,419	1,281,606	51,547	8,128	298,957
Obligations of states and political subdivisions	372,733	280,592	775,674	5,710,814	166,476	57,397	1,346,049
Other bonds, notes and debentures	258	17,384	17,065	117,385	3,563	3,643	13,655
Federal Reserve stock and corporate stock	3,601	2,607	14,703	58,599	2,850	832	17,443
Trading account securities	16,010	0	13,118	57,879	8,685	0	15,185
Federal funds sold and securities purchased under agreements to resell	145,755	18,676	372,274	2,657,573	21,993	7,095	325,687
Loans, total (excluding unearned income)	1,558,712	1,353,734	4,503,741	21,741,139	1,387,935	299,694	5,942,835
Reserve for possible loan losses	17,318	14,016	56,387	244,483	11,311	2,458	61,337
Loans, net of reserve	1,541,394	1,339,718	4,447,354	21,496,656	1,376,624	297,236	5,881,498
Direct lease financing	5,475	2,004	36,766	113,804	17,015	151	10,655
Bank premises, furniture and fixtures and other assets representing bank premises	74,845	41,062	196,447	838,373	37,236	8,618	270,534
Real estate owned other than bank premises	6,625	1,307	64,923	97,880	1,912	830	26,843
Investments in unconsolidated subsidiaries and associated companies	0	0	39	31,819	0	0	736
Customers' liabilities to this bank on acceptances outstanding	3,239	478	3,229	246,189	56	0	5,532
Other assets	34,680	28,620	273,480	907,520	25,691	3,512	141,855
<b>Total assets</b>	<b>2,864,751</b>	<b>2,138,181</b>	<b>8,563,062</b>	<b>44,011,771</b>	<b>2,139,384</b>	<b>454,186</b>	<b>10,381,058</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	1,196,391	447,268	2,121,116	12,122,407	527,332	86,690	2,722,336
Time and savings deposits of individuals, partnerships and corporations	957,418	1,238,888	3,876,251	14,998,329	1,012,033	298,280	5,267,394
Deposits of U.S. government	13,934	7,734	30,134	221,266	2,947	1,554	45,131
Deposits of states and political subdivisions	177,867	173,399	755,511	5,164,826	232,762	21,392	750,314
Deposits of foreign governments and official institutions	0	0	1,114	18,609	0	0	117
Deposits of commercial banks	26,334	20,202	450,545	2,471,821	25,586	1,089	114,463
Certified and officers' checks	27,924	10,773	50,807	365,472	28,255	4,748	67,057
<b>Total deposits</b>	<b>2,399,868</b>	<b>1,898,264</b>	<b>7,285,478</b>	<b>35,362,730</b>	<b>1,828,915</b>	<b>413,753</b>	<b>8,966,812</b>
<b>Total demand deposits</b>	<b>1,372,420</b>	<b>511,731</b>	<b>2,754,257</b>	<b>15,642,495</b>	<b>630,242</b>	<b>99,985</b>	<b>3,150,714</b>
<b>Total time and savings deposits</b>	<b>1,027,448</b>	<b>1,386,533</b>	<b>4,531,221</b>	<b>19,720,235</b>	<b>1,198,673</b>	<b>313,768</b>	<b>5,816,098</b>
Federal funds purchased and securities sold under agreements to repurchase	187,963	41,092	538,879	4,213,231	119,721	1,179	381,536
Liabilities for borrowed money	10,500	0	1,362	96,777	7,693	1,555	54,773
Mortgage indebtedness	150	2,327	5,551	103,733	98	0	39,271
Acceptances executed by or for account of this bank and outstanding	3,239	478	3,229	246,204	56	0	5,532
Other liabilities	29,023	27,926	114,940	613,107	27,757	2,404	145,727
<b>Total liabilities</b>	<b>2,630,743</b>	<b>1,970,087</b>	<b>7,949,439</b>	<b>40,635,782</b>	<b>1,984,240</b>	<b>418,891</b>	<b>9,593,651</b>
Subordinated notes and debentures	7,600	21,176	31,955	183,150	24,342	3,442	45,838
<b>Equity Capital</b>							
Preferred stock	0	0	0	133	0	0	0
Common stock	40,460	38,550	142,367	758,385	35,103	7,506	168,549
Surplus	76,017	43,229	211,866	916,640	55,917	9,514	269,036
Undivided profits	106,396	60,940	209,742	1,335,137	38,067	13,856	290,782
Reserve for contingencies and other capital reserves	3,535	4,199	17,693	182,544	1,715	977	13,202
<b>Total equity capital</b>	<b>226,408</b>	<b>146,918</b>	<b>581,668</b>	<b>3,192,839</b>	<b>130,802</b>	<b>31,853</b>	<b>741,569</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>2,864,751</b>	<b>2,138,181</b>	<b>8,563,062</b>	<b>44,011,771</b>	<b>2,139,384</b>	<b>454,186</b>	<b>10,381,058</b>

Table B-19—Continued

**Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, June 30, 1977**

(Dollar amounts in thousands)

	Washington	West Virginia	Wisconsin	Wyoming	Other areas		District of Columbia non-national*
					Puerto Rico	Virgin Islands	
Number of banks	21	105	129	46	1	1	1
<b>Assets</b>							
Cash and due from banks	\$1,478,182	\$412,114	\$915,662	\$167,063	\$24,284	\$340	\$2,419
U.S. Treasury securities	501,557	474,651	843,448	124,373	998	1,097	13,902
Obligations of other U.S. government agencies and corporations	121,899	315,283	252,436	66,797	0	1,677	8,575
Obligations of states and political subdivisions	927,489	743,887	756,489	213,487	5,802	0	5,870
Other bonds, notes and debentures	5,251	13,043	59,668	2,748	0	0	2,200
Federal Reserve stock and corporate stock	12,714	6,068	12,980	1,640	198	0	1
Trading account securities	31,918	3,227	24,889	0	0	0	0
Federal funds sold and securities purchased under agreements to resell	896,287	259,387	377,939	31,795	2,950	0	3,700
Loans, total (excluding unearned income)	6,882,919	2,071,794	4,660,177	880,303	15,879	6	15,258
Reserve for possible loan losses	71,149	21,992	53,178	8,338	294	0	174
Loans, net of reserve	6,811,770	2,049,802	4,606,999	871,965	15,585	6	15,084
Direct lease financing	216,840	10,225	27,521	2,794	0	0	0
Bank premises, furniture and fixtures and other assets representing bank premises	271,978	106,267	195,912	24,379	210	3	467
Real estate owned other than bank premises	13,907	2,126	141,308	2,800	853	0	0
Investments in unconsolidated subsidiaries and associated companies	23,343	0	296	53	0	0	0
Customers' liabilities to this bank on acceptances outstanding	221,705	614	9,570	0	118	0	0
Other assets	190,442	39,297	116,961	22,964	666	82	484
<b>Total assets</b>	<b>11,725,282</b>	<b>4,435,991</b>	<b>8,342,078</b>	<b>1,532,858</b>	<b>51,664</b>	<b>3,205</b>	<b>52,702</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	3,221,440	1,013,323	1,746,846	371,542	3,312	776	16,818
Time and savings deposits of individuals, partnerships and corporations	4,848,669	2,393,508	4,026,385	703,583	28,328	2,127	32,239
Deposits of U.S. government	33,701	14,558	30,768	45,261	45	6	91
Deposits of states and political subdivisions	953,187	222,214	683,953	180,420	4,613	0	3
Deposits of foreign governments and official institutions	10,565	0	42,634	0	0	0	0
Deposits of commercial banks	208,753	66,259	256,739	27,022	6,074	0	136
Certified and officers' checks	122,977	34,911	69,477	13,541	2,481	113	445
<b>Total deposits</b>	<b>9,399,292</b>	<b>3,744,773</b>	<b>6,856,802</b>	<b>1,341,369</b>	<b>44,853</b>	<b>3,022</b>	<b>49,732</b>
<b>Total demand deposits</b>	<b>3,735,225</b>	<b>1,211,133</b>	<b>2,204,715</b>	<b>466,336</b>	<b>6,529</b>	<b>895</b>	<b>17,403</b>
<b>Total time and savings deposits</b>	<b>5,664,067</b>	<b>2,533,640</b>	<b>4,652,087</b>	<b>875,033</b>	<b>38,324</b>	<b>2,127</b>	<b>32,329</b>
Federal funds purchased and securities sold under agreements to repurchase	1,160,978	258,082	754,213	46,891	0	0	0
Liabilities for borrowed money	42,302	13,030	21,283	10,814	0	0	0
Mortgage indebtedness	1,997	6,975	298	1,196	0	0	0
Acceptances executed by or for account of this bank and outstanding	221,705	614	9,586	0	118	0	0
Other liabilities	156,201	38,401	106,672	14,309	644	620	93
<b>Total liabilities</b>	<b>10,982,475</b>	<b>4,061,875</b>	<b>7,748,854</b>	<b>1,414,579</b>	<b>45,615</b>	<b>3,642</b>	<b>49,825</b>
Subordinated notes and debentures	89,265	7,156	52,543	6,925	1,800	0	130
<b>Equity Capital</b>							
Preferred stock	6,015	0	0	0	0	0	0
Common stock	157,846	65,697	133,350	9,605	3,520	0	278
Surplus	207,661	133,700	217,059	38,354	3,818	0	1,000
Undivided profits	254,283	156,185	176,883	59,082	3,089	437	1,469
Reserve for contingencies and other capital reserves	27,737	11,378	13,389	4,313	0	0	0
<b>Total equity capital</b>	<b>653,542</b>	<b>366,960</b>	<b>540,681</b>	<b>111,354</b>	<b>4,249</b>	<b>437</b>	<b>2,747</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>11,725,282</b>	<b>4,435,991</b>	<b>8,342,078</b>	<b>1,532,858</b>	<b>51,664</b>	<b>3,205</b>	<b>52,702</b>

\* Non-national banks in the District of Columbia are supervised by the Comptroller of the Currency.

Table B-20

*Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, December 31, 1977*

(Dollar amounts in thousands)

	<i>Total, U.S. and other areas</i>	<i>Total, United States</i>	<i>Alabama</i>	<i>Alaska</i>	<i>Arizona</i>	<i>Arkansas</i>	<i>California</i>
Number of banks .....	4,655	4,654	97	6	3	72	58
<b>Assets</b>							
Cash and due from banks .....	\$92,071,598	\$92,050,089	\$1,029,878	\$147,824	\$906,959	\$589,151	\$12,734,245
U.S. Treasury securities .....	49,922,441	49,919,457	497,381	71,230	459,037	293,502	5,760,850
Obligations of other U.S. government agencies and corporations .....	17,822,093	17,822,093	289,746	35,996	90,635	168,722	1,841,390
Obligations of states and political subdivisions .....	62,791,959	62,783,122	1,216,648	168,344	435,636	570,708	6,888,754
Other bonds, notes and debentures .....	2,929,095	2,929,095	22,184	468	6,662	7,871	166,837
Federal Reserve stock and corporate stock .....	1,010,144	1,009,946	10,216	2,828	6,611	4,993	126,147
Trading account securities .....	3,813,999	3,813,999	27,970	0	6,385	14,402	304,402
Federal funds sold and securities purchased under agreements to resell .....	32,124,054	32,096,454	353,694	42,100	363,800	305,713	5,095,174
Loans, total (excluding unearned income) .....	344,522,088	344,500,990	4,767,094	765,354	3,679,583	2,558,885	51,686,794
Reserve for possible loan losses .....	3,895,860	3,895,360	53,204	6,359	27,167	22,388	591,864
Loans, net of reserve .....	340,626,228	340,605,630	4,713,890	758,995	3,652,416	2,536,497	51,094,930
Direct lease financing .....	4,406,264	4,406,264	26,282	8,981	8,503	8,065	1,638,953
Bank premises, furniture and fixtures and other assets representing bank premises .....	10,797,941	10,797,725	159,482	60,222	150,972	99,502	1,578,827
Real estate owned other than bank premises .....	1,821,489	1,820,653	6,795	2,327	7,650	5,035	80,824
Investments in unconsolidated subsidiaries and associated companies .....	2,249,034	2,249,034	63	0	0	131	615,239
Customers' liabilities to this bank on acceptances outstanding .....	6,796,548	6,796,401	18,595	0	2,777	1,087	1,968,732
Other assets .....	22,261,054	22,260,269	112,713	20,919	89,866	83,447	4,925,732
<i>Total assets</i> .....	651,443,941	651,360,231	8,485,537	1,320,234	6,187,909	4,688,826	94,821,036
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations .....	164,473,198	164,466,534	2,287,891	476,492	1,864,977	1,300,015	22,328,197
Time and savings deposits of individuals, partnerships and corporations .....	266,071,033	266,035,034	3,764,743	397,420	3,115,399	2,031,901	42,731,729
Deposits of U.S. government .....	4,820,633	4,820,602	69,795	34,165	58,462	20,543	652,919
Deposits of states and political subdivisions .....	41,964,341	41,943,170	759,980	191,968	188,991	364,782	4,547,738
Deposits of foreign governments and official institutions .....	5,587,928	5,587,928	0	0	3,109	0	1,323,184
Deposits of commercial banks .....	30,612,999	30,600,750	316,189	3,133	45,502	235,244	2,926,799
Certified and officers' checks .....	6,713,892	6,713,454	54,804	19,163	83,236	25,069	1,126,414
<i>Total deposits</i> .....	520,244,024	520,167,472	7,253,402	1,122,341	5,359,676	3,977,554	75,636,980
<i>Total demand deposits</i> .....	211,650,059	211,640,981	2,871,037	567,048	2,106,609	1,681,523	26,301,352
<i>Total time and savings deposits</i> .....	308,593,965	308,526,491	4,382,365	555,293	3,253,067	2,296,031	49,335,628
Federal funds purchased and securities sold under agreements to repurchase .....	59,336,268	59,336,268	388,773	52,527	358,425	273,171	8,508,569
Liabilities for borrowed money .....	3,882,171	3,882,171	34,949	23,127	6,507	15,680	923,244
Mortgage indebtedness .....	473,816	473,816	1,351	1,032	3,906	460	58,318
Acceptances executed by or for account of this bank and outstanding .....	6,848,094	6,847,947	18,595	0	2,777	1,092	1,969,431
Other liabilities .....	12,625,958	12,624,983	150,024	14,378	66,771	68,409	1,887,306
<i>Total liabilities</i> .....	603,410,331	603,332,657	7,847,094	1,213,405	5,798,062	4,336,366	88,983,848
Subordinated notes and debentures .....	3,034,830	3,033,030	35,496	950	86,634	28,102	409,192
<b>Equity Capital</b>							
Preferred stock .....	25,246	25,246	0	0	0	0	0
Common stock .....	9,551,745	9,548,225	116,066	31,626	40,913	70,124	951,324
Surplus .....	16,649,723	16,645,905	236,086	39,782	99,876	93,519	2,251,104
Undivided profits .....	17,733,303	17,736,405	244,813	32,579	156,260	147,964	2,182,664
Reserve for contingencies and other capital reserves .....	1,038,763	1,038,763	5,982	1,892	6,164	12,751	42,904
<i>Total equity capital</i> .....	44,998,780	44,994,544	602,947	105,879	303,213	324,358	5,427,996
<i>Total liabilities, subordinated notes and debentures and equity capital</i> .....	651,443,941	651,360,231	8,485,537	1,320,234	6,187,909	4,688,826	94,821,036

Table B-20—Continued

*Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, December 31, 1977*

(Dollar amounts in thousands)

	Colorado	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii
Number of banks	133	21	5	15	263	64	2
<b>Assets</b>							
Cash and due from banks	\$1,271,274	\$929,636	\$6,583	\$793,046	\$3,016,465	\$1,543,910	\$23,042
U.S. Treasury securities	491,995	258,461	9,266	513,119	2,663,730	485,700	18,257
Obligations of other U.S. government agencies and corporations	150,915	107,745	1,896	106,847	1,257,773	131,948	7,160
Obligations of states and political subdivisions	770,158	265,822	3,384	626,139	1,944,149	611,127	578
Other bonds, notes and debentures	1,620	85,167	302	14,981	138,472	12,691	0
Federal Reserve stock and corporate stock	9,729	5,527	98	8,925	29,729	52,490	200
Trading account securities	7,846	11,145	0	2,028	3,466	26,271	0
Federal funds sold and securities purchased under agreements to resell	414,960	318,599	2,300	351,074	1,402,097	503,424	7,575
Loans, total (excluding unearned income)	4,431,984	1,796,216	48,099	2,772,337	8,771,596	4,673,497	82,343
Reserve for possible loan losses	45,871	18,768	198	33,312	101,673	67,296	1,379
Loans, net of reserve	4,386,113	1,777,448	47,901	2,739,025	8,669,923	4,606,201	80,964
Direct lease financing	45,320	9,635	0	24,670	58,024	40,498	4,594
Bank premises, furniture and fixtures and other assets representing bank premises	156,417	71,580	1,004	63,355	412,679	244,848	2,458
Real estate owned other than bank premises	18,764	9,407	122	3,444	92,838	149,401	1,109
Investments in unconsolidated subsidiaries and associated companies	2,542	2,432	0	0	3,458	93,809	0
Customers' liabilities to this bank on acceptances outstanding	25,790	18,121	0	4,729	16,642	82,046	13
Other assets	111,117	92,560	489	74,437	325,675	153,037	1,323
<b>Total assets</b>	<b>7,864,560</b>	<b>3,963,285</b>	<b>73,345</b>	<b>5,325,819</b>	<b>20,035,120</b>	<b>8,737,401</b>	<b>147,273</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	2,406,348	1,194,948	18,057	1,914,889	6,138,866	2,790,113	47,223
Time and savings deposits of individuals, partnerships and corporations	3,052,869	1,455,980	44,593	1,929,802	8,461,051	2,580,188	64,071
Deposits of U.S. government	81,318	55,215	722	136,396	119,679	69,031	568
Deposits of states and political subdivisions	602,654	227,203	1,374	22,777	1,461,443	647,972	20,186
Deposits of foreign governments and official institutions	0	0	0	183,264	2,679	13,569	0
Deposits of commercial banks	454,814	388,688	0	85,155	685,054	473,211	2,647
Certified and officers' checks	81,319	25,848	1,158	69,844	200,459	83,727	3,241
<b>Total deposits</b>	<b>6,679,322</b>	<b>3,347,882</b>	<b>65,904</b>	<b>4,342,127</b>	<b>17,069,231</b>	<b>6,657,811</b>	<b>137,936</b>
Total demand deposits	3,109,343	1,706,997	20,079	2,316,720	7,512,545	3,583,495	54,290
Total time and savings deposits	3,569,979	1,640,885	45,825	2,025,407	9,556,686	3,074,316	83,646
Federal funds purchased and securities sold under agreements to repurchase	452,584	175,946	0	476,773	1,244,056	1,030,403	0
Liabilities for borrowed money	59,407	161,680	894	21,462	22,899	87,776	0
Mortgage indebtedness	14,617	5	0	0	6,748	32,613	0
Acceptances executed by or for account of this bank and outstanding	25,790	18,121	0	4,729	16,643	84,033	13
Other liabilities	88,336	32,198	509	50,764	179,575	178,003	833
<b>Total liabilities</b>	<b>7,320,056</b>	<b>3,735,832</b>	<b>67,307</b>	<b>4,895,855</b>	<b>18,539,152</b>	<b>8,070,639</b>	<b>138,782</b>
Subordinated notes and debentures	37,229	15,435	200	12,508	34,952	59,816	1,500
<b>Equity Capital</b>							
Preferred stock	0	0	0	349	1,001	0	0
Common stock	102,923	49,543	1,580	64,241	356,588	155,554	3,799
Surplus	166,181	107,197	1,726	134,746	582,529	221,503	2,508
Undivided profits	233,863	52,754	2,476	215,742	508,501	156,068	684
Reserve for contingencies and other capital reserves	4,308	2,524	56	2,378	12,397	73,821	0
<b>Total equity capital</b>	<b>507,275</b>	<b>212,018</b>	<b>5,838</b>	<b>417,456</b>	<b>1,461,016</b>	<b>606,946</b>	<b>6,991</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>7,864,560</b>	<b>3,963,285</b>	<b>73,345</b>	<b>5,325,819</b>	<b>20,035,120</b>	<b>8,737,401</b>	<b>147,273</b>

Table B-20—Continued

*Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, December 31, 1977*

(Dollar amounts in thousands)

	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana
Number of banks	6	423	121	99	160	82	53
<b>Assets</b>							
Cash and due from banks	\$364,146	\$6,448,173	\$1,806,648	\$702,608	\$811,647	\$719,337	\$1,217,968
U.S. Treasury securities	270,008	4,114,872	1,626,946	411,528	568,133	514,655	1,305,355
Obligations of other U.S. government agencies and corporations	73,703	2,370,850	583,779	189,572	230,674	117,421	171,189
Obligations of states and political subdivisions	314,029	5,844,283	1,489,626	580,203	632,534	641,087	908,529
Other bonds, notes and debentures	2,932	429,268	197,265	15,668	14,651	6,200	8,255
Federal Reserve stock and corporate stock	4,681	98,803	17,265	4,772	7,899	6,397	10,487
Trading account securities	0	421,662	24,447	6,910	18,788	10,642	154
Federal funds sold and securities purchased under agreements to resell	54,800	1,524,658	782,364	252,692	523,227	440,150	757,909
Loans, total (excluding unearned income)	1,766,942	31,318,092	7,291,434	2,890,945	2,829,079	3,233,330	4,209,469
Reserve for possible loan losses	15,201	377,776	77,612	23,009	26,536	29,832	45,138
Loans, net of reserve	1,751,741	30,940,316	7,213,822	2,867,936	2,802,543	3,203,498	4,164,331
Direct lease financing	6,052	80,235	140,689	1,957	4,705	75,894	25,940
Bank premises, furniture and fixtures and other assets representing bank premises	54,201	671,730	242,916	73,672	121,599	105,317	169,930
Real estate owned other than bank premises	1,216	276,626	40,473	5,760	3,878	7,193	23,941
Investments in unconsolidated subsidiaries and associated companies	0	242,047	8,556	1,280	1,790	98	887
Customers' liabilities to this bank on acceptances outstanding	0	665,242	28,427	601	0	4,863	8,244
Other assets	37,415	883,440	458,249	84,314	63,394	94,301	134,716
<b>Total assets</b>	<b>2,934,924</b>	<b>55,012,205</b>	<b>14,661,472</b>	<b>5,199,473</b>	<b>5,805,462</b>	<b>5,947,053</b>	<b>8,907,835</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	778,371	11,680,528	3,298,950	1,245,730	1,452,673	1,770,417	2,547,780
Time and savings deposits of individuals, partnerships and corporations	1,509,254	22,185,628	6,577,251	2,595,222	2,276,177	2,608,157	3,243,583
Deposits of U.S. government	14,882	322,920	118,013	33,038	47,863	48,791	63,152
Deposits of states and political subdivisions	196,595	2,562,565	1,480,359	252,680	710,975	356,929	1,064,345
Deposits of foreign governments and official institutions	0	1,475,446	35	0	0	0	2,810
Deposits of commercial banks	11,657	2,816,840	379,615	287,432	331,816	278,517	410,042
Certified and officers' checks	24,833	488,823	138,996	28,757	33,477	42,334	71,521
<b>Total deposits</b>	<b>2,535,592</b>	<b>41,532,750</b>	<b>11,993,219</b>	<b>4,442,859</b>	<b>4,852,981</b>	<b>5,105,145</b>	<b>7,403,233</b>
Total demand deposits	916,901	15,043,308	4,517,050	1,623,208	2,055,410	2,200,360	3,250,912
Total time and savings deposits	1,618,691	26,489,442	7,476,169	2,819,651	2,797,571	2,904,785	4,152,321
Federal funds purchased and securities sold under agreements to repurchase	163,409	7,662,167	1,379,981	316,316	415,622	323,156	691,510
Liabilities for borrowed money	1,444	77,267	13,401	4,197	21,000	12,819	20,634
Mortgage indebtedness	180	18,980	9,503	686	268	2,595	20,559
Acceptances executed by or for account of this bank and outstanding	0	668,693	28,428	601	0	4,863	8,244
Other liabilities	34,773	1,142,117	209,347	66,247	46,718	75,946	92,763
<b>Total liabilities</b>	<b>2,735,398</b>	<b>51,101,974</b>	<b>13,633,879</b>	<b>4,830,906</b>	<b>5,336,589</b>	<b>5,524,524</b>	<b>8,236,943</b>
Subordinated notes and debentures	20,351	101,490	28,568	29,028	24,217	13,635	26,586
<b>Equity Capital</b>							
Preferred stock	0	6,715	400	0	0	0	1,650
Common stock	37,605	780,608	195,525	63,339	93,899	75,359	111,707
Surplus	116,654	1,677,223	371,639	90,144	153,237	128,158	228,250
Undivided profits	21,314	1,252,963	412,813	172,346	190,341	193,240	281,620
Reserve for contingencies and other capital reserves	3,602	91,232	18,648	13,710	7,179	12,137	21,079
<b>Total equity capital</b>	<b>179,175</b>	<b>3,808,741</b>	<b>999,025</b>	<b>339,539</b>	<b>444,656</b>	<b>408,894</b>	<b>644,306</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>2,934,924</b>	<b>55,012,205</b>	<b>14,661,472</b>	<b>5,199,473</b>	<b>5,805,462</b>	<b>5,947,053</b>	<b>8,907,835</b>

Table B-20—Continued

*Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, December 31, 1977*

(Dollar amounts in thousands)

	Maine	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri
Number of banks	17	36	72	123	204	36	113
<b>Assets</b>							
Cash and due from banks	\$132,631	\$797,104	\$2,113,425	\$2,919,465	\$1,996,298	\$557,044	\$2,291,632
U.S. Treasury securities	64,355	251,243	1,446,320	1,872,200	871,551	350,178	658,849
Obligations of other U.S. government agencies and corporations	59,849	79,936	185,124	416,327	489,821	107,253	325,025
Obligations of states and political subdivisions	153,681	477,038	768,693	2,490,075	1,579,867	509,744	1,178,799
Other bonds, notes and debentures	731	6,143	49,408	109,648	55,943	7,337	14,890
Federal Reserve stock and corporate stock	1,325	5,409	30,175	30,212	17,683	7,123	15,013
Trading account securities	499	3,231	190,545	24,140	264,891	12,540	73,311
Federal funds sold and securities purchased under agreements to resell	24,275	290,170	540,858	1,361,702	423,541	193,283	1,690,156
Loans, total (excluding unearned income)	682,791	3,467,552	5,952,338	12,819,836	7,582,676	1,994,857	5,377,398
Reserve for possible loan losses	5,942	31,348	83,469	120,171	66,299	21,318	61,667
Loans, net of reserve	676,849	3,436,204	5,868,869	12,699,665	7,516,377	1,973,539	5,315,731
Direct lease financing	0	39,578	58,753	50,339	139,699	176	52,876
Bank premises, furniture and fixtures and other assets representing bank premises	24,100	87,122	229,622	345,124	163,384	92,431	166,982
Real estate owned other than bank premises	1,305	9,393	31,811	41,367	58,640	5,497	16,617
Investments in unconsolidated subsidiaries and associated companies	159	3,387	81,394	46,890	17,462	79	12,331
Customers' liabilities to this bank on acceptances outstanding	0	63,401	253,925	73,874	104,534	2,766	28,415
Other assets	13,019	139,551	1,083,407	632,188	245,960	53,767	160,697
<b>Total assets</b>	<b>1,152,778</b>	<b>5,688,910</b>	<b>12,932,329</b>	<b>23,113,216</b>	<b>13,945,651</b>	<b>3,872,757</b>	<b>12,001,324</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	301,506	1,592,315	3,769,692	5,375,957	3,230,050	1,016,080	3,076,535
Time and savings deposits of individuals, partnerships and corporations	607,584	2,589,291	4,160,467	11,120,988	5,900,104	1,604,405	3,664,730
Deposits of U.S. government	13,302	47,260	108,575	196,701	82,976	16,156	118,104
Deposits of states and political subdivisions	81,792	274,708	760,127	1,868,769	902,272	502,342	619,419
Deposits of foreign governments and official institutions	0	689	140,092	871	327	5,629	235
Deposits of commercial banks	6,208	95,551	730,336	453,342	695,869	163,138	1,231,861
Certified and officers' checks	8,904	48,834	108,822	552,248	101,493	14,434	60,384
<b>Total deposits</b>	<b>1,019,296</b>	<b>4,648,648</b>	<b>9,778,011</b>	<b>19,568,876</b>	<b>10,913,091</b>	<b>3,322,184</b>	<b>8,771,268</b>
Total demand deposits	361,572	1,845,244	5,047,867	6,895,964	4,216,168	1,331,842	4,549,552
Total time and savings deposits	657,724	2,803,404	4,730,144	12,672,912	6,696,923	1,990,342	4,221,716
Federal funds purchased and securities sold under agreements to repurchase	39,812	505,699	1,596,880	1,407,027	1,310,946	230,956	2,193,079
Liabilities for borrowed money	1,679	14,802	57,186	38,824	256,284	17,670	26,368
Mortgage indebtedness	321	2,308	2,747	7,057	6,044	874	35,989
Acceptances executed by or for account of this bank and outstanding	0	63,401	256,773	73,874	104,891	2,766	28,415
Other liabilities	9,971	78,860	231,820	334,581	306,288	30,857	156,018
<b>Total liabilities</b>	<b>1,071,079</b>	<b>5,313,718</b>	<b>11,923,417</b>	<b>21,430,239</b>	<b>12,897,544</b>	<b>3,605,307</b>	<b>11,211,137</b>
Subordinated notes and debentures	1,550	3,127	40,596	103,037	133,094	9,850	29,971
<b>Equity Capital</b>							
Preferred stock	0	0	0	0	0	0	2,129
Common stock	20,480	62,568	164,826	311,740	264,654	45,165	150,186
Surplus	23,641	117,518	401,586	623,200	298,448	205,613	235,743
Undivided profits	35,313	179,685	382,501	611,261	321,751	3,923	358,765
Reserve for contingencies and other capital reserves	715	12,294	19,403	33,739	30,160	2,899	13,393
<b>Total equity capital</b>	<b>80,149</b>	<b>372,065</b>	<b>968,316</b>	<b>1,579,940</b>	<b>915,013</b>	<b>257,600</b>	<b>760,216</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>1,152,778</b>	<b>5,688,910</b>	<b>12,932,329</b>	<b>23,113,216</b>	<b>13,945,651</b>	<b>3,872,757</b>	<b>12,001,324</b>

Table B-20—Continued

*Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, December 31, 1977*

(Dollar amounts in thousands)

	Montana	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York
Number of banks	56	117	4	41	100	40	127
<b>Assets</b>							
Cash and due from banks	\$242,775	\$842,479	\$197,490	\$182,520	\$2,274,105	\$326,947	\$14,127,466
U.S. Treasury securities	168,490	253,681	199,747	122,882	1,920,461	231,657	4,363,847
Obligations of other U.S. government agencies and corporations	50,907	153,619	76,856	13,365	1,096,732	112,508	644,762
Obligations of states and political subdivisions	296,714	535,753	172,227	167,806	2,555,078	318,358	4,233,173
Other bonds, notes and debentures	3,513	9,935	5,948	1,713	484,315	1,718	345,447
Federal Reserve stock and corporate stock	3,560	6,305	1,957	1,885	23,639	4,314	166,102
Trading account securities	0	36,280	0	0	10,419	0	1,093,913
Federal funds sold and securities purchased under agreements to resell	60,937	360,996	53,900	28,705	488,637	158,661	1,504,534
Loans, total (excluding unearned income)	1,361,856	2,857,154	918,275	843,425	10,092,449	1,420,396	40,122,582
Reserve for possible loan losses	12,256	31,085	9,051	8,128	109,877	16,021	587,893
Loans, net of reserve	1,349,600	2,826,069	909,224	835,297	9,982,572	1,404,375	39,534,689
Direct lease financing	4,957	41,214	39,824	20	84,654	1,946	529,665
Bank premises, furniture and fixtures and other assets representing bank premises	38,432	76,714	40,281	30,246	367,521	74,740	898,399
Real estate owned other than bank premises	1,807	5,583	372	651	78,220	5,842	352,438
Investments in unconsolidated subsidiaries and associated companies	0	167	0	0	165	300	938,681
Customers' liabilities to this bank on acceptances outstanding	322	1,423	0	315	19,041	0	1,894,355
Other assets	27,489	66,066	19,164	10,575	403,838	32,507	5,989,801
<b>Total assets</b>	<b>2,249,503</b>	<b>5,216,284</b>	<b>1,716,990</b>	<b>1,395,980</b>	<b>19,789,397</b>	<b>2,673,873</b>	<b>76,617,272</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	557,738	1,304,410	603,097	396,546	5,075,618	769,533	16,353,306
Time and savings deposits of individuals, partnerships and corporations	1,192,973	2,298,558	720,086	680,663	10,047,506	1,027,972	22,794,844
Deposits of U.S. government	8,704	23,966	11,525	15,976	206,919	27,472	351,904
Deposits of states and political subdivisions	190,064	290,349	152,055	113,841	1,512,900	446,479	2,177,334
Deposits of foreign governments and official institutions	0	0	0	0	4,480	0	2,151,524
Deposits of commercial banks	39,180	424,023	3,856	7,855	243,464	48,849	8,812,524
Certified and officers' checks	18,845	28,236	24,367	13,238	227,513	29,855	1,187,636
<b>Total deposits</b>	<b>2,007,504</b>	<b>4,369,542</b>	<b>1,514,986</b>	<b>1,228,119</b>	<b>17,318,400</b>	<b>2,350,160</b>	<b>53,829,072</b>
Total demand deposits	671,311	1,823,506	684,814	502,930	6,282,112	916,648	26,655,830
Total time and savings deposits	1,336,193	2,546,036	830,172	725,189	11,036,288	1,433,512	27,173,242
Federal funds purchased and securities sold under agreements to repurchase	44,799	399,838	30,564	38,259	770,539	88,517	9,649,654
Liabilities for borrowed money	30	2,656	17,819	1,886	100,978	19,070	707,187
Mortgage indebtedness	590	1,058	0	1,479	8,448	378	26,296
Acceptances executed by or for account of this bank and outstanding	322	1,423	0	315	19,233	0	1,936,276
Other liabilities	31,105	56,288	17,580	14,035	227,036	30,041	3,182,916
<b>Total liabilities</b>	<b>2,084,350</b>	<b>4,830,805</b>	<b>1,580,949</b>	<b>1,284,093</b>	<b>18,444,634</b>	<b>2,488,166</b>	<b>69,331,401</b>
Subordinated notes and debentures	16,698	23,850	0	2,075	79,470	14,477	359,392
<b>Equity Capital</b>							
Preferred stock	0	101	0	0	2,277	1,500	1,421
Common stock	62,877	74,143	27,518	15,032	302,017	55,292	1,757,800
Surplus	63,140	99,793	33,018	46,579	466,188	71,526	2,290,993
Undivided profits	19,364	179,586	74,109	46,143	467,626	40,129	2,733,781
Reserve for contingencies and other capital reserves	3,074	8,006	1,396	2,058	27,185	2,783	142,484
<b>Total equity capital</b>	<b>148,455</b>	<b>361,629</b>	<b>136,041</b>	<b>109,812</b>	<b>1,265,293</b>	<b>171,230</b>	<b>6,926,479</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>2,249,503</b>	<b>5,216,284</b>	<b>1,716,990</b>	<b>1,395,980</b>	<b>19,789,397</b>	<b>2,673,873</b>	<b>76,617,272</b>

Table B-20—Continued

Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, December 31, 1977

(Dollar amounts in thousands)

	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island
Number of banks	28	43	218	193	7	233	5
<b>Assets</b>							
Cash and due from banks	\$1,783,813	\$187,165	\$3,347,569	\$1,582,234	\$778,126	\$4,985,993	\$330,692
U.S. Treasury securities	486,667	123,154	2,404,881	985,580	387,982	3,648,009	370,960
Obligations of other U.S. government agencies and corporations	327,793	44,477	649,665	92,042	83,579	1,972,596	48,788
Obligations of states and political subdivisions	1,184,161	237,740	3,736,848	1,396,130	866,744	3,829,562	312,905
Other bonds, notes and debentures	7,884	3,733	93,311	25,055	5,557	281,977	24,059
Federal Reserve stock and corporate stock	12,812	2,111	41,444	15,394	9,343	63,428	4,198
Trading account securities	136,138	0	39,250	61,993	22,181	690,832	79,864
Federal funds sold and securities purchased under agreements to resell	633,348	49,588	1,284,931	761,975	402,089	1,984,029	60,621
Loans, total (excluding unearned income)	5,856,999	1,063,956	12,763,807	5,120,656	4,023,118	22,815,986	1,858,062
Reserve for possible loan losses	64,057	9,322	150,950	50,005	31,937	258,196	15,872
Loans, net of reserve	5,792,942	1,054,634	12,612,857	5,070,651	3,991,181	22,557,790	1,842,190
Direct lease financing	62,155	214	132,637	33,870	29,239	240,254	90,685
Bank premises, furniture and fixtures and other assets representing bank premises	198,517	32,028	457,895	160,451	149,541	527,436	45,217
Real estate owned other than bank premises	19,592	1,712	13,248	12,533	9,980	89,629	11,284
Investments in unconsolidated subsidiaries and associated companies	11,715	10	13,512	437	8,158	80,392	498
Customers' liabilities to this bank on acceptances outstanding	156,625	352	39,547	1,134	109,013	595,142	53,580
Other assets	401,657	21,973	885,080	140,385	628,324	1,446,639	93,636
<b>Total assets</b>	<b>11,215,819</b>	<b>1,758,891</b>	<b>25,752,675</b>	<b>10,339,864</b>	<b>7,481,037</b>	<b>42,993,708</b>	<b>3,369,177</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations	3,461,912	461,094	6,808,478	2,912,378	1,970,410	9,679,139	605,720
Time and savings deposits of individuals, partnerships and corporations	4,203,885	986,443	12,070,697	4,019,804	3,062,946	18,800,701	1,708,315
Deposits of U.S. government	133,725	8,470	214,899	113,297	40,254	260,135	19,816
Deposits of states and political subdivisions	777,759	98,058	1,566,574	1,082,919	518,939	2,504,791	202,431
Deposits of foreign governments and official institutions	9,000	0	7	0	0	216,827	0
Deposits of commercial banks	357,016	18,019	529,012	616,683	92,257	1,515,709	16,808
Certified and officers' checks	63,203	13,527	233,066	97,258	58,965	247,691	19,775
<b>Total deposits</b>	<b>9,006,500</b>	<b>1,585,611</b>	<b>21,422,733</b>	<b>8,842,339</b>	<b>5,743,771</b>	<b>33,224,993</b>	<b>2,572,865</b>
Total demand deposits	4,195,072	526,029	8,283,868	3,759,155	2,281,810	11,648,079	718,260
Total time and savings deposits	4,811,428	1,059,582	13,138,865	5,083,184	3,461,961	21,576,914	1,854,605
Federal funds purchased and securities sold under agreements to repurchase	997,359	11,846	1,849,555	570,695	924,602	4,099,106	360,295
Liabilities for borrowed money	22,353	561	26,731	34,770	87,756	602,944	36,878
Mortgage indebtedness	3,689	986	25,619	3,020	1,718	11,631	0
Acceptances executed by or for account of this bank and outstanding	156,625	352	39,548	1,134	109,013	595,088	53,580
Other liabilities	157,560	22,804	322,059	101,511	104,565	1,305,647	112,878
<b>Total liabilities</b>	<b>10,344,086</b>	<b>1,622,160</b>	<b>23,686,245</b>	<b>9,553,469</b>	<b>6,971,425</b>	<b>39,839,409</b>	<b>3,136,496</b>
Subordinated notes and debentures	135,585	13,300	47,726	63,887	100,750	258,328	22,000
<b>Equity Capital</b>							
Preferred stock	0	0	0	500	0	1,070	0
Common stock	166,864	32,519	390,852	143,516	92,532	500,132	30,390
Surplus	253,944	39,801	866,462	189,502	125,108	1,186,276	88,061
Undivided profits	307,290	43,569	730,272	378,885	183,548	1,145,588	85,390
Reserve for contingencies and other capital reserves	8,050	7,542	31,118	10,105	7,674	62,905	6,840
<b>Total equity capital</b>	<b>736,148</b>	<b>123,431</b>	<b>2,018,704</b>	<b>722,508</b>	<b>408,862</b>	<b>2,895,971</b>	<b>210,681</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>11,215,819</b>	<b>1,758,891</b>	<b>25,752,675</b>	<b>10,339,864</b>	<b>7,481,037</b>	<b>42,993,708</b>	<b>3,369,177</b>



Table B-20—Continued

Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, December 31, 1977

(Dollar amounts in thousands)

	South Carolina	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia
Number of banks .....	19	32	73	604	12	14	103
<b>Assets</b>							
Cash and due from banks .....	\$478,977	\$230,394	\$1,336,243	\$7,636,581	\$322,048	\$37,991	\$1,359,297
U.S. Treasury securities .....	220,313	137,209	886,013	4,273,565	158,535	32,279	865,860
Obligations of other U.S. government agencies and corporations .....	74,768	45,840	285,512	1,310,300	52,482	6,672	296,807
Obligations of states and political subdivisions .....	371,507	292,379	782,642	6,021,930	170,522	62,454	1,360,150
Other bonds, notes and debentures .....	258	8,894	16,609	131,487	1,054	3,417	12,804
Federal Reserve stock and corporate stock .....	3,753	2,617	14,537	59,539	2,853	828	17,598
Trading account securities .....	16,564	0	12,938	72,956	7,574	0	15,990
Federal funds sold and securities purchased under agreements to resell .....	227,985	25,350	521,618	3,312,890	117,935	14,210	317,814
Loans, total (excluding unearned income) .....	1,656,263	1,454,383	4,775,017	23,967,197	1,563,303	322,321	6,396,069
Reserve for possible loan losses .....	18,159	13,631	56,349	258,887	13,397	2,648	63,022
Loans, net of reserve .....	1,638,104	1,440,752	4,718,668	23,708,310	1,549,906	319,673	6,333,047
Direct lease financing .....	11,420	2,116	39,637	143,474	19,148	133	9,849
Bank premises, furniture and fixtures and other assets representing bank premises .....	76,684	42,105	202,277	884,307	36,969	10,435	275,321
Real estate owned other than bank premises .....	5,227	2,020	51,468	100,110	1,770	408	29,294
Investments in unconsolidated subsidiaries and associated companies .....	0	0	42	36,909	0	0	24
Customers' liabilities to this bank on acceptances outstanding .....	302	342	6,678	356,100	30	0	9,494
Other assets .....	42,008	28,730	235,411	1,043,047	30,885	4,576	145,352
<b>Total assets</b> .....	<b>3,167,870</b>	<b>2,258,748</b>	<b>9,110,293</b>	<b>49,091,505</b>	<b>2,471,711</b>	<b>493,076</b>	<b>11,048,653</b>
<b>Liabilities</b>							
Demand deposits of individuals, partnerships and corporations .....	1,319,002	519,673	2,362,180	14,400,588	640,590	94,083	3,017,660
Time and savings deposits of individuals, partnerships and corporations .....	1,003,181	1,292,508	3,981,846	16,308,251	1,123,321	317,378	5,440,072
Deposits of U.S. government .....	53,725	10,783	69,528	369,794	12,280	2,909	82,218
Deposits of states and political subdivisions .....	223,556	158,566	774,841	5,303,824	281,825	30,922	782,739
Deposits of foreign governments and official institutions .....	0	0	1,147	17,977	0	0	134
Deposits of commercial banks .....	43,068	28,405	534,200	2,971,557	39,240	1,373	109,344
Certified and officers' checks .....	23,696	14,755	56,742	456,484	21,409	5,433	84,673
<b>Total deposits</b> .....	<b>2,666,228</b>	<b>2,024,690</b>	<b>7,780,484</b>	<b>39,828,475</b>	<b>2,118,665</b>	<b>452,098</b>	<b>9,516,840</b>
<b>Total demand deposits</b> .....	<b>1,574,622</b>	<b>597,468</b>	<b>3,090,483</b>	<b>18,649,677</b>	<b>757,226</b>	<b>112,529</b>	<b>3,454,887</b>
<b>Total time and savings deposits</b> .....	<b>1,091,606</b>	<b>1,427,222</b>	<b>4,690,001</b>	<b>21,178,798</b>	<b>1,361,439</b>	<b>339,569</b>	<b>6,061,953</b>
Federal funds purchased and securities sold under agreements to repurchase .....	211,605	25,863	553,101	4,394,053	135,410	713	502,811
Liabilities for borrowed money .....	9,437	420	10,121	167,893	1,702	1,358	25,124
Mortgage indebtedness .....	325	2,284	5,692	99,808	93	0	39,155
Acceptances executed by or for account of this bank and outstanding .....	302	342	6,678	356,195	30	0	9,494
Other liabilities .....	36,809	27,921	119,866	646,500	33,211	2,899	138,628
<b>Total liabilities</b> .....	<b>2,924,706</b>	<b>2,081,520</b>	<b>8,475,942</b>	<b>45,492,924</b>	<b>2,289,111</b>	<b>457,068</b>	<b>10,232,052</b>
Subordinated notes and debentures .....	7,600	22,476	31,740	269,825	45,090	3,434	46,095
<b>Equity Capital</b>							
Preferred stock .....	0	0	0	133	0	0	0
Common stock .....	41,460	39,489	143,214	769,575	35,053	7,541	164,881
Surplus .....	80,239	46,509	213,091	935,113	56,087	9,646	274,728
Undivided profits .....	110,990	64,387	229,914	1,446,579	44,700	14,403	318,974
Reserve for contingencies and other capital reserves .....	2,875	4,367	16,392	177,356	1,670	984	11,923
<b>Total equity capital</b> .....	<b>235,564</b>	<b>154,752</b>	<b>602,611</b>	<b>3,328,756</b>	<b>137,510</b>	<b>32,574</b>	<b>770,506</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b> .....	<b>3,167,870</b>	<b>2,258,748</b>	<b>9,110,293</b>	<b>49,091,505</b>	<b>2,471,711</b>	<b>493,076</b>	<b>11,048,653</b>

Table B-20—Continued

*Total assets, liabilities and equity capital of domestic offices and subsidiaries of national banks,  
United States and other areas, December 31, 1977*

(Dollar amounts in thousands)

	Washington	West Virginia	Wisconsin	Wyoming	Other areas Puerto Rico	District of Columbia non-national*
Number of banks	21	106	128	46	1	1
<b>Assets</b>						
Cash and due from banks	\$1,856,020	\$454,404	\$1,071,448	\$207,173	\$21,509	\$2,240
U.S. Treasury securities	505,311	436,533	738,119	149,001	2,984	16,947
Obligations of other U.S. government agencies and corporations	151,168	310,122	258,958	70,479	0	7,960
Obligations of states and political subdivisions	970,910	769,082	843,474	225,238	8,837	3,714
Other bonds, notes and debentures	15,316	15,080	51,816	2,601	0	2,187
Federal Reserve stock and corporate stock	17,576	6,209	11,494	1,713	198	1
Trading account securities	27,252	3,265	30,915	0	0	0
Federal funds sold and securities purchased under agreements to resell	809,196	357,847	479,943	58,420	27,600	0
Loans, total (excluding unearned income)	7,613,359	2,206,877	5,062,928	914,031	21,098	19,202
Reserve for possible loan losses	78,330	22,698	50,166	8,626	500	237
Loans, net of reserve	7,535,029	2,184,179	5,012,762	905,405	20,598	18,965
Direct lease financing	286,992	10,962	38,428	2,353	0	0
Bank premises, furniture and fixtures and other assets representing bank premises	276,034	112,512	204,970	29,217	216	565
Real estate owned other than bank premises	10,023	2,008	112,541	1,460	836	0
Investments in unconsolidated subsidiaries and associated companies	23,411	0	573	54	0	0
Customers' liabilities to this bank on acceptances outstanding	159,885	0	19,897	0	147	0
Other assets	252,509	39,121	172,617	23,146	785	792
<b>Total assets</b>	<b>12,896,632</b>	<b>4,701,324</b>	<b>9,047,955</b>	<b>1,676,260</b>	<b>83,710</b>	<b>53,371</b>
<b>Liabilities</b>						
Demand deposits of individuals, partnerships and corporations	3,599,645	1,077,644	2,144,837	426,653	6,664	15,865
Time and savings deposits of individuals, partnerships and corporations	5,170,220	2,479,715	4,290,014	740,648	35,999	32,854
Deposits of U.S. government	89,495	28,817	80,888	52,557	31	585
Deposits of states and political subdivisions	1,022,107	223,313	626,320	209,719	21,171	4
Deposits of foreign governments and official institutions	12,099	0	22,794	0	0	0
Deposits of commercial banks	237,030	91,549	272,626	38,443	12,249	112
Certified and officers' checks	161,916	30,137	83,605	13,287	438	310
<b>Total deposits</b>	<b>10,292,512</b>	<b>3,931,175</b>	<b>7,521,084</b>	<b>1,481,307</b>	<b>76,552</b>	<b>49,730</b>
Total demand deposits	4,211,713	1,297,332	2,711,461	547,763	9,078	16,856
Total time and savings deposits	6,080,799	2,633,843	4,809,623	933,544	67,474	32,874
Federal funds purchased and securities sold under agreements to repurchase	1,379,076	322,244	742,158	35,819	0	0
Liabilities for borrowed money	40,501	14,619	17,821	10,356	0	0
Mortgage indebtedness	3,838	6,823	2,562	1,163	0	0
Acceptances executed by or for account of this bank and outstanding	159,885	0	19,939	0	147	0
Other liabilities	217,451	39,027	123,695	19,539	975	504
<b>Total liabilities</b>	<b>12,093,263</b>	<b>4,313,888</b>	<b>8,427,259</b>	<b>1,548,184</b>	<b>77,674</b>	<b>50,234</b>
Subordinated notes and debentures	111,152	6,758	55,867	8,341	1,800	110
<b>Equity Capital</b>						
Preferred stock	6,000	0	0	0	0	0
Common stock	158,031	68,508	137,301	9,746	3,520	278
Surplus	208,432	137,685	215,879	40,294	3,818	1,000
Undivided profits	292,705	163,085	197,727	65,457	3,102	1,749
Reserve for contingencies and other capital reserves	27,049	11,400	13,922	4,238	0	0
<b>Total equity capital</b>	<b>692,217</b>	<b>380,678</b>	<b>564,829</b>	<b>119,735</b>	<b>4,236</b>	<b>3,027</b>
<b>Total liabilities, subordinated notes and debentures and equity capital</b>	<b>12,896,632</b>	<b>4,701,324</b>	<b>9,047,955</b>	<b>1,676,260</b>	<b>83,710</b>	<b>53,371</b>

\* Non-national banks in the District of Columbia are supervised by the Office of the Comptroller of the Currency.

Table B-21

**Loans of national banks, by states, December 31, 1977**  
(Dollar amounts in millions)

	Total loans	Loans secured by real estate	Loans to financial institutions	Loans to purchase or carry securities	Loans to farmers	Commercial and indus- trial loans	Personal loans to individuals	Other loans	Total loans less un- earned income†
All national banks . . . .	\$352,648	\$98,047	\$23,434	\$9,597	\$12,359	\$120,740	\$78,838	\$9,634	\$344,522
Alabama . . . . .	4,966	1,288	156	27	119	1,544	1,687	145	4,767
Alaska . . . . .	790	338	1	1	—	225	216	10	765
Arizona . . . . .	3,867	1,092	179	54	270	1,057	1,143	71	3,680
Arkansas . . . . .	2,634	842	23	74	134	750	760	50	2,559
California . . . . .	52,891	18,019	4,089	765	1,819	16,175	10,657	1,367	51,687
Colorado . . . . .	4,518	1,064	183	59	473	1,411	1,209	120	4,432
Connecticut . . . . .	1,830	636	93	26	13	531	474	57	1,796
Delaware . . . . .	50	27	0	0	1	7	15	—	48
District of Columbia . . .	2,809	1,005	386	36	1	660	598	122	2,772
Florida . . . . .	9,045	3,215	328	105	83	2,287	2,874	152	8,772
Georgia . . . . .	4,879	1,221	190	51	40	1,663	1,612	101	4,673
Hawaii . . . . .	84	50	0	0	1	17	16	—	82
Idaho . . . . .	1,817	533	23	10	245	475	518	14	1,767
Illinois . . . . .	31,708	6,083	3,752	1,846	881	13,244	4,704	1,198	31,318
Indiana . . . . .	7,535	3,069	173	74	211	1,814	2,064	131	7,291
Iowa . . . . .	2,920	856	37	66	617	703	592	49	2,891
Kansas . . . . .	2,855	520	53	107	651	762	740	52	2,829
Kentucky . . . . .	3,344	1,094	94	22	143	836	1,082	73	3,233
Louisiana . . . . .	4,341	1,169	197	60	64	1,641	1,099	112	4,209
Maine . . . . .	693	273	2	—	12	205	192	8	683
Maryland . . . . .	3,565	1,319	144	50	27	829	1,102	94	3,468
Massachusetts . . . . .	6,037	1,108	562	75	7	3,027	1,121	138	5,952
Michigan . . . . .	13,086	5,059	813	203	128	3,447	2,859	577	12,820
Minnesota . . . . .	7,701	2,248	355	300	458	2,739	1,344	258	7,583
Mississippi . . . . .	2,065	635	55	29	70	535	691	50	1,995
Missouri . . . . .	5,452	1,212	345	301	276	1,908	1,250	158	5,377
Montana . . . . .	1,429	379	4	2	229	366	430	19	1,362
Nebraska . . . . .	2,913	383	27	111	990	672	690	40	2,857
Nevada . . . . .	957	441	8	4	21	213	266	5	918
New Hampshire . . . . .	875	317	3	1	2	266	280	7	843
New Jersey . . . . .	10,406	4,533	327	55	9	2,709	2,589	184	10,092
New Mexico . . . . .	1,479	360	31	6	113	470	487	13	1,420
New York . . . . .	40,651	6,540	4,775	3,069	253	19,989	4,657	1,368	40,123
North Carolina . . . . .	6,092	986	305	72	104	2,349	2,162	113	5,857
North Dakota . . . . .	1,090	295	1	2	209	324	251	10	1,064
Ohio . . . . .	13,283	4,415	342	91	205	3,443	4,575	212	12,764
Oklahoma . . . . .	5,222	1,158	203	230	567	1,790	1,168	106	5,121
Oregon . . . . .	4,092	1,239	475	37	184	1,281	817	60	4,023
Pennsylvania . . . . .	23,401	7,098	2,233	452	178	7,730	5,062	648	22,816
Rhode Island . . . . .	1,891	761	87	5	—	690	304	43	1,858
South Carolina . . . . .	1,722	331	26	8	30	554	735	39	1,656
South Dakota . . . . .	1,495	397	4	4	411	352	315	12	1,454
Tennessee . . . . .	4,949	1,322	218	88	97	1,569	1,571	84	4,775
Texas . . . . .	24,434	4,485	1,318	816	1,165	10,232	5,325	1,092	23,967
Utah . . . . .	1,591	641	35	13	48	501	332	21	1,563
Vermont . . . . .	330	173	—	—	7	72	73	5	322
Virginia . . . . .	6,657	2,611	145	37	98	1,486	2,142	138	6,396
Washington . . . . .	7,685	1,959	336	45	411	2,936	1,837	160	7,613
West Virginia . . . . .	2,370	998	10	8	13	416	887	39	2,207
Wisconsin . . . . .	5,154	1,985	285	96	131	1,530	1,032	95	5,063
Wyoming . . . . .	947	265	2	4	142	292	230	11	914
Puerto Rico . . . . .	22	2	—	0	0	15	1	4	21
District of Columbia— all*	2,828	1,016	387	36	1	665	600	122	2,792

\* Includes national and non-national banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

† Equals total loans from the balance sheet before the deduction of the reserve for possible loan losses.

Note: Data may not add to totals because of rounding. Dashes indicate amounts of less than \$500,000.

Table B-22

*Outstanding balances, credit cards and related plans of national banks, December 31, 1977*

	Credit cards		Other related credit plans	
	Number of banks	Outstanding volume (dollars in thousands)	Number of banks	Outstanding volume (dollars in thousands)
All national banks .....	1,020	\$10,679,513	1,305	2,196,369
Alabama .....	16	118,690	10	4,755
Alaska .....	2	23,444	1	297
Arizona .....	2	132,185	3	35,154
Arkansas .....	7	37,900	5	833
California .....	25	2,282,270	37	494,074
Colorado .....	64	225,543	76	30,594
Connecticut .....	3	82,864	11	24,388
Delaware .....	0	0	0	0
District of Columbia .....	2	82,848	10	47,236
Florida .....	82	326,185	51	26,647
Georgia .....	24	269,327	14	29,197
Hawaii .....	1	1,211	1	824
Idaho .....	3	41,239	2	11,299
Illinois .....	45	907,522	127	66,799
Indiana .....	60	168,883	24	17,037
Iowa .....	11	55,745	23	2,937
Kansas .....	7	75,575	18	2,935
Kentucky .....	36	95,024	13	5,217
Louisiana .....	6	84,365	8	7,580
Maine .....	12	17,084	9	6,310
Maryland .....	4	230,176	14	30,019
Massachusetts .....	34	159,435	49	101,541
Michigan .....	45	439,541	51	64,305
Minnesota .....	41	48,348	118	72,435
Mississippi .....	2	42,302	1	798
Missouri .....	20	272,941	38	19,281
Montana .....	12	4,082	22	4,308
Nebraska .....	5	173,584	26	4,838
Nevada .....	3	27,389	1	4,984
New Hampshire .....	18	20,801	15	3,687
New Jersey .....	18	123,140	61	104,628
New Mexico .....	6	27,560	5	892
New York .....	26	1,049,787	49	519,661
North Carolina .....	8	182,247	24	76,644
North Dakota .....	6	2,110	13	3,065
Ohio .....	118	539,185	62	38,302
Oklahoma .....	8	129,277	28	4,472
Oregon .....	3	153,123	0	0
Pennsylvania .....	17	420,174	50	197,241
Rhode Island .....	4	39,318	2	15,776
South Carolina .....	5	67,232	10	10,552
South Dakota .....	1	688	6	1,700
Tennessee .....	11	168,228	11	14,247
Texas .....	61	477,222	85	35,689
Utah .....	5	58,612	0	0
Vermont .....	4	4,129	1	8
Virginia .....	31	278,207	26	15,855
Washington .....	7	307,094	4	17,698
West Virginia .....	11	30,735	10	1,282
Wisconsin .....	71	171,250	65	15,648
Wyoming .....	7	3,692	15	2,700
Puerto Rico .....	0	0	0	0
District of Columbia — all* .....	2	82,848	11	47,303

\* Non-national banks in the District of Columbia are supervised by the Comptroller of the Currency.

Table B-23

*National banks engaged in direct lease financing, December 31, 1977*

	<i>Total number of banks</i>	<i>Number of banks engaged in direct lease financing</i>	<i>Amount of direct lease financing (dollars in thousands)</i>
All national banks . . . . .	4,655	840	\$ 4,406,264
Alabama . . . . .	97	10	26,282
Alaska . . . . .	6	2	8,981
Arizona . . . . .	3	1	8,503
Arkansas . . . . .	72	10	8,065
California . . . . .	58	19	1,638,953
Colorado . . . . .	133	41	45,320
Connecticut . . . . .	21	1	9,635
Delaware . . . . .	5	0	0
District of Columbia . . . . .	15	4	24,670
Florida . . . . .	263	54	58,024
Georgia . . . . .	64	12	40,498
Hawaii . . . . .	2	1	4,594
Idaho . . . . .	6	2	6,052
Illinois . . . . .	423	72	80,235
Indiana . . . . .	121	30	140,689
Iowa . . . . .	99	17	1,957
Kansas . . . . .	160	25	4,705
Kentucky . . . . .	82	16	75,894
Louisiana . . . . .	53	10	25,940
Maine . . . . .	17	0	0
Maryland . . . . .	36	3	39,578
Massachusetts . . . . .	72	10	58,753
Michigan . . . . .	123	23	50,339
Minnesota . . . . .	204	23	139,699
Mississippi . . . . .	36	7	176
Missouri . . . . .	113	24	52,876
Montana . . . . .	56	16	4,957
Nebraska . . . . .	117	24	41,214
Nevada . . . . .	4	3	39,824
New Hampshire . . . . .	41	2	20
New Jersey . . . . .	100	9	84,654
New Mexico . . . . .	40	10	1,946
New York . . . . .	127	14	529,665
North Carolina . . . . .	28	6	62,155
North Dakota . . . . .	43	1	214
Ohio . . . . .	218	62	132,637
Oklahoma . . . . .	193	91	33,870
Oregon . . . . .	7	2	29,239
Pennsylvania . . . . .	233	14	240,254
Rhode Island . . . . .	5	3	90,685
South Carolina . . . . .	19	2	11,420
South Dakota . . . . .	32	4	2,116
Tennessee . . . . .	73	13	39,637
Texas . . . . .	604	65	143,474
Utah . . . . .	12	4	19,148
Vermont . . . . .	14	2	133
Virginia . . . . .	103	6	9,849
Washington . . . . .	21	11	286,992
West Virginia . . . . .	106	17	10,962
Wisconsin . . . . .	128	24	38,428
Wyoming . . . . .	46	18	2,353
Puerto Rico . . . . .	1	0	0
District of Columbia — all* . . . . .	17	4	24,670

\* Includes national banks and non-national banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

Table B-24

*Total income and expenses of foreign and domestic offices and subsidiaries of national banks \*, United States and other areas, year ended December 31, 1977*

(Dollar amounts in thousands)

	<i>Total, U.S. and other areas</i>	<i>Total United States</i>	<i>Alabama</i>	<i>Alaska</i>	<i>Arizona</i>	<i>Arkansas</i>	<i>California</i>
Number of banks .....	4,655	4,654	97	6	3	72	58
Operating income:							
Interest and fees on loans .....	\$35,446,288	\$35,445,040	\$414,238	\$78,306	\$309,154	\$211,952	\$6,154,500
Interest on balances with banks .....	3,243,048	3,241,705	1,540	59	5,163	782	874,709
Income on Federal funds sold and securities purchased under agreements to resell in domestic offices .....	1,532,133	1,531,766	13,041	2,389	19,878	14,081	206,408
U.S. Treasury securities .....	3,319,382	3,319,277	33,244	4,441	34,967	18,855	329,781
Obligations of other U.S. government agencies and corporations .....	1,212,580	1,212,580	20,605	2,879	7,547	12,209	124,409
Obligations of states and political subdivisions .....	2,929,628	2,929,205	59,842	9,663	2,869	28,758	237,895
Other bonds, notes and debentures .....	578,815	578,815	2,199	143	542	755	122,782
Dividends on stock .....	61,291	61,291	599	185	206	297	8,015
Income from direct lease financing .....	537,633	537,633	877	936	634	1,000	163,656
Income from fiduciary activities .....	1,131,299	1,131,299	13,627	1,301	10,608	3,850	124,636
Service charges on deposit accounts in domestic offices .....	986,925	986,898	19,308	5,379	24,815	10,531	173,101
Other service charges, commissions and fees .....	1,566,644	1,566,623	21,869	6,297	8,637	8,888	283,334
Other income .....	1,243,253	1,242,926	9,104	1,043	7,757	9,492	230,546
<i>Total operating income</i> .....	<i>53,788,919</i>	<i>53,785,058</i>	<i>610,093</i>	<i>113,021</i>	<i>450,777</i>	<i>321,450</i>	<i>9,033,772</i>
Operating expenses:							
Salaries and employee benefits .....	9,486,853	9,486,362	122,475	35,488	111,469	64,446	1,615,471
Interest on time certificates of deposit of \$100,000 or more, issued by domestic offices .....	4,031,501	4,029,884	61,355	9,400	19,328	24,996	584,730
Interest on deposits in foreign offices .....	7,123,000	7,123,000	0	0	425	0	1,947,416
Interest on other deposits .....	11,956,920	11,956,132	170,393	15,852	146,295	98,846	1,812,949
Expense of Federal funds purchased and securities sold under agreements to repurchase in domestic offices .....	3,116,094	3,116,094	19,563	3,035	16,480	13,598	339,718
Interest on borrowed money .....	603,986	603,986	5,788	506	52	1,030	84,752
Interest on subordinated notes and debentures .....	202,668	202,623	2,076	68	5,014	2,043	26,256
Occupancy expense of bank premises, net .....	1,710,294	1,710,137	18,553	6,293	22,796	12,889	278,675
Furniture and equipment expense .....	1,140,820	1,140,681	16,981	5,153	10,428	10,636	150,783
Provision for possible loan losses (or actual net loan losses) .....	1,985,113	1,984,791	22,333	2,465	18,153	8,308	301,590
Other expenses .....	5,598,346	5,597,783	81,662	12,772	47,591	39,853	731,030
<i>Total operating expenses</i> .....	<i>46,955,595</i>	<i>46,951,473</i>	<i>521,179</i>	<i>91,032</i>	<i>398,031</i>	<i>276,645</i>	<i>7,873,370</i>
Income before income taxes and securities gains or losses .....	6,833,324	6,833,585	88,914	21,989	52,746	44,805	1,160,402
Applicable income taxes (domestic and foreign) .....	1,767,061	1,767,061	11,507	5,837	13,290	6,578	474,284
Income before securities gains or losses .....	5,066,263	5,066,524	77,407	16,152	39,456	38,227	686,118
Securities gains (losses), gross .....	52,456	52,456	2,807	782	-659	1,752	49
Applicable income taxes (domestic and foreign) .....	16,000	16,000	1,337	313	-332	767	-343
Securities gains (losses), net .....	36,456	36,456	1,470	469	-327	985	392
Income before extraordinary items .....	5,102,719	5,102,980	78,877	16,621	39,129	39,212	686,510
Extraordinary items, net of tax effect .....	36,029	36,029	104	125	0	215	18,406
<i>Net income</i> .....	<i>5,138,748</i>	<i>5,139,009</i>	<i>78,981</i>	<i>16,746</i>	<i>39,129</i>	<i>39,427</i>	<i>704,916</i>

Equity capital, beginning of period . . . . .	40,939,975	40,937,968	545,606	91,007	277,102	290,044	4,774,768
Net income (loss) . . . . .	5,138,748	5,139,009	78,981	16,746	39,129	39,427	704,916
Sale, conversion, acquisition or retirement of capital . . . . .	577,447	574,957	2,037	82	32	2,254	69,821
Changes incident to mergers and absorptions . . . . .	129,850	129,850	-17	0	0	0	543
Cash dividends declared on common stock . . . . .	-1,993,176	-1,993,176	-27,033	-1,839	-13,050	-8,438	-267,093
Cash dividends declared on preferred stock . . . . .	-1,090	-1,090	0	0	0	0	0
Stock dividends issued . . . . .	-1	-1	0	0	0	0	0
Other increases (decreases) . . . . .	206,993	206,993	3,374	-116	0	1,077	145,041
Equity capital, end of period . . . . .	44,998,746	44,994,510	602,948	105,880	303,213	324,364	5,427,996
Reserve for possible loan losses, beginning of period . . . . .	3,685,837	3,685,107	46,899	6,439	23,826	19,366	533,307
Recoveries credited to reserve . . . . .	508,933	506,695	7,971	1,328	2,682	2,025	79,731
Changes incident to mergers and absorptions . . . . .	45,946	45,946	0	0	0	0	628
Provision for possible loan losses . . . . .	1,985,113	1,984,791	22,333	2,465	18,153	8,308	301,590
Losses charged to reserve . . . . .	-2,179,836	-2,177,046	-24,001	-3,877	-17,494	-7,314	-288,063
Reserve for possible loan losses, end of period . . . . .	4,045,993	4,045,493	53,202	6,355	27,167	22,385	627,193
Ratios:							
Net income before dividends to equity capital (percent) . . . . .	11.42	11.42	13.10	15.82	12.90	12.16	12.99
Total operating expense to total operating income (percent) . . . . .	87.30	87.29	85.43	80.54	88.30	86.06	87.15

See footnotes at end of table.

Table B-24—Continued

*Total income and expenses of foreign and domestic offices and subsidiaries of national banks\*, United States and other areas, year ended December 31, 1977*

(Dollar amounts in thousands)

	Colorado	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii
Number of banks . . . . .	133	21	5	15	263	64	2
Operating income:							
Interest and fees on loans . . . . .	\$404,943	\$162,612	\$4,205	\$224,849	\$748,276	\$446,542	\$8,759
Interest on balances with banks . . . . .	614	13,226	0	16,783	11,551	12,970	0
Income on Federal funds sold and securities purchased under agreements to resell in domestic offices . . . . .	17,937	5,762	159	14,000	64,984	25,457	358
U.S. Treasury securities . . . . .	30,572	16,831	616	33,476	173,906	30,693	1,066
Obligations of other U.S. government agencies and corporations . . . . .	10,878	7,645	191	7,628	79,044	9,964	538
Obligations of states and political subdivisions . . . . .	37,701	11,811	181	27,463	95,773	32,337	59
Other bonds, notes and debentures . . . . .	175	5,861	28	1,169	9,873	900	0
Dividends on stock . . . . .	519	405	6	360	1,725	2,094	12
Income from direct lease financing . . . . .	4,053	962	0	1,802	6,223	4,240	200
Income from fiduciary activities . . . . .	19,408	14,674	0	15,256	43,603	20,856	0
Service charges on deposit accounts in domestic offices . . . . .	18,776	3,806	112	11,143	40,223	30,169	112
Other service charges, commissions and fees . . . . .	19,844	8,423	57	6,681	38,307	20,543	759
Other income . . . . .	11,428	5,832	82	2,800	26,961	37,835	36
<i>Total operating income . . . . .</i>	<i>576,848</i>	<i>257,850</i>	<i>5,637</i>	<i>363,410</i>	<i>1,340,449</i>	<i>674,600</i>	<i>11,899</i>
Operating expenses:							
Salaries and employee benefits . . . . .	122,416	62,641	1,042	81,947	259,104	157,361	3,654
Interest on time certificates of deposit of \$100,000 or more, issued by domestic offices . . . . .	50,115	16,548	76	23,719	81,539	51,019	1,538
Interest on deposits in foreign offices . . . . .	351	5,251	0	23,249	645	11,939	0
Interest on other deposits . . . . .	137,832	63,378	2,277	74,153	410,077	117,341	2,967
Expense of Federal funds purchased and securities sold under agreements to repurchase in domestic offices . . . . .	22,568	16,721	0	16,930	54,615	59,682	23
Interest on borrowed money . . . . .	1,790	588	24	949	2,108	4,684	5
Interest on subordinated notes and debentures . . . . .	2,555	788	14	706	2,393	4,987	75
Occupancy expense of bank premises, net . . . . .	21,448	12,635	188	15,500	44,529	25,641	836
Furniture and equipment expense . . . . .	17,478	8,536	132	9,841	35,131	23,180	387
Provision for possible loan losses (or actual net loan losses) . . . . .	19,598	13,691	198	12,046	61,308	67,710	1,018
Other expenses . . . . .	92,780	32,246	734	39,666	260,530	116,787	2,264
<i>Total operating expenses . . . . .</i>	<i>488,931</i>	<i>233,023</i>	<i>4,685</i>	<i>298,706</i>	<i>1,211,979</i>	<i>640,331</i>	<i>12,767</i>
Income before income taxes and securities gains or losses . . . . .	87,917	24,827	952	64,704	128,470	34,269	-868
Applicable income taxes (domestic and foreign) . . . . .	22,602	6,787	327	18,359	16,148	-2,835	-34
Income before securities gains or losses . . . . .	65,315	18,040	625	46,345	112,322	37,104	-834
Securities gains (losses), gross . . . . .	1,861	339	13	1,308	4,059	2,245	123
Applicable income taxes (domestic and foreign) . . . . .	909	169	3	657	1,510	960	12
Securities gains (losses), net . . . . .	952	170	10	651	2,549	1,285	111
Income before extraordinary items . . . . .	66,267	18,210	635	46,996	114,871	38,389	-723
Extraordinary items, net of tax effect . . . . .	105	292	0	161	3,718	65	45
<i>Net income . . . . .</i>	<i>66,372</i>	<i>18,502</i>	<i>635</i>	<i>47,157</i>	<i>118,589</i>	<i>38,454</i>	<i>-678</i>



Equity capital, beginning of period . . . . .	458,548	202,857	5,375	389,335	1,294,338	592,357	7,666
Net income (loss) . . . . .	66,372	18,502	635	47,157	118,589	38,454	-678
Sale, conversion, acquisition or retirement of capital . . . . .	5,629	14	0	0	20,223	779	4
Changes incident to mergers and absorptions . . . . .	0	0	0	0	76,179	0	0
Cash dividends declared on common stock . . . . .	-23,701	-9,612	-172	-18,590	-58,408	-24,919	0
Cash dividends declared on preferred stock . . . . .	0	0	0	-147	-60	0	0
Stock dividends issued . . . . .	0	0	0	0	0	0	0
Other increases (decreases) . . . . .	428	256	0	-299	10,145	276	0
Equity capital, end of period . . . . .	507,276	212,017	5,838	417,456	1,461,006	606,947	6,992
Reserve for possible loan losses, beginning of period . . . . .	36,332	18,031	153	29,351	85,338	56,739	981
Recoveries credited to reserve . . . . .	8,790	2,826	27	2,153	18,403	9,064	1,483
Changes incident to mergers and absorptions . . . . .	69	0	0	0	5,115	0	0
Provision for possible loan losses . . . . .	19,598	13,691	198	12,046	61,308	67,710	1,018
Losses charged to reserve . . . . .	-18,918	-15,780	-180	-10,238	-68,491	-65,433	-2,103
Reserve for possible loan losses, end of period . . . . .	45,871	18,768	198	33,312	101,673	68,080	1,379
Ratios:							
Net income before dividends to equity capital (percent) . . . . .	13.08	8.73	10.88	11.30	8.12	6.34	-9.70
Total operating expense to total operating income (percent) . . . . .	84.76	90.37	83.11	82.20	90.42	94.92	107.29

See footnotes at end of table.

Table B-24—Continued

*Total income and expenses of foreign and domestic offices and subsidiaries of national banks \*, United States and other areas, year ended December 31, 1977*

(Dollar amounts in thousands)

	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana
Number of banks .....	6	423	121	99	160	82	53
Operating income:							
Interest and fees on loans .....	\$164,222	\$2,983,446	\$625,551	\$240,809	\$241,326	\$273,596	\$353,841
Interest on balances with banks .....	619	398,972	19,935	807	390	2,832	5,271
Income on Federal funds sold and securities purchased under agreements to resell in domestic offices .....	3,262	91,056	35,386	11,520	18,371	18,661	29,620
U.S. Treasury securities .....	16,002	304,492	100,526	27,333	34,876	35,091	84,728
Obligations of other U.S. government agencies and corporations .....	4,506	149,423	40,964	14,162	16,355	8,875	12,388
Obligations of states and political subdivisions .....	13,897	281,807	77,791	28,718	31,366	33,198	43,618
Other bonds, notes and debentures .....	225	50,850	16,012	1,136	944	256	654
Dividends on stock .....	266	7,451	1,017	277	442	354	810
Income from direct lease financing .....	975	12,215	9,654	239	742	5,524	2,988
Income from fiduciary activities .....	1,807	107,674	23,315	7,407	6,688	4,202	6,610
Service charges on deposit accounts in domestic offices .....	7,368	42,499	20,853	6,474	8,253	7,928	16,281
Other service charges, commissions and fees .....	5,933	119,455	25,818	14,461	11,700	11,876	19,472
Other income .....	1,768	121,936	14,522	3,049	3,614	6,690	6,281
<i>Total operating income ..</i>	<i>220,850</i>	<i>4,671,276</i>	<i>1,011,344</i>	<i>356,392</i>	<i>375,067</i>	<i>409,083</i>	<i>582,562</i>
Operating expenses:							
Salaries and employee benefits .....	45,663	629,839	179,087	59,504	69,312	76,355	104,576
Interest on time certificates of deposit of \$100,000 or more, issued by domestic offices .....	13,112	498,658	78,503	13,219	29,440	30,379	81,285
Interest on deposits in foreign offices .....	0	775,892	8,757	0	0	3,489	2,516
Interest on other deposits .....	76,446	913,916	328,168	141,801	123,978	127,004	133,795
Expense of Federal funds purchased and securities sold under agreements to repurchase in domestic offices .....	4,931	481,940	64,319	16,703	13,834	16,298	30,653
Interest on borrowed money .....	71	39,333	5,520	244	1,550	669	1,417
Interest on subordinated notes and debentures .....	1,077	7,205	1,518	2,202	1,786	1,000	1,529
Occupancy expense of bank premises, net .....	6,037	110,036	35,018	10,387	11,403	13,482	20,277
Furniture and equipment expense .....	5,637	77,790	28,375	7,722	10,874	12,917	21,976
Provision for possible loan losses (or actual net loan losses) .....	5,092	187,238	30,996	5,836	8,141	10,636	22,872
Other expenses .....	26,004	352,323	114,380	46,950	42,749	49,164	71,821
<i>Total operating expenses .....</i>	<i>184,070</i>	<i>4,074,170</i>	<i>874,641</i>	<i>304,568</i>	<i>313,067</i>	<i>341,393</i>	<i>492,717</i>
Income before income taxes and securities gains or losses .....	36,780	597,106	136,703	51,824	62,000	67,690	89,845
Applicable income taxes (domestic and foreign) .....	11,145	148,140	20,645	10,337	13,799	13,876	19,745
Income before securities gains or losses .....	25,635	448,966	116,058	41,487	48,201	53,814	70,100
Securities gains (losses), gross .....	-38	13,469	5,348	948	1,155	270	940
Applicable income taxes (domestic and foreign) .....	-18	5,152	2,459	453	378	124	290
Securities gains (losses), net .....	-20	8,317	2,889	495	777	146	650
Income before extraordinary items .....	25,615	457,283	118,947	41,982	48,978	53,960	70,750
Extraordinary items, net of tax effect .....	23	1,426	61	95	172	201	589
<i>Net income .....</i>	<i>25,638</i>	<i>458,709</i>	<i>119,008</i>	<i>42,077</i>	<i>49,150</i>	<i>54,161</i>	<i>71,339</i>

Equity capital, beginning of period . . . . .	159,518	3,484,165	918,158	304,880	408,757	368,953	592,869
Net income (loss) . . . . .	25,638	458,709	119,008	42,077	49,150	54,161	71,339
Sale, conversion, acquisition or retirement of capital. . . . .	1,733	14,742	4,022	1,407	495	0	2,273
Changes incident to mergers and absorptions . . . . .	0	652	0	688	0	0	0
Cash dividends declared on common stock . . . . .	-7,778	-150,347	-42,922	-12,506	-14,144	-14,113	-21,798
Cash dividends declared on preferred stock. . . . .	0	-116	0	0	0	0	-82
Stock dividends issued. . . . .	0	0	0	0	0	0	0
Other increases (decreases) . . . . .	64	932	760	2,991	396	-105	-294
Equity capital, end of period . . . . .	179,175	3,808,737	999,026	339,537	444,654	408,896	644,307
Reserve for possible loan losses, beginning of period . . . . .	13,719	387,331	77,154	21,146	24,801	26,212	41,336
Recoveries credited to reserve. . . . .	2,228	31,778	8,547	1,905	3,797	2,904	6,824
Changes incident to mergers and absorptions . . . . .	0	441	0	37	0	0	0
Provision for possible loan losses. . . . .	5,092	187,238	30,996	5,836	8,141	10,636	22,872
Losses charged to reserve. . . . .	-5,838	-207,548	-39,084	-5,916	-10,204	-9,920	-25,894
Reserve for possible loan losses, end of period . . . . .	15,201	399,240	77,613	23,008	26,535	29,832	45,138
Ratios:							
Net income before dividends to equity capital (percent) . . . . .	14.31	12.04	11.91	12.39	11.05	13.25	11.07
Total operating expense to total operating income (percent) . . . . .	83.35	87.22	86.48	85.46	83.47	83.45	84.58

See footnotes at end of table.

Table B-24—Continued

*Total income and expenses of foreign and domestic offices and subsidiaries of national banks \*, United States and other areas, year ended December 31, 1977*

(Dollar amounts in thousands)

	Maine	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri
Number of banks .....	17	36	72	123	204	36	113
Operating income:							
Interest and fees on loans .....	\$62,389	\$307,537	\$757,670	\$1,124,323	\$620,450	\$175,379	\$438,155
Interest on balances with banks .....	126	16,777	166,588	59,931	19,412	2,867	15,489
Income on Federal funds sold and securities purchased under agreements to resell in domestic offices .....	1,999	19,835	38,387	56,070	25,643	8,751	64,568
U.S. Treasury securities .....	4,327	16,942	96,757	128,277	62,482	21,525	44,647
Obligations of other U.S. government agencies and corporations .....	3,468	6,505	13,190	28,109	30,402	7,074	23,576
Obligations of states and political subdivisions .....	7,149	21,962	34,106	116,952	69,428	24,299	55,281
Other bonds, notes and debentures .....	54	521	35,914	11,332	4,782	471	1,238
Dividends on stock .....	78	314	1,590	1,870	1,003	403	785
Income from direct lease financing .....	0	6,974	24,539	3,787	11,225	98	7,876
Income from fiduciary activities .....	2,928	6,140	56,068	40,169	26,879	2,918	25,695
Service charges on deposit accounts in domestic offices .....	2,128	10,964	16,418	33,027	14,118	9,269	10,917
Other service charges, commissions and fees .....	2,979	8,720	48,655	27,334	38,998	9,812	27,188
Other income .....	833	5,352	37,242	23,940	43,469	5,300	14,087
<i>Total operating income</i> .....	88,458	428,543	1,327,124	1,655,121	968,291	268,166	729,502
Operating expenses:							
Salaries and employee benefits .....	20,564	90,392	256,658	312,721	154,453	49,619	130,495
Interest on time certificates of deposit of \$100,000 or more, issued by domestic offices .....	4,470	27,185	89,982	87,081	75,431	29,677	63,951
Interest on deposits in foreign offices .....	0	10,322	290,570	74,455	18,959	0	10,834
Interest on other deposits .....	30,017	118,660	156,691	584,549	278,851	75,074	158,877
Expense of Federal funds purchased and securities sold under agreements to repurchase in domestic offices .....	2,097	28,916	128,418	72,210	83,895	12,923	99,215
Interest on borrowed money .....	85	756	19,833	1,629	12,690	482	1,735
Interest on subordinated notes and debentures .....	136	262	3,133	6,714	9,521	520	1,471
Occupancy expense of bank premises, net .....	3,995	16,842	51,721	59,391	21,394	9,726	21,115
Furniture and equipment expense .....	2,542	12,466	27,559	37,681	16,058	8,370	21,032
Provision for possible loan losses (or actual net loan losses) .....	3,187	16,296	53,194	33,728	29,879	10,642	20,733
Other expenses .....	11,930	47,636	134,577	168,896	118,754	32,085	91,855
<i>Total operating expenses</i> .....	79,023	369,733	1,212,336	1,439,055	819,885	229,118	621,313
Income before income taxes and securities gains or losses .....	9,435	58,810	114,788	216,066	148,406	39,048	108,189
Applicable income taxes (domestic and foreign) .....	872	15,001	40,510	40,264	39,322	5,997	25,028
Income before securities gains or losses .....	8,563	43,809	74,278	175,802	109,084	33,051	83,161
Securities gains (losses), gross .....	300	116	-1,319	5,385	-997	-103	2,205
Applicable income taxes (domestic and foreign) .....	137	-11	-970	2,364	-766	-185	1,001
Securities gains (losses), net .....	163	127	-349	3,021	-231	82	1,204
Income before extraordinary items .....	8,726	43,936	73,929	178,823	108,853	33,133	84,365
Extraordinary items, net of tax effect .....	-4	-621	2,577	253	461	-15	40
<i>Net income</i> .....	8,722	43,315	76,506	179,076	109,314	33,118	84,405

Equity capital, beginning of period . . . . .	75,521	339,836	918,425	1,472,184	839,286	230,441	714,469
Net income (loss) . . . . .	8,722	43,315	76,506	179,076	109,314	33,118	84,405
Sale, conversion, acquisition or retirement of capital . . . . .	284	1,818	290	4,471	2,356	1,134	1,354
Changes incident to mergers and absorptions . . . . .	0	3,520	3,414	972	2,727	3,157	0
Cash dividends declared on common stock . . . . .	-4,376	-15,882	-33,716	-86,774	-37,624	-11,144	-40,329
Cash dividends declared on preferred stock . . . . .	0	0	0	-6	0	0	-128
Stock dividends issued . . . . .	0	0	0	0	0	0	0
Other increases (decreases) . . . . .	-1	-544	3,394	10,012	-1,047	893	441
Equity capital, end of period . . . . .	80,150	372,063	968,313	1,579,935	915,012	257,599	760,212
Reserve for possible loan losses, beginning of period . . . . .	5,764	26,101	77,052	114,454	61,585	18,668	56,561
Recoveries credited to reserve . . . . .	987	2,697	19,106	11,513	4,366	3,592	7,903
Changes incident to mergers and absorptions . . . . .	0	250	104	33	594	300	215
Provision for possible loan losses . . . . .	3,187	16,296	53,194	33,728	29,879	10,642	20,733
Losses charged to reserve . . . . .	-3,996	-13,997	-64,228	-38,162	-29,392	-11,884	-23,745
Reserve for possible loan losses, end of period . . . . .	5,942	31,347	85,228	121,566	67,032	21,318	61,667
Ratios:							
Net income before dividends to equity capital (percent) . . . . .	10.88	11.64	7.90	11.33	11.95	12.86	11.10
Total operating expense to total operating income (percent) . . . . .	89.33	86.28	91.35	86.95	84.67	85.44	85.17

See footnotes at end of table.

Table B-24—Continued

*Total income and expenses of foreign and domestic offices and subsidiaries of national banks \*, United States and other areas, year ended December 31, 1977*

(Dollar amounts in thousands)

	Montana	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York
Number of banks . . . . .	56	117	4	41	100	40	127
Operating income:							
Interest and fees on loans . . . . .	\$123,331	\$257,639	\$82,648	\$77,585	\$813,729	\$127,712	\$6,874,142
Interest on balances with banks . . . . .	206	519	34	604	14,426	1,420	1,009,584
Income on Federal funds sold and securities purchased under agreements to resell in domestic offices . . . . .	3,328	11,557	2,422	1,845	29,792	7,801	76,418
U.S. Treasury securities . . . . .	10,137	18,443	12,962	8,250	124,195	12,797	272,359
Obligations of other U.S. government agencies and corporations . . . . .	4,320	11,378	6,898	1,046	78,691	8,115	45,137
Obligations of states and political subdivisions . . . . .	14,070	28,353	8,090	7,688	120,353	14,905	224,997
Other bonds, notes and debentures . . . . .	238	702	1,132	100	38,051	171	212,191
Dividends on stock . . . . .	196	334	101	114	1,483	228	9,512
Income from direct lease financing . . . . .	493	3,949	3,819	17	7,998	174	147,703
Income from fiduciary activities . . . . .	892	9,305	2,626	2,542	22,326	2,716	143,956
Service charges on deposit accounts in domestic offices . . . . .	3,750	6,223	6,550	2,502	29,276	6,151	53,384
Other service charges, commissions and fees . . . . .	4,925	16,767	1,578	2,061	24,668	7,434	337,272
Other income . . . . .	1,810	5,832	1,431	1,210	24,687	1,455	279,233
<i>Total operating income . . . . .</i>	<i>167,696</i>	<i>371,001</i>	<i>130,291</i>	<i>105,564</i>	<i>1,329,675</i>	<i>191,079</i>	<i>9,685,888</i>
Operating expenses:							
Salaries and employee benefits . . . . .	28,148	67,416	31,110	23,407	279,088	38,132	1,492,055
Interest on time certificates of deposit of \$100,000 or more, issued by domestic offices . . . . .	9,246	21,527	10,826	4,079	60,843	24,014	578,896
Interest on deposits in foreign offices . . . . .	0	0	0	0	6,879	0	3,300,148
Interest on other deposits . . . . .	66,646	121,622	27,836	33,714	494,186	53,077	790,575
Expense of Federal funds purchased and securities sold under agreements to repurchase in domestic offices . . . . .	2,405	15,978	1,340	2,243	38,359	3,901	442,867
Interest on borrowed money . . . . .	90	1,590	906	322	2,971	135	344,187
Interest on subordinated notes and debentures . . . . .	1,158	1,868	0	108	4,957	1,149	25,821
Occupancy expense of bank premises, net . . . . .	3,878	12,661	5,361	5,213	58,636	8,234	303,423
Furniture and equipment expense . . . . .	3,994	11,797	3,379	3,158	37,860	6,567	127,270
Provision for possible loan losses (or actual net loan losses) . . . . .	2,224	10,592	1,668	4,128	38,620	8,587	468,894
Other expenses . . . . .	20,801	45,318	16,031	18,142	160,361	22,294	829,674
<i>Total operating expenses . . . . .</i>	<i>138,590</i>	<i>310,369</i>	<i>98,457</i>	<i>94,514</i>	<i>1,182,760</i>	<i>166,090</i>	<i>8,703,810</i>
Income before income taxes and securities gains or losses . . . . .	29,106	60,632	31,834	11,050	146,915	24,989	982,078
Applicable income taxes (domestic and foreign) . . . . .	7,000	13,208	10,400	1,149	11,206	5,761	350,799
Income before securities gains or losses . . . . .	22,106	47,424	21,434	9,901	135,709	19,228	631,279
Securities gains (losses), gross . . . . .	-147	883	-857	488	5,747	1,411	-9,758
Applicable income taxes (domestic and foreign) . . . . .	-95	366	-407	197	2,557	687	-7,111
Securities gains (losses), net . . . . .	-52	517	-449	291	3,190	724	-2,647
Income before extraordinary items . . . . .	22,054	47,941	20,985	10,192	138,899	19,952	628,632
Extraordinary items, net of tax effect . . . . .	47	117	0	35	898	752	209
<i>Net income . . . . .</i>	<i>22,101</i>	<i>48,058</i>	<i>20,985</i>	<i>10,227</i>	<i>139,797</i>	<i>20,704</i>	<i>628,841</i>

Equity capital, beginning of period . . . . .	134,384	328,955	117,841	103,414	1,193,785	153,045	6,223,448
Net income (loss) . . . . .	22,101	48,058	20,985	10,227	139,797	20,704	628,841
Sale, conversion, acquisition or retirement of capital . . . . .	756	401	0	215	11,109	4,225	357,236
Changes incident to mergers and absorptions . . . . .	0	0	0	0	-6,517	0	11,436
Cash dividends declared on common stock . . . . .	-8,226	-16,455	-6,599	-3,954	-71,227	-6,271	-301,645
Cash dividends declared on preferred stock . . . . .	0	-6	0	0	-72	-23	0
Stock dividends issued . . . . .	0	0	0	0	0	-1	0
Other increases (decreases) . . . . .	-561	679	3,814	-85	-1,581	-446	7,162
Equity capital, end of period . . . . .	148,454	361,632	136,041	109,817	1,265,294	171,233	6,926,478
Reserve for possible loan losses, beginning of period . . . . .	11,082	27,423	8,291	6,897	106,602	13,328	631,709
Recoveries credited to reserve . . . . .	2,166	3,755	1,308	842	9,579	2,445	110,021
Changes incident to mergers and absorptions . . . . .	0	0	0	0	236	0	30,539
Provision for possible loan losses . . . . .	2,224	10,592	1,668	4,128	38,620	8,587	468,894
Losses charged to reserve . . . . .	-3,217	-10,681	-2,216	-3,738	-45,162	-8,339	-577,086
Reserve for possible loan losses, end of period . . . . .	12,255	31,089	9,051	8,129	109,875	16,021	664,077
Ratios:							
Net income before dividends to equity capital (percent) . . . . .	14.89	13.29	15.43	9.31	11.05	12.09	9.08
Total operating expense to total operating income (percent) . . . . .	82.64	83.66	75.57	89.53	88.95	86.92	89.86

See footnotes at end of table.

Table B-24—Continued

*Total income and expenses of foreign and domestic offices and subsidiaries of national banks \*, United States and other areas, year ended December 31, 1977*

(Dollar amounts in thousands)

	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island
Number of banks .....	28	43	218	193	7	233	5
Operating income:							
Interest and fees on loans .....	\$529,529	\$93,724	\$1,119,925	\$428,127	\$340,381	\$1,984,492	\$158,372
Interest on balances with banks .....	44,257	178	47,467	2,732	23,658	149,341	2,469
Income on Federal funds sold and securities purchased under agreements to resell in domestic offices .....	34,402	2,074	58,062	28,842	13,812	138,583	3,187
U.S. Treasury securities .....	34,762	8,426	183,443	66,099	27,798	262,333	22,609
Obligations of other U.S. government agencies and corporations .....	21,498	3,624	43,785	8,125	7,995	120,565	3,108
Obligations of states and political subdivisions .....	53,949	11,205	178,724	65,203	40,545	184,462	13,156
Other bonds, notes and debentures .....	2,969	228	7,343	2,034	468	21,246	1,595
Dividends on stock .....	740	113	2,263	931	559	5,843	293
Income from direct lease financing .....	8,585	9	11,820	2,522	2,797	23,426	7,492
Income from fiduciary activities .....	25,478	2,210	47,730	11,557	12,041	89,384	11,856
Service charges on deposit accounts in domestic offices .....	25,380	2,030	48,860	16,506	21,604	29,571	3,394
Other service charges, commissions and fees .....	22,259	3,893	48,923	14,184	20,828	59,613	3,684
Other income .....	21,065	1,038	26,521	20,446	7,012	87,503	10,965
<i>Total operating income</i> .....	824,873	128,752	1,824,866	667,308	519,498	3,156,362	242,180
Operating expenses:							
Salaries and employee benefits .....	177,276	21,534	342,126	117,339	115,741	535,983	44,845
Interest on time certificates of deposit of \$100,000 or more, issued by domestic offices .....	46,813	4,404	94,727	96,839	25,011	292,167	26,637
Interest on deposits in foreign offices .....	48,547	0	10,827	269	10,397	198,491	7,461
Interest on other deposits .....	200,662	56,299	578,333	172,200	144,249	836,995	64,241
Expense of Federal funds purchased and securities sold under agreements to repurchase in domestic offices .....	57,294	817	110,529	27,908	36,997	287,294	17,884
Interest on borrowed money .....	2,725	326	734	1,411	1,604	31,745	813
Interest on subordinated notes and debentures .....	10,217	1,072	3,154	4,376	7,482	17,409	1,089
Occupancy expense of bank premises, net .....	32,990	3,368	62,452	16,700	16,999	100,716	8,614
Furniture and equipment expense .....	21,197	2,529	47,345	16,644	12,757	66,740	4,022
Provision for possible loan losses (or actual net loan losses) .....	20,910	1,644	48,575	31,968	9,263	145,464	8,316
Other expenses .....	97,843	13,721	228,690	79,759	54,518	286,349	29,256
<i>Total operating expenses</i> .....	716,474	105,714	1,527,492	565,413	435,018	2,799,353	213,178
Income before income taxes and securities gains or losses .....	108,399	23,038	297,374	101,895	84,480	357,009	29,002
Applicable income taxes (domestic and foreign) .....	24,039	5,775	49,460	11,810	23,678	38,542	7,037
Income before securities gains or losses .....	84,360	17,263	247,914	90,085	60,802	318,467	21,965
Securities gains (losses), gross .....	-434	18	-2,257	1,709	-1,082	844	604
Applicable income taxes (domestic and foreign) .....	-258	-36	-1,267	404	-554	110	312
Securities gains (losses), net .....	-176	54	-990	1,305	-528	734	292
Income before extraordinary items .....	84,184	17,317	246,924	91,390	60,274	319,201	22,257
Extraordinary items, net of tax effect .....	1,098	157	121	555	0	83	0
<i>Net income</i> .....	85,282	17,474	247,045	91,945	60,274	319,284	22,257



Equity capital, beginning of period	677,604	109,676	1,863,267	645,818	372,916	2,702,329	202,193
Net income (loss)	85,282	17,474	247,045	91,945	60,274	319,284	22,257
Sale, conversion, acquisition or retirement of capital	625	965	5,292	7,315	0	2,988	0
Changes incident to mergers and absorptions	1,306	0	9,478	0	0	-1,405	0
Cash dividends declared on common stock	-28,622	-5,113	-105,023	-25,419	-24,375	-134,940	-10,957
Cash dividends declared on preferred stock	0	0	0	-30	0	-59	0
Stock dividends issued	0	0	0	0	0	0	0
Other increases (decreases)	-50	428	-1,353	2,872	47	7,772	-2,812
Equity capital, end of period	736,145	123,430	2,018,706	722,501	408,862	2,895,969	210,681
Reserve for possible loan losses, beginning of period	62,758	9,138	137,460	42,395	28,562	248,548	15,099
Recoveries credited to reserve	8,266	339	17,288	10,108	2,859	16,408	1,537
Changes incident to mergers and absorptions	67	0	423	0	0	99	0
Provision for possible loan losses	20,910	1,644	48,575	31,968	9,263	145,464	8,316
Losses charged to reserve	-26,194	-1,798	-52,706	-34,464	-8,747	-148,393	-9,080
Reserve for possible loan losses, end of period	65,807	9,323	151,040	50,007	31,937	262,126	15,872
Ratios:							
Net income before dividends to equity capital (percent)	11.58	14.16	12.24	12.73	14.74	11.03	10.56
Total operating expense to total operating income (percent)	86.86	82.11	83.70	84.73	83.74	88.69	88.02

See footnotes at end of table.

Table B-24—Continued

*Total income and expenses of foreign and domestic offices and subsidiaries of national banks\*, United States and other areas, year ended December 31, 1977*

(Dollar amounts in thousands)

	South Carolina	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia
Number of banks .....	19	32	73	604	12	14	103
Operating income:							
Interest and fees on loans .....	\$148,802	\$127,089	\$419,533	\$2,077,682	\$140,695	\$28,019	\$581,549
Interest on balances with banks .....	445	411	9,478	227,260	936	42	8,864
Income on Federal funds sold and securities purchased under agreements to resell in domestic offices .....	9,081	1,964	27,233	162,807	4,024	940	18,941
U.S. Treasury securities .....	13,715	9,991	58,672	289,176	11,149	2,286	58,094
Obligations of other U.S. government agencies and corporations .....	6,059	4,664	20,466	94,456	4,080	626	21,305
Obligations of states and political subdivisions .....	18,230	14,564	39,358	277,244	8,214	2,767	68,709
Other bonds, notes and debentures .....	23	1,009	1,385	10,759	151	285	1,075
Dividends on stock .....	218	178	849	3,169	191	31	966
Income from direct lease financing .....	545	244	3,379	7,293	2,037	19	542
Income from fiduciary activities .....	5,432	980	14,556	79,235	3,218	291	18,025
Service charges on deposit accounts in domestic offices .....	12,406	3,616	21,481	74,141	5,798	1,020	15,140
Other service charges, commissions and fees .....	7,666	5,437	29,209	71,219	6,596	569	23,272
Other income .....	4,003	1,294	13,368	45,504	1,909	463	11,380
<i>Total operating income</i> .....	226,625	171,441	658,967	3,419,945	188,998	37,358	827,862
Operating expenses:							
Salaries and employee benefits .....	66,514	27,100	130,553	520,948	32,469	8,012	160,144
Interest on time certificates of deposit of \$100,000 or more, issued by domestic offices .....	4,933	7,216	59,079	418,008	20,814	479	45,779
Interest on deposits in foreign offices .....	12	0	3,327	282,503	0	0	669
Interest on other deposits .....	51,112	76,854	192,440	728,250	50,680	16,836	279,285
Expense of Federal funds purchased and securities sold under agreements to repurchase in domestic offices .....	10,216	1,149	34,089	249,560	8,061	78	25,032
Interest on borrowed money .....	633	329	602	13,596	327	25	1,049
Interest on subordinated notes and debentures .....	601	1,712	1,993	13,884	2,111	281	3,845
Occupancy expense of bank premises, net .....	9,267	4,451	23,542	77,665	5,930	1,338	29,845
Furniture and equipment expense .....	9,692	3,316	24,188	72,340	6,584	977	22,624
Provision for possible loan losses (or actual net loan losses) .....	7,901	2,171	34,530	95,320	7,244	710	25,234
Other expenses .....	33,973	16,381	86,051	377,293	22,196	4,557	143,008
<i>Total operating expenses</i> .....	194,854	140,679	590,394	2,849,367	156,416	33,293	736,514
Income before income taxes and securities gains or losses .....	31,771	30,762	68,573	570,578	32,582	4,065	91,348
Applicable income taxes (domestic and foreign) .....	5,568	8,004	12,443	126,370	11,682	384	6,791
Income before securities gains or losses .....	26,203	22,758	56,130	444,208	20,900	3,681	84,557
Securities gains (losses), gross .....	222	441	2,132	5,498	296	42	205
Applicable income taxes (domestic and foreign) .....	83	222	988	1,611	141	3	30
Securities gains (losses), net .....	139	219	1,144	3,887	155	39	175
Income before extraordinary items .....	26,342	22,977	57,274	448,095	21,055	3,720	84,732
Extraordinary items, net of tax effect .....	129	151	1,164	2,474	1	0	-103
<i>Net income</i> .....	26,471	23,128	58,438	450,569	21,056	3,720	84,629

Equity capital, beginning of period	218,536	138,277	563,123	2,997,043	123,473	30,273	703,909
Net income (loss)	26,471	23,128	58,438	450,569	21,056	3,720	84,629
Sale, conversion, acquisition or retirement of capital	0	0	1,261	23,803	0	153	1,249
Changes incident to mergers and absorptions	0	62	120	1,124	614	0	14,934
Cash dividends declared on common stock	-9,356	-7,338	-19,415	-154,678	-7,580	-1,568	-35,085
Cash dividends declared on preferred stock	0	0	0	0	0	0	0
Stock dividends issued	0	0	0	0	0	0	0
Other increases (decreases)	-89	625	-916	10,884	-52	-6	867
Equity capital, end of period	235,562	154,754	602,611	3,328,745	137,511	32,572	770,503
Reserve for possible loan losses, beginning of period	15,841	12,990	52,044	234,673	10,074	2,529	56,436
Recoveries credited to reserve	2,278	2,116	12,176	34,144	969	230	7,312
Changes incident to mergers and absorptions	0	0	0	0	0	0	1,535
Provision for possible loan losses	7,901	2,171	34,530	95,320	7,244	710	25,234
Losses charged to reserve	-7,860	-3,647	-42,402	-103,214	-4,890	-821	-27,495
Reserve for possible loan losses, end of period	18,160	13,630	56,348	260,923	13,397	2,648	63,022
Ratios:							
Net income before dividends to equity capital (percent)	11.24	14.95	9.70	13.54	15.31	11.42	10.98
Total operating expense to total operating income (percent)	85.98	82.06	89.59	83.32	82.76	89.12	88.97

See footnotes at end of table.

Table B-24—Continued

*Total income and expenses of foreign and domestic offices and subsidiaries of national banks\*, United States and other areas, year ended December 31, 1977*

(Dollar amounts in thousands)

	Washington	West Virginia	Wisconsin	Wyoming	Other areas Puerto Rico	District of Columbia non-national†
Number of banks . . . . .	21	106	128	46	1	
Operating income:						
Interest and fees on loans . . . . .	\$693,954	\$183,788	\$408,675	\$86,888	\$1,248	\$1,394
Interest on balances with banks . . . . .	20,901	1,447	27,420	193	1,343	0
Income on Federal funds sold and securities purchased under agreements to resell in domestic offices . . . . .	44,619	17,857	21,779	2,813	367	167
U.S. Treasury securities . . . . .	32,769	31,862	52,106	8,391	105	870
Obligations of other U.S. government agencies and corporations . . . . .	8,955	22,774	17,859	4,517	0	547
Obligations of states and political subdivisions . . . . .	48,234	35,072	38,597	10,592	423	331
Other bonds, notes and debentures . . . . .	1,125	1,068	4,412	239	0	163
Dividends on stock . . . . .	701	359	731	105	0	0
Income from direct lease financing . . . . .	25,180	1,283	4,584	304	0	0
Income from fiduciary activities . . . . .	20,131	4,572	12,860	1,061	0	0
Service charges on deposit accounts in domestic offices . . . . .	38,709	3,108	8,662	3,664	27	182
Other service charges, commissions and fees . . . . .	29,059	5,390	22,021	2,056	21	49
Other income . . . . .	16,301	2,826	22,971	1,700	327	7
<i>Total operating income</i> . . . . .	980,638	311,406	642,677	122,523	3,861	3,710
Operating expenses:						
Salaries and employee benefits . . . . .	230,866	49,798	107,380	21,626	491	922
Interest on time certificates of deposit of \$100,000 or more, issued by domestic offices . . . . .	60,271	17,943	39,481	13,116	1,617	466
Interest on deposits in foreign offices . . . . .	43,023	0	25,377	0	0	0
Interest on other deposits . . . . .	242,888	122,114	216,176	38,675	788	1,034
Expense of Federal funds purchased and securities sold under agreements to repurchase in domestic offices . . . . .	63,020	15,155	42,769	1,864	0	33
Interest on borrowed money . . . . .	5,412	1,292	2,042	830	0	0
Interest on subordinated notes and debentures . . . . .	8,437	553	3,755	542	45	10
Occupancy expense of bank premises, net . . . . .	37,691	8,052	19,019	3,285	157	90
Furniture and equipment expense . . . . .	27,166	8,290	17,738	2,842	139	46
Provision for possible loan losses (or actual net loan losses) . . . . .	22,487	6,509	10,673	4,271	322	116
Other expenses . . . . .	113,937	34,304	82,530	13,757	563	698
<i>Total operating expenses</i> . . . . .	855,198	264,010	566,940	100,808	4,122	3,415
Income before income taxes and securities gains or losses . . . . .	125,440	47,396	75,737	21,715	-261	295
Applicable income taxes (domestic and foreign) . . . . .	31,201	4,130	18,235	4,858	0	0
Income before securities gains or losses . . . . .	94,239	43,266	57,502	16,857	-261	295
Securities gains (losses), gross . . . . .	-591	1,566	2,102	1,015	0	-4
Applicable income taxes (domestic and foreign) . . . . .	-331	589	955	434	0	0
Securities gains (losses), net . . . . .	-260	977	1,147	581	0	-4
Income before extraordinary items . . . . .	93,979	44,243	58,649	17,438	-261	291
Extraordinary items, net of tax effect . . . . .	235	-409	-94	-85	0	0
<i>Net income</i> . . . . .	94,214	43,834	58,555	17,353	-261	291

Equity capital, beginning of period . . . . .	628,294	343,442	503,186	103,272	2,007	2,816
Net income (loss) . . . . .	94,214	43,834	58,555	17,353	-261	291
Sale, conversion, acquisition or retirement of capital . . . . .	1,807	4,620	12,716	967	2,490	0
Changes incident to mergers and absorptions . . . . .	-6,292	0	13,155	0	0	0
Cash dividends declared on common stock . . . . .	-25,127	-11,228	-22,270	-4,397	0	-80
Cash dividends declared on preferred stock . . . . .	-361	0	0	0	0	0
Stock dividends issued . . . . .	0	0	0	0	0	0
Other increases (decreases) . . . . .	-318	5	-505	2,538	0	0
Equity capital, end of period . . . . .	692,217	380,673	564,837	119,733	4,236	3,027
Reserve for possible loan losses, beginning of period . . . . .	71,840	20,895	41,815	8,032	730	166
Recoveries credited to reserve . . . . .	9,271	2,038	3,385	1,225	2,238	34
Changes incident to mergers and absorptions . . . . .	39	0	5,222	0	0	0
Provision for possible loan losses . . . . .	22,487	6,509	10,673	4,271	322	116
Losses charged to reserve . . . . .	-20,618	-6,746	-10,931	-4,901	-2,790	-79
Reserve for possible loan losses, end of period . . . . .	83,019	22,696	50,164	8,627	500	237
Ratios:						
Net income before dividends to equity capital (percent) . . . . .	13.61	11.51	10.37	14.49	-6.16	9.61
Total operating expense to total operating income (percent) . . . . .	87.21	84.78	88.22	82.28	106.76	92.05

\* Includes all banks operating as national banks at year-end, with full year data for state-chartered banks that converted to national banks during the year.

† Non-national banks in the District of Columbia are supervised by the Comptroller of the Currency.

Table B-25

## Principal domestic assets, liabilities and capital accounts of national banks, by asset size, year-end 1977

(Dollars in thousands)

	All national banks	Banks with assets of—						
		Less than \$5 million	\$5 to \$10 million	\$10 to \$25 million	\$25 to \$100 million	\$100 to \$300 million	\$300 to \$1,000 million	\$1,000 million and more
Number of banks .....	4,655	155	461	1,441	1,885	446	172	95
<b>Assets</b>								
Cash and due from banks .....	\$92,071,598	\$70,686	\$393,829	\$2,599,883	\$9,827,624	\$8,783,631	\$13,494,194	\$56,901,751
U.S. Treasury securities .....	49,922,441	93,846	469,860	2,773,314	8,897,822	6,837,431	7,940,058	22,910,110
Obligations of other U.S. government agencies and corporations .....	17,822,093	35,876	233,131	1,415,964	4,300,624	3,012,315	2,744,427	6,079,756
Obligations of states and political subdivisions .....	62,791,959	28,425	249,032	2,724,350	12,047,362	9,523,874	10,014,432	28,204,484
Other bonds, notes and debentures .....	2,929,095	3,455	13,261	133,446	493,821	484,305	681,122	1,119,685
Federal Reserve stock and corporate stock .....	1,010,144	1,601	5,995	31,289	115,962	92,868	118,777	643,652
Trading account securities .....	3,813,999	00	00	00	9,936	47,611	162,430	3,594,022
Federal funds sold and securities purchased under agreements to re-sell .....	32,124,054	53,675	235,347	1,260,847	3,324,321	2,825,351	5,799,385	18,625,128
Loans, total (excluding unearned income) .....	344,522,088	270,454	1,792,099	12,807,432	48,479,550	37,733,910	48,040,891	195,397,752
Less: Reserve for possible loan losses .....	3,895,860	1,579	14,049	111,985	450,191	388,890	517,831	2,411,335
Loans, net .....	340,626,228	268,875	1,778,050	12,695,447	48,029,359	37,345,020	47,523,060	192,986,417
Direct lease financing .....	4,406,264	854	1,449	22,216	132,824	156,197	493,923	3,598,801
Bank premises, furniture and fixtures and other assets representing bank premises .....	10,797,941	15,428	78,323	426,953	1,683,186	1,354,703	1,773,826	5,465,522
Real estate owned other than bank premises .....	1,821,489	752	2,517	21,921	108,072	113,104	251,050	1,324,073
Investments in unconsolidated subsidiaries and associated companies .....	2,249,034	00	00	626	7,308	6,477	7,817	2,226,806
Customers' liabilities to this bank on acceptances outstanding .....	6,796,548	50	358	680	20,733	19,102	93,753	6,661,872
Other assets .....	22,261,054	3,593	25,322	197,485	1,065,468	872,464	1,436,487	18,660,235
<b>Total assets</b> .....	<b>651,443,941</b>	<b>577,116</b>	<b>3,486,474</b>	<b>24,304,421</b>	<b>90,064,422</b>	<b>71,474,453</b>	<b>92,534,741</b>	<b>369,002,314</b>
<b>Liabilities</b>								
Demand deposits of individuals, partnerships and corporations .....	164,473,198	186,768	1,018,640	6,736,512	23,916,742	18,649,051	25,419,616	88,545,869
Time and savings deposits of individuals, partnerships and corporations .....	266,071,033	240,350	1,696,331	12,634,801	47,404,390	35,268,328	37,317,662	131,509,171
Deposits of U.S. government .....	4,820,633	3,033	40,449	255,475	741,399	471,366	805,238	2,503,673
Deposits of states and political subdivisions .....	41,964,341	54,307	304,882	2,053,498	7,449,558	5,881,796	7,991,656	18,228,644
Deposits of foreign governments and official institutions .....	5,587,928	00	05	203	583	5,910	49,524	5,531,703
Deposits of commercial banks .....	30,612,999	2,394	11,019	73,221	530,953	1,703,119	4,559,982	23,732,311
Certified and officers' checks .....	6,713,892	5,141	34,569	226,168	821,092	644,809	898,222	4,083,891
<b>Total deposits</b> .....	<b>520,244,024</b>	<b>491,993</b>	<b>3,105,895</b>	<b>21,979,878</b>	<b>80,864,717</b>	<b>62,624,379</b>	<b>77,041,900</b>	<b>274,135,262</b>
<b>Total demand deposits</b> .....	<b>211,650,059</b>	<b>215,302</b>	<b>1,196,602</b>	<b>7,936,888</b>	<b>27,966,190</b>	<b>22,777,306</b>	<b>32,963,365</b>	<b>118,594,406</b>
<b>Total time and savings deposits</b> .....	<b>308,593,965</b>	<b>276,691</b>	<b>1,909,293</b>	<b>14,042,990</b>	<b>52,898,527</b>	<b>39,847,073</b>	<b>44,078,535</b>	<b>155,540,856</b>
Federal funds purchased and securities sold under agreements to repurchase .....	59,336,268	850	15,303	116,773	1,144,688	2,599,112	7,269,826	48,189,716
Liabilities for borrowed money .....	3,882,171	101	1,422	30,458	120,516	148,629	440,132	3,140,913
Mortgage indebtedness .....	473,816	36	553	4,144	34,051	42,979	83,122	308,931
Acceptances executed by or for account of this bank and outstanding .....	6,848,094	50	358	680	20,781	19,120	93,961	6,713,144
Other liabilities .....	12,625,958	2,839	16,369	168,818	897,788	758,658	1,117,401	9,664,085
<b>Total liabilities</b> .....	<b>603,410,331</b>	<b>495,869</b>	<b>3,139,900</b>	<b>22,300,751</b>	<b>83,082,541</b>	<b>66,192,877</b>	<b>86,046,342</b>	<b>342,152,051</b>
Subordinated notes and debentures .....	3,034,830	337	2,651	37,539	269,950	325,296	453,707	1,945,350
<b>Equity Capital</b>								
Preferred stock .....	25,246	00	00	1,501	12,289	2,629	8,478	349
Common stock .....	9,551,745	26,079	93,704	419,424	1,418,133	1,107,146	1,442,179	5,045,080
Surplus .....	16,649,723	27,269	104,423	575,631	2,241,862	1,754,315	2,314,880	9,631,343
Undivided profits .....	17,733,303	26,033	134,166	888,036	2,790,958	1,978,991	2,168,745	9,746,374
Reserve for contingencies and other capital reserves .....	1,038,763	1,529	11,630	81,539	248,689	113,199	100,410	481,767
<b>Total equity capital</b> .....	<b>44,998,780</b>	<b>80,910</b>	<b>343,923</b>	<b>1,966,131</b>	<b>6,711,931</b>	<b>4,956,280</b>	<b>6,034,692</b>	<b>24,904,913</b>
<b>Total liabilities and equity capital</b> .....	<b>651,443,941</b>	<b>577,116</b>	<b>3,486,474</b>	<b>24,304,421</b>	<b>90,064,422</b>	<b>71,474,453</b>	<b>92,534,741</b>	<b>369,002,314</b>

**Table B-26**  
*Income and expenses of national banks, including foreign offices, by asset size, December 31, 1977*  
(Dollars in thousands)

	All national banks	Banks with assets of—						
		Less than \$5 million	\$5 to \$10 million	\$10 to \$25 million	\$25 to \$100 million	\$100 to \$300 million	\$300 to \$1,000 million	\$1,000 million and more
Number of banks	4,655	155	461	1,441	1,885	446	172	95
Interest and fees on loans	35,446,288	22,145	152,413	1,112,030	4,227,957	3,232,920	4,027,875	22,670,948
Interest on balances with banks	3,243,048	380	1,088	7,427	34,177	28,948	52,125	3,118,903
Income on federal funds sold and securities purchased under agreements to resell in domestic offices	1,532,133	2,455	12,122	65,202	185,100	135,569	238,544	893,141
Interest on U.S. Treasury securities	3,319,382	5,880	32,091	188,000	607,787	464,014	523,947	1,497,663
Interest on obligations of other U.S. government agencies and corporations	1,212,580	2,504	16,115	101,660	313,871	216,267	190,826	371,337
Interest on obligations of states and political subdivisions of the U.S.	2,929,628	1,415	12,445	132,760	579,825	451,337	475,970	1,275,876
Interest on other bonds, notes, and debentures	578,815	263	788	10,324	38,890	38,691	52,209	437,650
Dividends on stock	61,291	47	248	1,665	6,333	5,603	6,941	40,454
Income from direct lease financing	537,633	42	172	2,535	14,141	15,008	50,582	455,153
Income from fiduciary activities	1,131,299	17	2,846	14,916	47,319	106,356	180,361	779,484
Service charges on deposit accounts in domestic offices	986,925	1,116	9,089	56,081	185,075	116,940	153,585	465,039
Other service charges, commissions and fees	1,566,644	808	7,418	33,131	115,276	117,584	212,896	1,079,531
Other income	1,243,253	455	2,667	17,045	60,015	64,966	111,781	986,324
<i>Total operating income</i>	<i>53,788,919</i>	<i>37,527</i>	<i>249,502</i>	<i>1,742,776</i>	<i>6,415,766</i>	<i>4,994,203</i>	<i>6,277,642</i>	<i>34,071,503</i>
Salaries and employee benefits	9,486,853	10,415	59,249	348,326	1,181,012	961,183	1,288,204	5,638,464
Interest on time certificates of deposit of \$100,000 or more issued by domestic offices	4,031,501	1,196	7,813	64,494	337,776	336,418	554,676	2,729,128
Interest on deposits in foreign offices	7,123,000	00	00	00	00	1,138	20,624	7,101,238
Interest on other deposits	11,956,920	12,288	90,508	682,763	2,515,210	1,790,706	1,732,801	5,132,644
Expense of federal funds purchased and securities sold under agreements to repurchase in domestic offices	3,116,094	77	587	8,009	58,278	124,932	350,175	2,574,036
Interest on borrowed money	603,986	50	171	1,795	7,825	7,992	17,184	568,969
Interest on subordinated notes and debentures	202,668	19	176	2,724	19,337	21,934	29,904	128,574
Occupancy expense of bank premises, gross	2,082,507	1,611	10,541	57,777	228,573	211,775	324,655	1,247,575
Less: rental income	372,213	69	558	2,641	19,677	35,069	67,794	246,405
Occupancy expense of bank premises, net	1,710,294	1,542	9,983	55,136	208,896	176,706	256,861	1,001,170
Furniture and equipment expense	1,140,820	1,108	7,343	43,365	153,155	132,563	197,006	606,280
Provision for possible loan losses (or actual net loan losses)	1,985,113	1,399	8,971	51,963	173,013	128,856	214,502	1,406,409
Other expenses	5,598,346	7,204	37,918	226,554	786,964	623,962	859,547	3,056,197
<i>Total operating expenses</i>	<i>46,955,595</i>	<i>35,298</i>	<i>222,719</i>	<i>1,485,129</i>	<i>5,441,466</i>	<i>4,306,390</i>	<i>5,521,484</i>	<i>29,943,109</i>
Income before income taxes and securities gains or losses	6,833,324	2,229	26,783	257,647	974,300	687,813	756,158	4,128,394
Applicable income taxes (domestic and foreign)	1,767,061	565	5,065	48,426	174,376	104,831	117,811	1,315,987
Income before securities gains or losses	5,066,263	1,664	21,718	209,221	799,924	582,982	638,347	2,812,407
Securities gains (losses), gross	52,456	141	1,294	9,386	25,907	18,490	17,011	-19,773
Applicable income taxes	16,000	18	325	2,780	9,077	8,291	8,443	-12,934
Securities gains (losses), net	36,456	123	969	6,606	16,830	10,199	8,568	-6,839
Income before extraordinary items	5,102,719	1,787	22,687	215,827	816,754	593,181	646,915	2,805,568
Extraordinary items, net of tax effect	36,029	-53	338	912	4,778	4,302	8,979	16,773
<i>Net income</i>	<i>5,138,748</i>	<i>1,734</i>	<i>23,025</i>	<i>216,739</i>	<i>821,532</i>	<i>597,483</i>	<i>655,894</i>	<i>2,822,341</i>

**Table B-27**  
**Assets and equity capital, net income, and dividends of national banks, 1967-1977**  
(Dollars in millions)

Year	Number of banks	Total assets* (domestic)	Capital stock (par value)			Total equity capital*	Net income before dividends	Cash dividends on capital stock	Ratios (percent)			
			Preferred	Common	Total				Net income before dividends to total assets	Net income before dividends to total equity capital	Cash dividends to net income before dividends	Cash dividends to total equity capital
1967	4,758	\$263,375	\$55	\$5,312	\$5,367	\$18,495	\$1,757	\$796	.67	9.50	45.30	4.30
1968	4,716	296,594	58	5,694	5,752	20,268	1,932	897	.65	9.53	46.43	4.43
1969	4,669	310,263	62	6,166	6,228	22,134	2,534	1,068	.82	11.45	42.15	4.83
1970	4,621	337,070	63	6,457	6,520	23,714	2,829	1,278	.84	11.93	45.17	5.39
1971	4,600	372,539	43	6,785	6,828	25,624	3,041	1,390	.82	11.87	45.71	5.42
1972	4,614	430,768	42	7,458	7,500	28,223	3,308	1,310	.77	11.72	39.60	4.64
1973	4,661	484,887	37	7,904	7,941	30,935	3,768	1,449	.78	12.18	38.46	4.68
1974	4,708	529,233	13	8,336	8,349	33,572	4,044	1,671	.76	12.05	41.32	4.98
1975	4,744	548,170	14	8,809	8,823	36,688	4,259	1,821	.78	11.61	42.76	5.00
1976	4,737	583,349	19	9,106	9,125	41,325	4,591	1,821	.79	11.11	39.66	4.41
1977	4,655	651,444	25	9,552	9,577	44,999	5,139	1,994	.79	11.42	38.80	4.43

\* Data are not exactly comparable because assets through 1975 are net of reserves on loans and securities and since then are net of valuation reserves and unearned discount of loans. Also, equity capital beginning for 1976 is reported including certain portions of the reserves on loans and securities which were not reported separately for the years 1969-1975.



Table B-28

*Loans losses and recoveries of national banks, domestic offices only, 1961-1977*

<i>Year</i>	<i>Total loans, end of year, net*</i>	<i>Net losses or recoveries</i>	<i>Ratio of net losses or net recoveries† to loans</i>
			<i>Percent</i>
1961 .....	\$ 67,308,734	\$ 112,412	0.17
1962 .....	75,548,316	97,617	0.13
1963 .....	83,388,446	121,724	0.15
1964 .....	95,577,392	125,684	0.13
1965 .....	116,833,479	189,826	0.16
1966 .....	126,881,261	240,880	0.19
1967 .....	136,752,887	279,257	0.20
1968 .....	154,862,018	257,280	0.17
1969 .....	168,004,686	303,357	0.18
1970 .....	173,456,091	601,734	0.35
1971 .....	190,308,412	666,190	0.35
1972 .....	226,354,896	545,473	0.24
1973 .....	266,937,532	731,633	0.27
1974 .....	292,732,965	1,193,730	0.41
1975 .....	287,362,220	2,047,643 <sup>r</sup>	0.71 <sup>r</sup>
1976 .....	299,833,480	1,819,748	0.61
1977 .....	340,605,630	1,380,261	0.41

\* Loans used in *all* years are net of reserves; and 1976 loans are also net of unearned discount.

† Ratios are based on end-of-year-loans.

<sup>r</sup> Restated.

Note: For earlier data, see *Annual Reports of the Comptroller of the Currency*, 1947, p. 100; 1968, p. 233 and 1975, p. 161.

Table B-29  
*Assets and liabilities of domestic operations of national banks, date of last report of  
condition, 1961-1977*

(Dollar amounts in millions)

Year	Number of banks	Assets					Liabilities		Total equity capital
		Total assets*	Cash and due from banks	Total securities	Loans, net*	Other assets	Total deposits	Other liabilities†	
1961	4,513	\$150,809	\$31,078	\$49,094	\$67,309	\$3,328	\$135,511	\$3,424	\$11,875
1962	4,503	160,657	29,684	51,706	75,548	3,270	142,825	5,083	12,750
1963	4,615	170,233	28,635	52,602	83,388	5,608	150,823	5,907	13,503
1964	4,773	190,113	34,066	54,367	95,577	6,103	169,617	5,922	14,573
1965	4,815	219,103	36,880	57,310	116,833	8,079	193,860	8,943	16,300
1966	4,799	235,996	41,690	57,667	127,454	9,185	206,456	12,243	17,298
1967	4,758	263,375	46,634	69,656	136,753	10,332	231,374	13,506	18,495
1968	4,716	296,594	50,953	76,872	154,862	13,907	257,884	18,442	20,268
1969	4,669	310,263	54,728	70,030	168,005	17,500	256,427	31,703	22,134
1970	4,621	337,070	56,040	84,157	173,456	23,416	283,784	29,571	23,714
1971	4,600	372,538	59,201	95,949	190,308	27,080	314,212	32,702	25,623
1972	4,614	430,768	67,401	103,659	226,355	33,354	359,427	43,117	28,223
1973	4,661	484,887	70,724	104,607	266,938	42,619	395,881	58,072	30,935
1974	4,708	529,232	76,557	106,931	292,733	53,012	431,225	64,435	33,572
1975	4,744	548,170	78,050	125,332	287,362	57,426	447,712	63,769	36,688
1976	4,737	583,349	76,078	135,932	299,847	71,492	469,409	72,615	41,325
1977	4,655	651,444	92,072	138,290	340,626	80,456	520,244	86,201	44,999

\* For years 1961-1975, data are net of securities and loan reserves. Since 1975 data are net of valuation reserves and unearned discount on loans.

† Includes subordinated capital notes and debentures.

Table B-30

**Consolidated assets and liabilities of national banks with foreign operations, December 31, 1977**

(Dollar amounts in thousands)

	<i>Foreign and domestic assets and liabilities</i>	<i>Domestic assets and liabilities</i>	<i>Foreign assets and liabilities (Column 1 minus column 2)</i>
<b>Assets</b>			
Cash and due from banks . . . . .	\$114,572,943	\$56,136,564	\$58,436,379
Investment securities . . . . .	60,823,160	56,783,058	4,040,102
U.S. Treasury securities . . . . .	22,391,871	22,263,192	128,679
Obligations of other U.S. government agencies and corporations . . . . .	6,004,870	5,994,762	10,108
Obligations of states and political subdivisions . . . . .	27,505,128	27,382,636	122,492
Other bonds, notes, and debentures . . . . .	4,921,291	1,142,468	3,778,823
Federal Reserve stock and corporate stock . . . . .	769,479	633,914	135,565
Trading account securities . . . . .	4,363,981	3,609,570	754,411
Total securities . . . . .	65,956,620	61,026,542	4,930,078
Federal funds sold and securities purchased under agreements to resell . . . . .	18,415,367	18,387,705	27,662
Total loans (excluding unearned income) . . . . .	280,584,735	191,743,095	88,841,640
Reserve for possible loan losses . . . . .	2,535,402	2,385,257	150,145
Loans, net of reserve . . . . .	278,049,333	189,357,838	88,691,495
Direct lease financing . . . . .	4,365,278	3,512,800	852,478
Bank premises, furniture and fixtures, and other assets representing bank premises . . . . .	5,887,839	5,298,516	589,323
Real estate owned other than bank premises . . . . .	1,466,160	1,369,695	96,465
Investments in unconsolidated subsidiaries and associated companies . . . . .	825,145	2,224,547	-1,399,402
Customers' liability to this bank on acceptances outstanding . . . . .	8,425,989	6,689,392	1,736,597
Other assets . . . . .	10,193,665	18,747,670	-8,554,005
Total assets . . . . .	508,158,339	362,751,269	145,407,070
<b>Liabilities</b>			
Deposits:			
Total demand deposits, domestic . . . . .	116,792,437	117,013,352	-220,915
Total time and savings deposits, domestic . . . . .	151,530,183	151,894,726	-364,543
Total deposits in foreign offices . . . . .	134,398,475	N/A	134,398,475
Total deposits in domestic and foreign offices . . . . .	402,721,095	268,908,078	133,813,017
Federal funds purchased and securities sold under agreements to repurchase . . . . .	47,986,576	47,762,636	223,940
Liabilities for borrowed money . . . . .	8,126,205	3,130,567	4,995,638
Mortgage indebtedness . . . . .	331,777	323,951	7,826
Acceptances executed by or for account of this bank and outstanding . . . . .	8,513,420	6,740,677	1,772,743
Other liabilities . . . . .	14,144,819	9,550,913	4,593,906
Total liabilities . . . . .	481,823,892	336,416,822	145,407,070
Subordinated notes and debentures . . . . .	1,881,273	1,881,273	0
Total equity capital . . . . .	24,453,174	24,453,174	0
Total liabilities subordinated notes and debentures and equity capital . . . . .	508,158,339	362,751,269	145,407,070

N/A — Not applicable.

Table B-31

*Foreign branches of national banks, by region and country, December 31, 1977*

<i>Region and country</i>	<i>Number</i>	<i>Region and country</i>	<i>Number</i>
Central America . . . . .	48	Europe—Continued	
El Salvador . . . . .	2	Switzerland . . . . .	6
Guatemala . . . . .	3	Africa . . . . .	15
Honduras . . . . .	3	Egypt . . . . .	4
Mexico . . . . .	5	Gabon . . . . .	1
Nicaragua . . . . .	4	Ivory Coast . . . . .	1
Panama . . . . .	31	Kenya . . . . .	2
South America . . . . .	88	Liberia . . . . .	4
Argentina . . . . .	32	Mauritius . . . . .	1
Bolivia . . . . .	4	Senegal . . . . .	1
Brazil . . . . .	19	Seychelles . . . . .	1
Chile . . . . .	1	Middle East . . . . .	24
Ecuador . . . . .	13	Bahrain . . . . .	3
Guyana . . . . .	1	Jordan . . . . .	3
Paraguay . . . . .	5	Lebanon . . . . .	3
Peru . . . . .	3	Oman . . . . .	2
Uruguay . . . . .	6	Qatar . . . . .	1
Venezuela . . . . .	4	Saudi Arabia . . . . .	2
West Indies — Caribbean . . . . .	158	United Arab Emirates . . . . .	9
Bahamas . . . . .	60	Yemen Arab Republic . . . . .	1
Barbados . . . . .	6	Asia and Pacific . . . . .	115
British Virgin Islands . . . . .	2	Brunei . . . . .	2
Cayman Islands . . . . .	43	Fiji Islands . . . . .	4
Dominican Republic . . . . .	19	Hong Kong . . . . .	27
French West Indies . . . . .	2	India . . . . .	10
Haiti . . . . .	4	Indonesia . . . . .	5
Jamaica . . . . .	8	Japan . . . . .	24
Netherlands Antilles . . . . .	4	Korea . . . . .	6
St. Lucia . . . . .	1	Malaysia . . . . .	5
Trinidad Tobago . . . . .	6	Pakistan . . . . .	4
West Indies Federation of States . . . . .	3	Philippines . . . . .	8
Europe . . . . .	127	Republic of China . . . . .	4
Austria . . . . .	1	Singapore . . . . .	13
Belgium . . . . .	6	Thailand . . . . .	2
Denmark . . . . .	3	Vietnam . . . . .	1
England . . . . .	33	U.S. overseas areas and trust territories . . . . .	54
France . . . . .	13	Canal Zone (Panama) . . . . .	2
Germany . . . . .	18	Caroline Islands . . . . .	1
Greece . . . . .	18	Guam . . . . .	3
Ireland . . . . .	4	Marianas Islands . . . . .	1
Italy . . . . .	9	Marshall Islands . . . . .	1
Luxembourg . . . . .	5	Puerto Rico . . . . .	23
Monaco . . . . .	1	Virgin Islands . . . . .	23
Netherlands . . . . .	6	Total . . . . .	629
Northern Ireland . . . . .	1		
Scotland . . . . .	3		

Table B-32

**Total foreign branch \* assets of national banks, year-end 1953-1977**

(Dollar amounts in thousands)

1953	\$1,682,919	1966	\$9,364,278
1954	1,556,326	1967	11,856,316
1955	1,116,003	1968	16,021,617
1956	1,301,883	1969	28,217,139
1957	1,342,616	1970	38,877,627
1958	1,405,020	1971	50,550,727
1959	1,543,985	1972	54,720,405
1960	1,628,510	1973	83,304,441
1961	1,780,926	1974	99,810,999
1962	2,008,478	1975 <sub>r</sub>	111,514,147
1963	2,678,717	1976	134,790,497
1964	3,319,879	1977	161,768,609
1965	7,241,068		

\* Includes military facilities operated abroad by national banks from 1966 through 1971.

<sub>r</sub> Revised.

Table B-33

**Foreign branches of national banks, 1960-1977**

End of year	Number of branches operated by national banks	National bank branches as a percentage of total foreign branches of U.S. banks	End of year	Number of branches operated by national banks	National bank branches as a percentage of total foreign branches
1960	93	75.0	1970	497	92.7
1961	102	75.6	1971	528	91.5
1962	111	76.6	1972	566	90.2
1963	124	77.5	1973	621	89.5
1964	138	76.7	1974	649	89.4
1965	196	93.5	1975 <sub>r</sub>	675	88.6
1966	230	94.3	1976	635	87.2
1967	278	95.5	1977	629	86.2
1968	355	95.0			
1969	428	93.0			

<sub>r</sub> Revised.

Table B-34

**Foreign branch assets and liabilities of national banks, December 31, 1977**

(Dollar amounts in thousands)

<b>ASSETS</b>		<b>LIABILITIES</b>	
Cash and cash items in process of collection	\$560,051	Demand deposits	\$8,806,441
Demand balances with other banks	4,565,686	Time deposits	111,358,052
Time balances with other banks	51,635,732	Liabilities for borrowed money	3,070,678
Securities	2,752,981	Acceptances executed	2,342,882
Loans, discounts and overdrafts, etc.	74,710,776	Deferred payment letters of credit outstanding	107,479
Customers' liability on acceptances outstanding	2,316,736	Reserve for interest, taxes and other accrued expenses	2,230,838
Customers' liability on deferred payment letters of credit	107,608	Other Liabilities	825,020
Premises, Furniture and Fixtures	316,112	Due to other foreign branches of this bank	18,885,506
Accruals—interest earned, foreign exchange profits, etc.	2,281,587	Due to head office and its domestic branches	14,141,713
Due from other foreign branches of this bank	17,950,940	Total liabilities	\$161,768,609
Due from head office and its domestic branches	3,687,493		
Other assets	882,907	<b>MEMORANDA</b>	
Total assets	\$161,768,609	Letters of credit outstanding	\$2,885,186
		Future contracts to buy foreign exchange and bullion	\$69,064,399
		Future contracts to sell foreign exchange and bullion	\$66,155,653

Table B-35

*Trust assets\* and income of national banks, by states, calendar 1977*

(Dollar amounts in millions)

	<i>Number of banks</i>	<i>Employee benefit accounts†</i>	<i>Other trust accounts‡</i>	<i>Total trust accounts</i>	<i>Agency accounts§</i>	<i>Total trust and agency accounts</i>	<i>Trust department income (Dollar amounts in thousands)</i>
All national banks . . . . .	1,990	\$103,357	\$110,517	\$213,876	\$68,076	\$281,954	\$1,130,328
Alabama . . . . .	44	961	1,625	2,586	466	3,052	13,627
Alaska . . . . .	4	50	58	108	172	280	1,301
Arizona . . . . .	2	480	1,189	1,670	258	1,927	10,608
Arkansas . . . . .	43	149	394	543	120	664	3,849
California . . . . .	11	15,960	10,755	26,715	4,828	31,543	124,636
Colorado . . . . .	42	1,125	1,580	2,705	491	3,196	19,408
Connecticut . . . . .	9	722	1,736	2,458	1,024	3,482	14,674
Delaware . . . . .	2	0	0	0	0	0	0
District of Columbia // . . . . .	5	900	1,600	2,500	1,831	4,331	15,256
Florida . . . . .	101	612	5,206	5,818	886	6,704	43,448
Georgia . . . . .	32	1,344	1,505	2,848	2,226	5,074	20,856
Hawaii . . . . .	0	0	0	0	0	0	0
Idaho . . . . .	4	215	228	444	39	483	1,807
Illinois . . . . .	205	10,298	7,860	18,157	7,225	25,382	107,252
Indiana . . . . .	100	1,218	3,044	4,262	2,314	6,576	23,307
Iowa . . . . .	66	271	856	1,127	689	1,816	7,407
Kansas . . . . .	60	265	890	1,155	500	1,655	6,685
Kentucky . . . . .	57	107	550	657	203	860	4,202
Louisiana . . . . .	26	509	581	1,090	276	1,367	6,610
Maine . . . . .	15	71	272	343	179	522	2,928
Maryland . . . . .	14	316	746	1,062	161	1,223	6,140
Massachusetts . . . . .	60	4,652	3,993	8,646	1,783	10,430	56,068
Michigan . . . . .	49	11,657	3,638	15,295	2,917	18,212	40,169
Minnesota . . . . .	29	2,411	2,335	4,746	974	5,721	26,879
Mississippi . . . . .	22	136	346	483	27	509	2,918
Missouri . . . . .	53	1,778	3,509	5,287	2,519	7,806	25,695
Montana . . . . .	17	13	65	79	9	88	888
Nebraska . . . . .	37	509	881	1,389	944	2,333	9,305
Nevada . . . . .	4	54	429	483	72	555	2,626
New Hampshire . . . . .	31	35	314	349	171	519	2,542
New Jersey . . . . .	66	769	2,237	3,007	1,319	4,327	22,326
New Mexico . . . . .	20	75	369	444	56	500	2,716
New York . . . . .	68	18,788	10,537	29,325	12,502	41,827	143,956
North Carolina . . . . .	16	2,991	2,228	5,218	1,131	6,349	25,478
North Dakota . . . . .	15	107	213	319	96	415	2,210
Ohio . . . . .	68	3,870	6,567	10,438	2,572	13,010	47,730
Oklahoma . . . . .	50	915	1,409	2,324	997	3,321	11,557
Oregon . . . . .	2	584	880	1,464	324	1,788	12,041
Pennsylvania . . . . .	112	9,005	11,051	20,055	9,159	29,214	89,384
Rhode Island . . . . .	4	439	1,316	1,756	442	2,197	11,856
South Carolina . . . . .	9	258	599	858	199	1,057	5,432
South Dakota . . . . .	12	37	89	127	155	281	980
Tennessee . . . . .	38	656	1,777	2,433	563	2,996	14,554
Texas . . . . .	180	5,831	7,681	13,513	3,092	16,605	79,132
Utah . . . . .	3	191	371	562	68	630	3,218
Vermont . . . . .	7	2	40	42	6	48	291
Virginia . . . . .	55	590	1,880	2,470	968	3,438	18,023
Washington . . . . .	10	755	2,108	2,863	625	3,488	20,131
West Virginia . . . . .	45	119	812	931	108	1,040	4,572
Wisconsin . . . . .	46	540	2,022	2,563	356	2,919	12,589
Wyoming . . . . .	20	16	144	160	35	194	1,061
Puerto Rico . . . . .	0	0	0	0	0	0	0
Virgin Islands . . . . .	0	0	0	0	0	0	0

\* As of December 31, 1977.

† Employee benefit accounts include all accounts for which the bank acts as trustee, regardless of whether investments are partially, or wholly, directed by others. Insured plans or portions of plans funded by insurance are omitted, as are employee benefit accounts held as agent.

‡ Includes all accounts, except employee benefit accounts and corporate accounts, for which the bank acts in the following, or similar capacities — trustee (regardless of whether investments are directed by others), executor, administrator, guardian; omits all agency accounts and accounts for which the bank acts as registrar of stock and bonds, assignee, receiver, safekeeping agent, custodian, escrow agent or similar capacities.

§ Includes both managing agency and advisory agency accounts.

// Includes national and non-national banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

NOTE: Data may not add to totals because of rounding.

## APPENDIX C

# Addresses and Selected Congressional Testimony

## Addresses and Selected Congressional Testimony

<i>Date and Topic</i>	<i>Page</i>
Feb. 2, 1977, Statement of Robert Bloom, Acting Comptroller of the Currency, before the Financial Institutions Subcommittee of the Senate Committee on Banking, Finance and Urban Affairs, and the Commerce, Consumer and Monetary Affairs Subcommittee of the House Committee on Government Operations, Washington, D.C. ....	207
Feb. 9, 1977, Statement of Thomas W. Taylor, Associate Deputy Comptroller of the Currency for Consumer Affairs, before the Consumer Affairs Subcommittee of the House Committee on Banking, Finance and Urban Affairs, Washington, D.C. ....	213
Feb. 24, 1977, Statement of Robert Bloom, Acting Comptroller of the Currency, before the Family Farms Rural Development and Special Studies Subcommittee of the House Committee on Agriculture, Washington, D.C. ....	216
Mar. 3, 1977, Statement of Robert Bloom, Acting Comptroller of the Currency, before the Commerce, Consumer and Monetary Affairs Subcommittee of the House Committee on Government Operations, Washington, D.C. ....	218
Mar. 11, 1977, Statement of Robert Bloom, Acting Comptroller of the Currency, before the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C. ....	219
May 2, 1977, Remarks of Robert R. Bench, Associate Deputy Comptroller of the Currency for International Banking, before the 55th Annual Meeting of the Bankers' Association for Foreign Trade, Cerromar Beach, Puerto Rico ....	234
May 24, 1977, Statement of Robert Bloom, Acting Comptroller of the Currency, before the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C. ....	237
July 11, 1977, Statement of Thomas W. Taylor, Associate Deputy Comptroller of the Currency for Consumer Affairs, before the Consumer Affairs Subcommittee of the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C. ....	240
Sept. 16, 1977, Statement of John G. Heimann, Comptroller of the Currency, before the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C. ....	244
Sept. 28, 1977, Statement of Thomas W. Taylor, Associate Deputy Comptroller of the Currency for Consumer Affairs, before the Consumer Affairs Subcommittee of the House Committee on Banking, Finance and Urban Affairs, Washington, D.C. ....	263



**Statement of Robert Bloom, Acting Comptroller of the Currency, before the Financial Institutions Subcommittee of the Senate Committee on Banking, Finance and Urban Affairs and the Commerce, Consumer and Monetary Affairs Subcommittee of the House Committee on Government Operations, Washington, D.C., February 2, 1977**

We appreciate the opportunity to discuss the Government Accounting Office (GAO) report entitled, "Study of Federal Supervision of our Nation's Banks."

The report, in a straightforward and objective manner, describes what bank examiners do and the common problems which bank supervisory agencies face. The report shows that the agencies have been relatively successful in encouraging rehabilitation of bank weaknesses. Finally, the report makes a number of recommendations to the agencies designed to strengthen their supervisory techniques.

Our specific comments on the report, which are attached as an appendix to this statement, show that the Office of the Comptroller of the Currency has little difficulty with most of the recommendations. Indeed, the report recommends many of our new examination procedures and agency procedures for the consideration of the other agencies. As the members of this Committee know, almost 3 years ago, the Comptroller engaged the management consulting division of Haskins & Sells to conduct a major study of the Comptroller's Office. Many of the recommendations resulting from this study including, particularly, a wholesale revision of examination procedures, have been implemented by the Office over the last 2 years. Examinations using the new procedures have been conducted in all 14 national bank regions. The recommendations of the report largely confirm that the actions embarked upon by the Office of the Comptroller of the Currency over the last 2 years have been appropriate.

We do not intend to rest on those procedural achievements. All of the procedures now in place, as well as the implementation of those procedures, are being regularly reviewed by a special division of the Comptroller's Office under the direction of a Deputy Comptroller. That official acts as an internal inspector general to insure that our techniques keep pace with the industry and are properly executed.

Apart from the new techniques and procedures already in place which the GAO has now, at least qualifiedly endorsed, we are favorably impressed by and intend to support a number of additional recommendations made by the Comptroller General. In particular, we believe that increased interagency cooperation on such matters as shared national credits and country risk classifications is desirable. In addition, economies in the conduct of international examinations may be achieved through a sharing of facilities and, possibly, personnel. Combination of examiner schools and curricula in a number of areas similarly seems feasible.

The GAO also recommends legislation to strengthen the enforcement powers of the bank regulatory agen-

cies in a number of ways and to accord the Comptroller's Office the same statutory flexibility in the scheduling of examinations already accorded the other agencies. We fully support that legislation. Indeed, a number of the additional statutory enforcement powers recommended by the GAO have been requested by several Comptrollers over the past 10 years.

We do not fully concur with the GAO report in a few areas. For example, while we agree that the powers given under the Financial Institutions Supervisory Act of 1966 are useful and should be employed in a timely fashion, there are some instances where the use of such power may be counterproductive. For that reason, the Office evaluates closely each case on its own facts to determine whether, in the particular instance, a formal or informal action is the most appropriate remedy. To some extent the choice of remedy has been affected by certain inadequacies in the Act.

We also believe that the conclusions contained in the GAO report do not fully recognize the effectiveness of the informal enforcement efforts of the agencies. In our judgment, improvements in informal procedures promise far greater returns in terms of early corrective action by bank management than overreliance on formal procedures such as the issuance of cease and desist orders. Among the significant changes we have recently made in our informal procedures is the addition of a requirement that Comptroller personnel meet with the board of directors of each national bank at least once each calendar year and, in certain cases, following each examination. That increased use of meetings with directors, coupled with our new examination procedures and early warning system, will, we believe, make our first-line informal supervisory techniques more effective.

We also have reservations about the GAO's emphasis on agency uniformity as a desired goal. The report does not make the crucial distinction between uniformity in the development of policy and technique and uniformity in the execution of proven ideas. We believe that while uniformity in the execution of agreed policies may be desirable, it is not equally desirable in the development of new approaches. Complete uniformity could result in the worst of both worlds: restriction on innovation without the theoretical economies of a single staff.

The basic interest of the government in bank supervision has been correctly stated by the GAO:

Government involvement in the American banking industry has consisted of recurring attempts to

balance the need for healthy competition among banks with the need for a sound banking system.

The report understandably concentrates on the safety and soundness side of the equation. We must not lose sight of the equally important need for a

healthy, competitive environment, free of overregulation.

The GAO report should not be misunderstood as a call for overregulation. Our goal continues to be a sound but responsive and competitive banking industry.

## Appendix to February 2 Statement by Robert Bloom

### Bank Examination and the Office of the Comptroller of the Currency

The Office of the Comptroller of the Currency (OCC) commends the General Accounting Office (GAO) for the objective and workmanlike quality of GAO's report and for the positive attitude shown by the GAO staff which prepared the report.

The GAO report correctly states that one important goal of bank regulation is maintaining the soundness of the banking system; achievement of that goal requires minimizing the number of bank failures. We agree with that goal, and suggest that the banking agencies' record over the last 40 years has been a good one. For example, 1974 witnessed a severe economic recession and the two largest bank failures in the history of the United States, yet no depositor in those banks lost money, and confidence in the banking system was maintained. The average annual bank failure rate since 1937 has been 0.08 percent, a remarkably low failure rate for any human endeavor.

But it is the other goal of supervision which is not stressed in the GAO report. The ultimate measure of how well a bank supervisory agency operates is how well the banking system operates. The OCC believes that one of its major functions is to preserve a competitive, responsive and innovative system. Bank supervision's role is to ensure that the banking system is able to provide the widest possible array of banking services to both the depositor and the borrower.

Thus, the bank supervisory agency has two contradictory goals: monitoring soundness, and sponsoring competitive, innovative response. It is that dual role which presents the basic paradox for the bank supervisory agency. An intensely competitive industry can never be completely safe.

Striking the balance between those two goals is the basic problem of the bank supervisory agency. According to a former Comptroller of the Currency:

One regulatory approach is to identify a problem in one area and remedy across the board, taking no notice of the different characteristics, or idiosyncracies of the components of the whole. That approach is acceptable if the object is to produce a "fail-safe" banking system. Believe me, I can screw down the National Banking System with enough regulations to prevent bank failure. But, under that regime, the banking industry would be financing the capital needs of the country and its citizens at about 60 percent of capacity, and that is not in the public interest. Equally important, it is contrary to the economic principles of our nation.

Instead, I would advocate that we free up the system to manage itself, loosen the bonds and take the quite limited risks that some unit will slip through the supervisory net and founder.

A well-known critic of bank supervision, economist George J. Benston, has addressed the question of the costs of bank regulation, both the direct cost of running the agencies and the indirect costs of limiting competition by the banking industry, and has suggested that the best solution is improved supervisory techniques. Specifically he recommended:

1. A primary responsibility of the supervisory agencies is to determine the most effective method of examining banks;
2. Supervisory agencies should be able to use bank reporting as a guide to self-examination by the banks and as a preliminary examination tool;
3. Models should be developed that predict possible problems; and
4. Banks that are likely to get into trouble should be examined more frequently and in greater depth.

That list, although not complete, is similar to the revisions of examination procedures proposed by the consulting firm of Haskins & Sells and implemented by the Office of the Comptroller of the Currency. Examination of the larger banks has moved from a detailed examination of the bank's assets to an in-depth evaluation of the bank's management, auditing and control systems. Instead of concentrating on the bank's loan customers, the OCC has moved to an evaluation of the bank itself. During 1976, the OCC began to use bank financial reports as a preliminary examination tool, identifying potential difficulties at individual banks.

The GAO reviewed those and other new procedures being adopted by the OCC, and concluded:

As discussed in Chapter 4, we believe that the traditional examinations of the three agencies have concentrated too much on the review of loans and not enough on bank policies, procedures, practices, controls, and audit. The changes made by FDIC and FRS will not substantially remedy this defect. In our view the new procedures being implemented by the OCC offer the best opportunity for improvement. The OCC's revised commercial examination procedures should provide the agency with more meaningful information regarding the banks it supervises and result in more

complete and consistent examinations. More importantly, the new approach should result in early detection of situations which could lead to deterioration in some aspect of banking operations. This approach could help avoid bank problems after they have occurred.

Thus, the OCC is not attempting to improve bank supervision through arbitrary regulations which might limit bank services to the public. Instead the OCC is attempting to foster procedures in each bank through which that bank can better manage itself.

The GAO report, although endorsing the new OCC procedures, implies criticism of the OCC for not developing its new programs in conjunction with the two other agencies. As pointed out in the OCC responses to the GAO recommendations, the OCC has attempted to share its new ideas with the other two agencies. The OCC also endorses the GAO recommendation of more formalized communication among the agencies concerning new examination techniques. The OCC takes issue, however, with the apparent GAO assumption that the best way to generate new ideas is through an interagency committee (or, as some have proposed, through a giant monolith combining the three agencies). A primary virtue of three agencies, each with somewhat differing statutory responsibilities, is the ability of a single agency to experiment with a new idea or procedure. It is doubtful that the new OCC examining techniques endorsed by GAO could have been developed otherwise. A unified approach is important and appropriate after a *new idea has been proved successful*, not when it is being first developed.

In summary, the purpose of the OCC is to operate so that economic progress and change is not inhibited and, at the same time, to prevent unsound banking practices. It is that fine line of promoting innovative response while supervising the banking system that makes bank supervision so difficult. The banking system has just come through its first major economic crisis since the world wide depression of the 1930's. There were some casualties. But, in fact, the threatened financial crisis did not develop and the banking system seems to be stronger today than it was before. New procedures have been developed by the banking system and the continuing dynamic future of American banking is assured. For the first time we are assured that, just as the industry has changed, the tactics and techniques of a major bank supervisor, the Office of the Comptroller of the Currency, have changed in a similar, positive fashion.

## Responses to Specific Recommendations

**Recommendation (2-21):** Accordingly, we recommend that the Comptroller of the Currency (1) develop more definitive criteria for evaluating charter applications and (2) thoroughly document the decision-making process, including an identification by reviewers of each factor as favorable or unfavorable.

**OCC Response:** The OCC is the only federal agency with the responsibility for chartering banks. It charters

banks in all of the 50 states and in Puerto Rico and the Virgin Islands. The widely differing banking environments found in the U.S. make it most impossible to develop definitive criteria which can be universally applied both in states like Arizona, which has six national banks, and in states like Illinois, which has over 400 national banks. The diversity of criteria therefore, is a function primarily of the differing political, social and economic environments in which the OCC must operate. The OCC's chartering criteria, of necessity, must be somewhat flexible. That is only to be expected since the OCC does not charter in one environment. Also, under the terms of the McFadden Act, the OCC's actions are often affected by applicable state law.

New corporate guidelines (*Annual Report*, 1976, pp. 274-282), the development of which began in September 1975, and which became effective on November 1, 1976, answer many of the GAO's criticisms. Written opinions containing reasons are now sent to applicants receiving denials. As examples, we present excerpts from three recent letters denying charter applicants. One letter, in part, states:

Based upon the population and the median income per household, it would appear difficult for many individuals in the primary service area to qualify for a loan. Furthermore, income levels are inadequate to provide a sufficient deposit base for the proposed bank to become a viable institution.

In another case, we quote in part:

In view of the Supreme Court decision in *Whitney* and the Federal Reserve Board's decision in *Inter-Mountain Bank Shares*, it would be an exercise in administrative futility for this Office to approve the present charter application. . . . Should West Virginia change its statutes or should the statute be successfully challenged, then this Office could consider a new application in light of these changed circumstances.

In still another case, the denial letter to the applicants stated:

The new guidelines state that a new banking office will not be approved, if its establishment would threaten the viability of a newly chartered independent bank. Such protection will typically not exceed 1 year. As you are aware, the new bank opened on September 27, 1976. It is the opinion of this Office that this newly chartered independent state bank is entitled to the protection set forth in the Comptroller's policy statement.

Every attempt is now made to document thoroughly the decision-making process. Further efforts will be made by our Office to identify each factor as favorable or unfavorable.

Our decisions have been subject to judicial review for many years. In the long series of court cases concerning our chartering process, the Comptroller's decision on a charter application has never been finally overturned by a reviewing court. See annotations to 12 USC 21 *et seq.*

Our Department of Research and Economic Analysis has undertaken a market study of 35 national

banks chartered between 1969 and 1971. The economic study attempts to identify, statistically, those factors which can be identified with the growth or lack of growth of these new banks. The results of that study, if positive, will be incorporated into our decision-making process. We are hopeful that quantification of a sufficient number of pertinent factors applicable to a majority of cases will result.

**Recommendation (4-7):** Therefore, we recommend that the Board of Directors of the FDIC, the Board of Governors of the FRS, and the Comptroller of the Currency establish scheduling policies and procedures which would avoid the setting of examination patterns.

**OCC Response:** Historically, the OCC has viewed surprise as an important element of an examination. However, a primary feature of our new examination approach entails the pre-examination analysis wherein the examiner will determine the adequacy of internal control and audit activity. The OCC feels the best deterrent for fraud is not periodic unannounced visits by examiners but rather the existence of sound bank policies, procedures, internal control and audit activity on a continuing basis. The element of surprise is necessary only in those cases where such factors are suspect.

**Recommendation (4-8):** We recommend that the Board of Directors of the FDIC, and the Board of Governors of the FRS, adopt flexible policies for examination frequency which would allow them to concentrate their efforts on banks with significant problems.

We recommend that the Congress amend the National Bank Act to allow the Comptroller of the Currency to examine national banks at his/her discretion.

**OCC Response:** We support the recommendation of legislation to permit the OCC discretion in scheduling the frequency of examinations. The current method of adapting the depth of examinations to the needs of each bank, based on NBSS data and pre-examination analysis, fully complies with law. However, greater statutory discretion would enhance our effectiveness in this regard.

**Recommendation (4-29):** We recommend that the Board of Governors of the FRS, and the Comptroller of the Currency develop and use a single approach to the classification of loans subject to country risk.

**OCC Response:** The OCC has a well established procedure using a single approach to the classification of country credits. This procedure makes use of information from many governmental and non-governmental sources and examiners in all 14 national bank regions.

Copies of the minutes of our committee meetings and any resulting classifications have always been provided to members of the staff of the Board of Governors.

The process of country risk evaluation is more precisely an art than a science. Most of the evaluation

process is judgmental. However, the interagency meetings held to date have been beneficial in determining basic differences in philosophies.

**Recommendation (4-30):** We recommend that the Board of Governors of the FRS, and the Comptroller of the Currency implement procedures whereby major foreign branches and subsidiaries, including subsidiaries of Edge Act corporations, are examined periodically and whenever adequate information about their activities is not available at the home office.

Also, we recommend that the Board of Governors of the FRS, and the Comptroller of the Currency exchange each other's examiners to cut expenses when conducting examinations in foreign countries.

**OCC Response:** a) *Overseas Examination* — National banks are required by regulations K and M to provide examiners with whatever credit and financial information the examiner deems necessary to evaluate the condition of the bank's foreign branches and subsidiaries. Those regulations require such information be transmitted to and maintained at the bank's head office. The OCC has, for practical purposes, defined "head office" to include any foreign or domestic office of the bank which is readily accessible to examiners. For example, all international credits of one large national bank are examined from two domestic offices and four foreign offices located in London, Caracas, Tokyo and Manila. All of that bank's many branches and subsidiaries located in Europe, the Middle East and Africa are examined from duplicate records in London.

Supplemental examinations to determine the quality of the bank's operations are made on-site overseas when necessary. In 1972, for the purpose of performing asset and operational examinations, the OCC established a London office permanently staffed by six examiners. In fulfilling its overseas examination obligations, in 1976 the OCC examined 141 overseas branches and subsidiaries of 25 banks located in 37 countries; 154 on-site examinations were performed by 215 national bank examiners.

b) *Joint Examinations* — The GAO recommendation has merit. As a bare minimum the physical support of the three agencies could be jointly provided. Further arrangements could be made so that any of the agencies could jointly commission overseas examiners. In this regard, the OCC is willing to seek a cooperative solution with our sister agencies.

Under present statutes, however, such a sharing of examiner forces may be difficult. Section 481 of Title 12 (12 USC 481) directs the Comptroller of the Currency to appoint examiners who shall examine every national bank. That same section empowers the Comptroller to make a thorough examination of all the affairs of the banks under his jurisdiction including the affairs of all affiliates of national banks "other than member banks," in order to disclose fully the relations between the bank and its affiliates and the "effect of such relations upon the affairs of such bank." (Emphasis added)

**Recommendation (7-25):** We recommend that the Comptroller of the Currency invite FDIC and FRS to jointly review and evaluate its new examination approach. Further, we recommend that, in the event of a favorable assessment of the new process, the Board of Directors of the FDIC and the Board of Governors of the FRS revise their examination processes to incorporate the features of OCC's new examination approach.

**OCC Response: *Examination Approach*** — On November 23, 1976 OCC staff members made a presentation to approximately 20 FRS and FDIC staff members on the revised examination procedures. Copies of our draft *Handbook of Examination Procedures* were furnished. Their review and evaluation on an ongoing basis is welcomed. The Acting Comptroller has proposed to the Interagency Coordinating Committee that a permanent staff group be set up for that purpose.

**Recommendation (7-26):** Additionally, we recommend that the Board of Directors of the FDIC, the Board of Governors of the FRS, and the Comptroller of the Currency jointly staff a group to analyze shared national credits at state and national lead banks under federal supervision, and that the three agencies use the uniform classification of these loans when they examine the participating banks.

**OCC Response: *Shared National Credits*** — In 1974, meetings were held with representatives of the OCC, FRS and FDIC present to discuss the possibilities of using a uniform program for the review of selected large shared loans. Both the FRS and the FDIC found merit in the program but they believed sufficient pitfalls existed to delay their participation in the program. Also, in March 1974 this Office met with representatives of the Conference of State Bank Supervisors to discuss the proposed program. They indicated interest and agreed to work out arrangements with various bank supervisors.

In 1975, the Office of the Comptroller of the Currency conducted uniform reviews of shared national credits in applicable national banks. The loan write-ups generated by these reviews were made available to both the FRS and the FDIC. In March 1975, the FRS expressed their continued interest in the program and hoped they could participate if the "pitfalls" could be overcome. In November 1975, the FRS revealed they were instituting a test review program involving state member banks paralleling our methods and procedures. In July 1975, the FDIC again expressed interest and a meeting was held in September 1975 with representatives of the FDIC. This Office indicated FDIC involvement would be welcomed in whatever way they deemed appropriate.

During May 1976, the second uniform review was conducted and again the data generated was made available to the FRS and FDIC.

In July 1976, the Comptroller of the Currency and the Vice Chairman of the Federal Reserve Board met to discuss the approaches of the two agencies to shared national credits. It was agreed that the OCC should continue to provide FRS with the information

developed under its program and to explore at a staff level whether uniform procedures could be developed between the two agencies which would be acceptable to all of the Federal Reserve Banks. It is our understanding that the New York Federal Reserve Bank is conducting a pilot project involving shared credits which may assist in resolving some of the anticipated problems associated with a combining of the approaches of the two agencies.

**Recommendation (7-26):** We also recommend that the Board of Directors of the FDIC, the Board of Governors of the FRS, and the Comptroller of the Currency work together in refining their monitoring systems and their approach to consumer credit compliance examinations.

**OCC Response: *Monitoring*** — The OCC has met on several occasions with officials of the other two federal supervisory agencies to present its NBSS system. Those orientations were given both orally and with complete submission of all relevant documents. Further, we have offered the other supervisory agencies computer programs and technical knowledge to implement the programs.

**Consumer Credit Compliance** — With reference to consumer credit compliance examinations the draft report does not fully recognize that our new program is already operational. Over 6 percent of our field staff is currently allocated to the consumer area. We have conducted three 2-week schools which trained over 140 examiners in the new procedures. A second series of three schools is scheduled for March and April and a third series will take place in the Fall. The schools stress examination techniques and feature heavy reliance on case studies to give experience in examining for compliance. The procedures are tailored to spot problems most likely to result in harm to consumers. We make use of sophisticated advanced financial calculators, specially programmed for banking applications, and sampling techniques designed to increase our effectiveness.

Eleven percent of the country's 4,700 national banks have been examined under the new procedures. Preliminary analysis of those examination reports indicates that our expanded efforts in this area are both justified and effective.

The draft report also does not reflect the extent to which other agencies have cooperated in developing our new program. The Federal Reserve Board and The Department of Housing and Urban Development (HUD) aided in reviewing our procedures. Speakers from the Federal Reserve Board, HUD and the Justice Department participated in our schools. Observers from the Federal Reserve Board, FDIC, National Credit Union Administration and HUD attended the schools to assess the new procedures. As a result, many of our examination procedures and teaching materials have been adopted by those four agencies. This experience has reinforced our awareness of the benefits of such cooperative efforts.

**Recommendation (8-20):** a) *Formal Actions* — We recommend that the Board of Directors of the FDIC, the Board of Governors of the FRS and the Comptroller of the Currency establish more aggressive policies for using formal actions.

b) *Written Criteria* — Written criteria should be developed to identify the types and magnitudes of problems that formal actions appropriately could correct.

**OCC Response:** We believe that in supervising the vast majority of national banks, our most effective remedy continues to be the examination process and the meetings held as part of that process between the bank's board of directors and OCC personnel. Since December 23, 1975, the OCC has required meetings with the board of directors of each national bank at least once every calendar year and, in certain cases, following every examination. We believe that the increased use of such meetings together with our new examination procedures and early warning system will make our first-line, informal supervisory techniques even more effective.

As the GAO report elsewhere notes, our informal supervisory techniques even without the improvements noted above, have proven effective in rehabilitation of most of the so-called problem bank situations. For example, over the period reviewed by the GAO, informal procedures utilized by OCC were successful 84 percent of the time. Nonetheless, we agree that increased use of formal agreements and cease and desist orders under the Financial Institutions Supervisory Act may accelerate correction of problems in the more recalcitrant institutions.

OCC use of such formal agreements and orders has increased tenfold from 1970 to 1975. The OCC has originated slightly more than half of the combined total formal agreements and cease and desist orders (179) issued by all three agencies during the last 5 years. The OCC, however, supervises fewer than half the number of banks supervised by the other two agencies combined. When compared to the number of banks supervised, the OCC over the past 5 years, has used the formal enforcement tools of the Financial Institutions Supervisory Act about two and one half times as often as the other two agencies.

It should also be noted that the three banking agencies jointly requested Congress in 1975 to refine and increase the agencies' formal enforcement powers. Congress failed to pass the necessary legislation.

The OCC has developed as part of its National Bank Surveillance System an anomaly severity ranking system which identifies, every 3 months, the national banks most likely to require special supervisory attention. A computerized action control system is designed to assure that the OCC responds promptly and appropriately to those situations. The criteria built into these systems identify more systematically and promptly those cases in which formal enforcement action is appropriate.

**Recommendation (8-47):** We recommend that the Board of Directors of the FDIC, the Board of Governors

of the FRS, and the Comptroller of the Currency develop uniform criteria for identifying problem banks.

**OCC Response:** The term "problem bank" is banking agency jargon for many different fact patterns. To an outsider it appears reasonable and logical to expect a uniform definition of the term. An agency staff person, on the other hand, recognizes the difficulty of reducing all the variables to a single definition. At the same time, such a staff person has little difficulty in communicating with colleagues in other banking agencies on particular bank situations.

OCC's approach is to computerize to the greatest extent possible the many variables which characterize a bank's condition and management. That results in a capability to rank *all* banks in relation to their peers. The final selection of banks needing special supervision can only be done subjectively by trained personnel using all the tools available and the results of our revised examinations. The dividing line on the spectrum between "problem" and "non-problem" status is hard to define but OCC is more than willing to consult and cooperate with the other agencies in seeking such dividing lines.

**Recommendation (10-6):** We recommend that, where feasible, the Comptroller of the Currency, the Board of Directors of the FDIC, and the Board of Governors of the FRS, combine their examiner schools and standardize their curricula.

**OCC Response:** The OCC recognizes that a common training effort and a combined examiners' school would be highly desirable both in terms of expense and coordination of examination policy. Our Office stands ready to cooperate fully with all such efforts. Indeed, our Office is in receipt of a letter from Chairman Barnett of the FDIC asking our cooperation and financial support for a combined training facility to be constructed at a Rosslyn, Va. site. This matter is receiving serious attention.

The practical difficulty is that our Office has implemented the Haskins & Sells report which has created fundamental changes in our examination process. Those changes are so basic to our examination process that it would be difficult to coordinate a curriculum. A combined examiners' school is viable only if the other agencies modernize their techniques in line with those being implemented at the OCC. It would be possible, however, to offer jointly courses in more generalized subjects such as economics and accounting.

**Recommendation (10-10):** We recommend that the Board of Governors of the FRS (1) establish a full-time training office to operate its examiner training program and (2) carry out the revision of examiner school curricula which it has recognized as needed for some time.

We also recommend that the Comptroller of the Currency, the Board of Directors of the FDIC, and the Board of Governors of the FRS, increase their training in EDP, law and accounting, as desired by their examiners.

**OCC Response:** As part of our acknowledged need for specialized training, and consistent with the advice of our consultants, the Training Division of the Personnel Management Department has identified a multitude of different specialized courses which selected examiners will take: Those courses include seven different commercial examination schools, three trust examination schools, an EDP school, an international school and a consumer examination school. That program has now been implemented and is in full operation. The schools are programmed for examiners at different stages of their professional development. Among the many courses that will be offered by skilled personnel, both from within the OCC and, where necessary, from outside, are ones in EDP, law and accounting. Among the other areas that will be covered in that curriculum development will be specialized work in economics, bank marketing, finance, auditing and similar topics.

**Recommendation (11-8):** We recommend that the Board of Directors of the FDIC, the Board of Governors of the FRS, and the Comptroller of the Currency either

(1) jointly establish a more effective mechanism for the three agencies to combine their forces in undertaking significant new initiatives to improve the bank supervisory process or in attacking and resolving problems common to the three agencies, or (2) the Congress enact legislation to establish a mechanism for more effective coordination.

**OCC Response:** The OCC has always stood for the strongest possible working relationships between federal supervisory authorities. At the December 1976 meeting of the Interagency Coordinating Committee, Mr. Robert Bloom, Acting Comptroller of the Currency, asked that the committee take up at its next meeting the subject of strengthening coordination of examination procedures. It will be proposed that a permanent staff group be set up for this purpose. We anticipate modification and refinement of our newly implemented examination approach on an ongoing basis. Review and evaluation of such changes as they affect problems common to the three agencies would be most useful.

## **Statement of Thomas W. Taylor, Associate Deputy Comptroller of the Currency for Consumer Affairs, before the Consumer Affairs Subcommittee of the House Committee on Banking, Finance and Urban Affairs, Washington, D.C., February 9, 1977**

I welcome this opportunity to appear before the Committee to discuss the continuing commitment of the Office of the Comptroller of the Currency to the protection of consumers' interests in their dealings with national banks. Because of the intimate involvement of banks with our daily affairs, this industry is a unique focal point of many consumer interests.

Banks serve their communities and their customers in many important ways. By financing new and established businesses, they help provide gainful employment for a substantial part of their community's work force. By investing in municipal securities, banks help fund education, sanitation, and other essential community services and programs. And, through the purchase of tax anticipation notes, they help provide funds necessary for communities to continue the regular, day-to-day functioning of their governments and local economies.

In more personal terms, banks, through savings plans and loan services, make it possible for individuals to improve their standards of living. Banks also enable their customers to organize their daily financial affairs through the use of checking, bill-paying and trust services.

For our part, the Comptroller's Office has pursued policies intended to insure that the development of the National Banking System will be in the interest of the banking public. In fostering aggressive competition among banks and other financial institutions, we have

encouraged the provision of an ever-growing number of financial services.

Recognizing that particular attention to individual consumers would help reinforce public confidence in the banking system and promote safety and soundness, the Comptroller commenced a study in the summer of 1973 to determine what this Office should do to carry out our legal responsibilities in protecting consumer interests. As a result of that internal review, a special division for consumer affairs was established in September 1974, before the Magnuson-Moss Warranty — Federal Trade Commission Improvement Act of 1974 mandated that each bank regulatory agency have such a division. Since its creation, our Consumer Affairs Division has grown rapidly in staff and budget, and has become a central point for consumer assistance and consumer protection law enforcement.

We believe that compliance with consumer protection statutes is a prerequisite to successful retail banking, because a bank acts in its own best interest when it serves the public fairly and within the scope of the law. Consumer laws are many and complex and cover a wide variety of banking services. They include Truth-in-Lending, Equal Credit Opportunity, Fair Credit Reporting, Fair Credit Billing, Fair Housing, Home Mortgage Disclosure, Real Estate Settlement Procedures, Consumer Leasing, advertising, usury and applicable state laws. In its role as supervisor of national banks, the Comptroller's Office attempts to educate bankers



on the requirements of these laws and to detect and correct noncompliance. Over the past 3 years we have intensified our activities in this area.

As the foremost example, the Comptroller has assigned a specially trained corps of national bank examiners to conduct consumer compliance investigations of every national bank during the coming year. Over 6 percent of our field staff currently is allocated to the consumer area. Support for that staff is provided by Consumer Specialists in each region. We have conducted three 2-week schools which trained over 140 examiners in the new procedures. A second series of three schools is scheduled for March and April, and a third series will take place in the Fall.

The schools stress examination techniques and feature heavy reliance on case studies to give experience in examining for compliance. The procedures are tailored to spot problems most likely to result in harm to consumers. We make use of sophisticated financial calculators, specially programmed for consumer transactions, and sampling techniques designed to increase our effectiveness. Particular emphasis is placed on evaluating policies and practices to detect unlawful discrimination.

Statistical sampling of a bank's loans is taken as part of a review for conformity with various statutory and regulatory requirements. Bank lending policies are examined as are policies implementing consumer protection laws. Extensive interviews with lending officers are conducted, as well, to assist us in assuring that a bank adheres to its policy standards.

Where violations are detected during the examination, we will use the full authority of our Office to see that they are corrected. In most cases, when made aware of unlawful overcharges, banks volunteer to reimburse their customers. For the few recalcitrant institutions, however, we may find it necessary to rely upon our additional cease-and-desist powers under the Financial Institutions Supervisory Act.

As of this date, approximately 12 percent of the country's 4,700 national banks have been examined under the new procedures. Preliminary analysis of those examination reports indicates that our expanded efforts in the consumer area are both justified and effective. Significant evidence of noncompliance with the consumer protection laws has been detected. In some areas, that noncompliance has resulted in overcharges to consumers, sums which now will be reimbursed.

As the new laws take hold and consumer consciousness rises, we find that consumer complaints account for an increasingly large part of the work load of the Consumer Affairs Division. In 1976, the first year for which we kept a tally, the number of complaints handled by all of our offices around the country totaled 6,234. In our Washington Office alone, the volume increased 46 percent over the previous year.

Complaints against national banks cover numerous consumer banking activities. Among the complaints received are ones dealing with check cashing privileges, interest charges, deposits not credited, rebates and individual credit decisions. Notably, credit card difficulties account for a substantial part of all com-

plaints. Most of those complaints involve allegations of billing errors or denial of applications on the grounds of sex or marital status or failure of the applicant to meet bank credit standards.

We have designed a computer program to catalog consumer complaints. When such a complaint is received, a letter of inquiry is sent to the bank against which the complaint was made. If necessary, an examiner visits the bank to complete the investigation. Depending on what we discover, either the bank is asked to correct its error or the complainant is informed that no basis for remedial action has been found. Sometimes facts essential to resolution of a controversy are disputed and may turn on such issues as credibility of witnesses. Those controversies can be resolved, consistent with due process, only in a judicial forum. In those instances we advise the complainant to seek legal counsel.

In order to deal more efficiently with the sizable increase in consumer complaints, we are attempting presently to streamline our procedures by requesting a number of national banks throughout the country to designate specific personnel who are available to discuss consumer problems with members of our staff and with the consumers themselves. As a large number of questions posed by complainants involve a misunderstanding of the reason for a bank's actions or lack of action, the problems frequently can be resolved readily by our staff's telephoning bank officials to review the matters and to determine what actions, if any, are necessary. In many instances, bank officials may clear up misunderstandings by communicating directly with the complainants.

In addition to our own examination efforts, I would like to outline some of the other activities in the consumer protection area which the Comptroller of the Currency has undertaken in recent months. In March 1976, this Office, together with the Civil Rights Division of the Justice Department, the Department of Housing and Urban Development (HUD), the Federal Reserve Board, the FDIC and the Federal Home Loan Bank Board, created the Interagency Task Force on Fair Housing Enforcement. The purpose of the task force is to consider the various aspects of fair housing enforcement and seek solutions to the problems encountered. Discussions so far have centered on the powers of each agency to implement regulations concerning fair housing and the desirability of keeping records on applicants' race, color, sex, etc.; examining procedures, training and techniques; appropriate and permissible corrective mechanisms; and whether consumer examinations should be worked into regular commercial examinations or should be completely separate.

The task force has developed a memorandum of understanding by which any agency receiving a fair housing complaint will give notice to other agencies which might be interested in such a complaint. For instance, if HUD receives a complaint of discrimination against a national bank, it will investigate the complaint but, at the same time, will give notice to us and to the Justice Department.

Separately, our Office has signed a special memo-



randum of understanding with the Civil Rights Division of the Department of Justice to the effect that this Office will select several banks at which Department of Justice attorneys will be present as observers during the fair housing portion of the consumer examination. That understanding should result in a training technique by which the experts at Justice will be able to offer our examiners the benefit of their experience in investigating discrimination allegations. The program is expected to be operational by mid-March.

A third major activity in the fair housing area is a data collection survey which our Office currently is conducting in a number of banks across the nation. Loan applicants at selected national banks are being asked to complete a special form which records their personal and economic characteristics. The bank involved then is required to provide a written explanation of why any application is rejected. Location of property also is recorded, and we anticipate that a comparison of that information will be made with census tract data available from the Commerce Department. Upon completion of the pilot project, we will evaluate the suitability of the program for nationwide use.

As you can see, the Comptroller of the Currency is devoting extensive resources to the consumer protection area. We have found that, generally, both consumers and banks have benefitted from the changes brought about by the new consumer protection laws. Despite the complexity of many of the regulations, increased disclosure and more rigorous, nondiscriminatory credit guidelines have served to educate the public and improve relations between banks and their customers.

However, our involvement also has shown us that legislation designed to protect consumer interests has produced some undesirable aspects. It is with that perspective that we offer for the Committee's consideration the following observations to maximize the benefits of consumer protection legislation.

### Truth-in-Lending

A consensus now is forming among all those responsible for enforcing the Truth-in-Lending Act that substantial changes in the Act and Federal Reserve Regulation Z are needed. By simplifying a number of provisions in the law, Congress can achieve a much higher level of consumer understanding of basic loan terms. Specifically, we recommend that required disclosures for all types of credit be limited to these core terms — annual percentage rate; amount financed; finance charge expressed as a dollar amount; number of payments, amount of payments and due dates or periods of payment; and security interests.

Because late fees, rebates, etc., are not likely to be considerations in comparison shopping, disclosure of such terms is of questionable value. Congress might consider legislating a standardization of some of those terms because the ability of the free market to regulate such items effectively via arm's length bargaining is somewhat suspect.

We believe that the present civil liability provisions in the law also need to be reexamined. It appears that many creditors making good faith efforts to comply

with the law become involved in litigation for trivial, technical violations resulting in harm to no one. Thus, it has been our experience that those provisions tend to benefit attorneys, printers and defaulting borrowers more than the consumer.

As a final note on the subject of Truth-in-Lending, we wish to go on record in support of the proposals for changes in the Act made by the Federal Reserve Board in their 1976 *Annual Report*. We agree with the Board that adoption of its recommendations for simplification would not deprive consumers of essential information needed to shop for credit.

### Home Mortgage Disclosure

Federal Reserve Regulation C recently was adopted pursuant to the authority of the Home Mortgage Disclosure Act. Early indications bear out what we had warned of at the time that law was passed; that is, that disclosure of data showing geographic distribution of loans granted is not very valuable in pinpointing banks that discriminate.

Geocoding, or pairing the street address of mortgaged property with the appropriate census tract, poses another problem for banks seeking to comply with the Act. Given that loan officers are not necessarily expert map readers, the lack of clarity in many census maps causes considerable trouble. The sporadic availability of those maps only compounds the problem.

### Real Estate Settlement Procedures

Of the first 126 national banks given careful review for consumer law compliance under our new procedures, 43 were found to violate some section of the Real Estate Settlement Procedures Act (RESPA). Most of those violations involved the failure of a bank to give a good faith estimate to the loan applicant. Fortunately, that type of oversight normally does not harm the consumer because it is given only to persons making written application and occurs at a point in the transaction when the applicant already has completed his or her shopping for loan terms.

As you recall, the original purpose of RESPA was to disclose settlement costs to borrowers sufficiently in advance of closing to allow them to compare terms. Congress became aware soon after enactment that the 12-day notice requirement was delaying many simple transactions needlessly. Accordingly, the law was amended to require only a 1-day waiting period. Unfortunately, the dilemma persists, because now borrowers are denied the opportunity to shop around if they wish. In light of those problems, we question whether RESPA offers anyone any real benefit.

### Electronic Funds Transfers

Electronic funds transfer is fast becoming a major area of consumer concern. Consumer protection and security safeguards are two key issues which the National Commission on Electronic Fund Transfers can be expected to address in their interim report, scheduled for release February 23, 1977. Thus far, the Commission has developed a data base and gathered background material through numerous public hear-

ings. We look forward to reviewing their recommendations.

For our part, the Comptroller's Office has worked to keep national banks informed and aware of the problems confronting the creation of an electronic funds transfer system. We have produced a publication, "EFTS Guidelines," which attempts to characterize the current state of the art. We intend in the near future to revise and update those guidelines to reflect recent developments.

## Consumer Education

By now it should be evident that the Comptroller of the Currency has a strong commitment to the enforcement of the consumer protection laws. However, we also recognize that, no matter how noble the intent or how powerful the language, no law fully can accomplish its purpose without those whom it is designed to protect having a fundamental awareness of their rights.

Our experience continues to demonstrate that customers of national banks normally learn of their rights under the various consumer protection laws only when they write to us with specific complaints. For that reason, we view education of the public at large as the most important challenge to the efficiency of federal statutory protections. As a partial solution we now are preparing a consumer guide to national banks which will explain how consumers can use banking services to their best advantage and what legal rights they may exercise to protect their interests.

The ultimate solution cannot be wholly within the means of a bank regulatory agency. Although consumer education by federal agencies may not have been contemplated at the time of enactment of the various consumer protection laws, we suggest to the Committee that the Education Division of the Department of Health, Education and Welfare (HEW) already possesses the necessary authority to develop a broad program of that sort. Within its broad mandate, that

Division is responsible for acting as the key advocate for assuring the provisions of professional and financial assistance to strengthen education in accordance with federal laws and regulations.

Some progress in that direction already has been made. In the latter half of 1976 the Office of Consumer Affairs in HEW established the Interagency Consumer Education and Information Liaison (CEIL). Representatives from more than 50 government agencies, including our own, convene once monthly to develop and disseminate information to our nation's schools and communities. The potential of that panel is apparent, but, whether through CEIL, the Education Division, or some other vehicle, our Office is ready to support fully any efforts in behalf of consumer education in the financial area, and we pledge all facilities at our disposal in aid of producing an effective educational program.

I deliberately have concentrated my remarks today on the benefits resulting from the federal consumer protection laws. Before closing, however, I would draw the Committee's attention to the countervailing considerations of cost and paperwork generated by those statutes.

It is a timeworn truism that every benefit carries a price tag. Invariably, the cost of compliance with any law becomes a business expense which is passed along proportionately to the consumer.

Recognizing that, we favor periodic reevaluation of the consumer protection laws by those federal agencies charged with their enforcement. Where the agencies, as a result of their regulatory experience, have not found requirements to be cost effective or particularly helpful to the consumer, we would hope that Congress would give consideration to repeal or revision. As part of that process, we think it appropriate for the Committee to conduct a survey of financial institutions and consumers to ascertain the level of public interest in the consumer protection laws now on the books.

## Statement of Robert Bloom, Acting Comptroller of the Currency, before the Family Farms, Rural Development and Special Studies Subcommittee of the House Committee on Agriculture, Washington, D.C., February 24, 1977

We are pleased to have an opportunity to state the position of the Comptroller of the Currency with respect to the Ag-Land Fund proposed by the Continental Illinois National Bank of Chicago. The Committee has previously been supplied with a copy of our letter dated August 2, 1976 to the bank's attorney granting waivers to certain technical requirements of our regulations in connection with the fund. Before commenting on the specific provisions of the fund, it might be helpful to describe the functions of our agency.

The Office of the Comptroller of the Currency is responsible for the supervision of the National Banking System. Our primary role is to maintain the solvency and liquidity of national banks. To carry out that responsibility with respect to the banks' trust depart-

ments, we must see to it that the bank carries out its fiduciary responsibilities in a manner which protects the interests of beneficiaries.

Title 12 USC 92a authorizes national banks to exercise all fiduciary powers permitted of competing state banks, trust companies or other corporations. That statute also authorizes the Comptroller to promulgate regulations governing the proper exercise of fiduciary powers by national banks. Pursuant to that authority, we have issued Regulation 9, found at Title 12 CFR 9. That regulation is designed to ensure that national banks operating trust departments do so in a manner that fully protects the beneficiaries, and the bank itself, from liability arising out of the operation of fiduciary accounts.

Section 18 of Regulation 9 prescribes rules for the operation of collective investment funds. Paragraph (a) (2) of this section authorizes the collective investment of pension and profit-sharing trusts by national banks. Subsection (b) sets forth certain rules applicable to these funds. As described above, those rules are designed to protect the interests of the holders of beneficial interests in fiduciary accounts which are invested in the funds and the banks' depositors and shareholders. The rules were designed to cover the operation of funds composed of stocks and bonds and other intangibles, not real estate.

Regulation 9 is issued by this Office pursuant to the authority contained in Section 92a of Title 12. That section, in its last sentence, confers authority on the Comptroller to issue whatever regulations he deems necessary in order to carry out the intent of the section. Paragraph (c) (5) of the regulations gives the Comptroller the authority to grant waivers of parts of the regulations in his or her discretion. Pursuant to that authority it is not uncommon for the Comptroller to grant waivers to particular requirements of the regulation whenever it can be demonstrated that the interests of the beneficiaries of a particular trust would not be served by the application of the regulation. For example, when a bank proposes to offer a new form of trust service such as a collective investment account for a small or a specialized type of account, the bank will submit its proposal to the Office for advance review. If the Office believes that the plan has potential for service to the public and does not involve imprudent risk to the bank or its beneficiaries, it is our policy to permit competitive innovation, when possible. It is also not unusual for such new services to require waivers of some of the operating requirements of Regulation 9. After a new service has been in successful operation for a period of time and is accepted by the industry and the public, we issue permanent amendments to Regulation 9 to cover the activity.

The rules were adopted in 1963. Before that, the authority to provide rules governing the fiduciary powers of national banks rested with the Board of Governors of the Federal Reserve System. The Board first authorized the pooling of pension and profit-sharing trusts in 1957. However, other than authorizing such pooling, the Board's rules did not impose any limitations governing the handling of pooled funds. When the regulatory authority over national bank trust departments was transferred to the Comptroller in the early 1960's, this Office decided to impose limitations on the operation of such funds similar to the limitations applicable to other types of collective funds. To date, no similar limitations are applicable to such funds operated by state banks. It is interesting to note that the Bank of New York, earlier, initiated plans to establish a fund similar to the Ag-Land proposed by Continental, but has not acted on them. As a state-chartered institution, that bank did not have to conform to the regulations of this Office.

None of the statutes governing the activities of the Comptroller authorize him or her to restrict the types of investments which banks can make for their fiduciary

accounts, except to protect beneficiaries or the bank itself. Other public policy considerations involved in the investment choices by banks as trustees are governed by the same laws applicable to all investors. For example, whatever laws and precedents govern the purchase of agricultural interests or concentrations or monopolies are applicable to banks as they are to any other party.

That is not to say that we were oblivious to the broader policy implications of the Ag-Land Fund. We fully recognize the unique nature of the proposal and the possible issue it raised of undesirable concentration of farm ownership. We fully expected, and subsequent events have confirmed our expectation, that that issue would be fully aired and debated before the fund became operational.

We did not believe that a request for exception from technical provisions of the Comptroller's regulation was the proper way to raise the larger issues. There was too much doubt as to the Comptroller's jurisdiction over those issues and we knew that the bank would have to obtain rulings from at least two other agencies as well as from the court of public opinion and the Congress. We felt confident that the larger issues of public policy involved would be raised in those forums.

The specifics of the Continental Bank's application to this Office were as follows. On June 3, 1976, counsel for the bank requested an opinion from this Office as to whether a proposed collective investment fund, entitled Ag-Land Fund-I, fulfilled the requirements applicable to funds permitted under paragraph (a) (2) of Section 18 of Regulation 9, and, to the extent that it did not, requesting that written authority be given to establish the fund with necessary exceptions to the requirements. The proposed fund, as originally presented to us, contained certain provisions which we did not accept, and the plan was amended accordingly. The amendments were:

- (1) A revision of Section 2.03(a) of the plan to place specific limitations upon the occasions when the fund could deal with commercial customers of the bank;
- (2) An amendment to Section 5.01 to provide a means whereby withdrawals from the fund could be effected during the first 5 years a trust may be holding a unit of the fund;
- (3) An amendment to Section 8.03 that an annual audit be made by a certified public accountant selected by and responsible to the board of directors of the bank.

Permission was asked and granted for the five following exceptions.

(1) A requirement that written notice be made to the trustee requesting withdrawals from the fund at least 1 year prior to the valuation date at which the withdrawal is to be made. Sub-paragraph (b) (4) of Section 18 of Regulation 9 requires that there be no prior notice required for withdrawals so that an account may be withdrawn at any quarterly valuation date. Experience has shown that advance notice provisions are troublesome in the case of liquid asset funds used by personal

trusts and estates. In a corporate fund such as this, however, with the announced policy of investing in assets possessing a unique and illiquid character, advance notice of withdrawals is necessary so that the fund administrator can invest the fund assets in an orderly manner, and such waivers have been permitted. In large pension trusts it is usually quite possible to isolate amounts which can safely be placed in long term investments. Accordingly, the exception permitting the advance notice requirement was permitted.

(2) A provision that the trustee is not obliged to honor withdrawal requests in excess of the amount of cash reserves and amounts necessary for the acquisition of pending investments. Subsection (b) of Section 18 has required that a fund have such cash and readily marketable investments as shall be deemed necessary to provide adequately for the needs of the participants. As in the case of the previous exception, this could impose a burden on the managers of Ag-Land Fund-I, which would impair the ability to provide for the orderly operation of its investments. The requested exception would prevent a single participant from forcing the sale of a farm to the possible detriment of the other participants, an obviously essential feature in a fund of this type. In cases where a participant wished to withdraw from the fund and insufficient cash exists, the plan calls for the withdrawing participant to become a creditor of the fund, entitled to interest, to be paid when additional cash becomes reasonably available. Protection of the withdrawing participant could be supplied, we believed, by our monitoring of the fund during examinations of the bank and by our insistence that *bona fide* efforts be made to acquire funds to pay off the withdrawing participant at the earliest opportunity. That consideration, plus the realization that the provision would be understood and assented to by all pension accounts being invested in the fund, enabled us to decide to permit the provision.

(3) A number of cash reserves are permitted by Section 6.02 of the plan for this fund. In each case they appear to be prudent provisions for a fund investing in working farms. Regulation 9's provisions providing for only one type of reserve account simply reflect a mode of operation which has become standard for funds invested in securities and mortgages. Thus, the regulation was needlessly specific as to an administra-

tive matter in that respect. For that reason the exception was permitted.

(4) Real estate brokers' commissions and other sales expenses which might be incurred on future sales are permitted to be considered in determining the value of assets. Regulation 9 requires that assets be valued at market value. In a fund invested in securities, the amount of commissions which may be paid may vary widely depending upon the investment policy of the fund. No one has suggested that valuations should contemplate amounts which might be paid as commissions, and this Office has seen no reason for attempting to permit the practice. On the other hand, the amount to be expended to sell real estate held by the fund is usually predictable and is, typically, quite substantial. It appeared reasonable, therefore, that the value of real estate be adjusted to reflect the fairly certain amount which would have to be paid to realize that value. For that reason the exception was permitted.

(5) No new participants are to be admitted to the fund except to the extent that there are withdrawing participants. That requirement would be viewed by this Office as imposing an unnecessary inflexibility on funds investing in securities. However, for reasons touched upon previously, it was deemed necessary that the trustee be able to manage the portfolio of unique illiquid assets in an orderly fashion. Because the requirement would not affect participants in the fund, it was deemed to be acceptable. This exception had the incidental effect of providing more control over the orderly growth of the fund.

In summation, it appeared to us that some of the restrictions which have been devised over the year for collective funds in which personal trusts and estates are invested, which in turn are invested in securities or mortgages, are unnecessary for pooled funds for pension trusts and, needlessly, impair the ability of the trustee to manage a portfolio including real estate and other unique and illiquid assets. Because it appeared further that our oversight of the banks through regular examination would enable us to ensure that the interests of the beneficiaries of trusts of this type were being properly administered, we could see no reason to deny the waivers requested.

## Statement of Robert Bloom, Acting Comptroller of the Currency, before the Commerce, Consumer and Monetary Affairs Subcommittee of the House Committee on Government Operations, Washington, D.C., March 3, 1977

I appreciate this opportunity to give the views of our Office on H.R. 2176, which would provide for audits by the Government Accounting Office (GAO) of the banking regulatory agencies. We understand the purpose of the legislation is to provide the Congress with periodic data as to the adequacy of the performance of the three banking agencies as well as with audits of their internal finances.

We have, as you know, recently undergone a perfor-

mance review by the GAO. While this Office has not previously been subject to GAO review, we voluntarily entered into agreement for such a review last April. The review was performed in accordance with a memorandum of agreement setting forth the scope of the review and clarifying issues of accessibility to, and confidentiality of, information derived from our examinations of national banks.

Our experience with that GAO review indicated that

we could work productively with the GAO under mutually satisfactory guidelines. The final report was an objective description of our Office's duties and recent developments which have occurred in the bank regulatory field, although we do not necessarily agree with all of the conclusions.

In light of that recent experience, we would not object to reasonably spaced periodic reviews by the GAO. It is essential, however, to preserve the environment which permits us to carry out our mandate to examine every aspect of a national bank's activities in depth and on a regular basis. The examination process is only possible where we can protect the confidentiality of information divulged to us by the banks, including detailed information on customers' private affairs.

The broad language of H.R. 2176 would seriously interfere with that traditional relationship. We, therefore, urge the Committee to adopt the following important provisions of our April 19, 1976, agreement with the GAO in any bill that might be reported out on this subject.

(1) It should be made explicit in any bill that the GAO will not conduct separate examinations of banks in order to evaluate the accuracy of factual findings in examination reports. GAO did not have such access in connection with the review it has just completed, and the quality of the review does not seem to have been impaired. To our knowledge, the GAO team did not discover any evidence that examiners have been negligent in the examination process or have otherwise failed to carry out their duties.

Direct examination by the GAO for verification would create an unconscionable duplication of government effort in the banks where there is no demonstrable need to justify it. Commercial banks already are examined in depth on a regular basis and are open to scrutiny to a degree unknown by other types of businesses. We do not think that, in the absence of clear proof of the need for another series of examinations, banks should be subjected to still more governmental

interference.

(2) As I previously noted, confidentiality is absolutely essential to effective bank examination. Therefore, any bill should include the provision that the GAO will not identify any bank customers or any bank or provide details that can lead to identification of any bank or bank customer.

(3) An advance draft of the GAO report should be made available to the agency at least 30 days prior to its release for agency comment. The final report should include any written comments submitted by the agency within that period.

Our memorandum of agreement with the GAO provided for inclusion of our views and we are under the impression that that both helped the GAO and provided a more balanced report to the Congress and the public. We understand that current GAO procedures call for a review of reports by the audited agencies within 30 days, and we do not think that time frame would cause any problems. We do, however, think it would be advisable to ensure the opportunity for agency comment by including such a provision in law, rather than depending on organizational procedures which could change without notice.

Other protections contained in the memorandum of agreement, such as the provision that GAO workpapers and copies of sensitive agency documents be kept in secure facilities on the premises of the audited agency, contributed materially to our satisfaction with the procedures employed. We suggest that the Committee carefully consider such provisions in its deliberations.

Finally, we understand that a revised bill might be introduced on this subject with changes to make the audit more appropriate to the particular and unique circumstances of bank examination. Our staff has worked with the Committee and GAO staff in the past and we stand ready to cooperate in the future in formulating a bill which will permit adequate Congressional oversight while at the same time permitting an effective bank examination and supervisory process.

## **Statement of Robert Bloom, Acting Comptroller of the Currency, before the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C., March 11, 1977**

I appreciate this opportunity to discuss the condition of the National Banking System and the Government Accounting Office (GAO) report on federal supervision of banks.

My testimony will cover four basic areas:

- (1) The condition of the National Banking System;
- (2) The status of national banks requiring special supervisory attention;
- (3) Measuring capital adequacy, liquidity and bank management; and
- (4) The GAO report recommendations.

I am attaching to my statement, as an appendix, the detailed statistical data requested in the Chairman's letter of November 15, 1976.

### **The Condition of the National Banking System**

In his statement before the Committee on February 5, 1976, the previous Comptroller of the Currency stated that, despite the economic problems which the country had recently experienced, "the National Banking System . . . is sound and prosperous." The accuracy of that observation has been confirmed in 1976.

During 1976, the condition of the National Banking System improved significantly as the economy contin-

ued its recovery from the severest recession since the Great Depression of the 1930's. Reflecting the halting pace of the economic recovery, national banks grew slowly during the first half of 1976, but grew much more rapidly in the second half, particularly in the fourth quarter. Comparing adjusted December 31, 1975 data to preliminary and virtually complete December 31, 1976 data, total domestic and foreign assets grew 9.3 percent, net loans grew 8.4 percent, U.S. government investment securities grew 13.2 percent and total capital grew 10.1 percent. As a result, the total capital to assets ratio increased slightly from a December 31, 1975 figure of 6.2 percent, adjusted for reporting changes, to 6.3 percent on December 31, 1976.

Earnings and loan losses are two important measures of the health of national banks. Net income as a percent of total assets was 0.65 percent in 1976, virtually the same return on assets as in each of the three preceding years. Loan losses as a percent of total loans improved slightly in 1976, declining to 0.56 percent from 0.58 percent in 1975. Although the loss rate remains high compared to prior years, the continued improvement in the economy and the health of business firms should cause the loss ratio to continue its fall toward more normal levels.

Key indicators of the ability of national banks to respond flexibly to changing economic conditions show little change from 1975. The loan to assets ratio, an indicator of the degree to which bank financial resources are committed to lending activity, declined slightly from an adjusted 53.9 to 53.4 percent. That decline was complemented by an increase in holdings of U.S. government investment securities relative to total assets from 9.5 to 9.9 percent. The ratio of cash items plus U.S. government securities to assets, a traditional measure of bank liquidity, remained unchanged at 27.8 percent.

Those ratios, by themselves, do not reveal the full extent of the improvements in 1976. Dependence on interest-sensitive funds declined and deposit stability improved as large denomination certificates of deposit decreased and time and savings deposits increased. National banks' access to funds was ample as demonstrated by the availability of Federal funds at low rates. In short, these changes increased the liquidity of national banks and enhanced their flexibility.

As an indication of the breadth of the improvement during the first 6 months of 1976, 18 of the 19 national bank peer groups used by our National Bank Surveillance System to monitor the condition of national banks, showed increases in the return on average assets. Gross loan chargeoffs as a percent of loans declined in 17 groups, and end-of-period assets to end-of-period capital declined in 18 groups. Coverage of net loan chargeoffs by current earnings before taxes and loan loss provisions, a key indicator of a bank's ability to absorb loan losses, showed great improvement, exceeding ten times losses in 18 of the 19 peer groups. In the remaining peer group, net chargeoff coverage was 3.9 times losses.

The 12 largest national banks, which hold over 40 percent of the assets and deposits of all national

banks, showed some improvement during 1976, but not as much as smaller national banks. Those large banks were hit harder by the 1973-75 recession and, as a consequence, it has taken them longer to work out their problems. More substantial improvements in the condition of the 12 largest national banks are likely in 1977.

Total net income of the 12 largest national banks was \$1.5 billion in 1976. Year-end 1976 data show that the rate of return on average assets increased from 0.55 percent in 1975 to 0.56 percent in 1976. Net chargeoff coverage remained at 3.9 times loan losses; however, gross loan chargeoffs as a percent of average loans worsened from 0.69 percent, in 1975, to 0.85 percent, in 1976. A bright spot was the improvement in the ratio of total capital to assets from 4.6 percent, in 1975, to 4.8 percent, in 1976. In addition, an analysis of the 12 largest national banks revealed that:

- Total assets increased \$23.9 billion, or 9.0 percent, to \$289.7 billion; gross loans increased approximately \$12.3 billion, or 7.9 percent, to \$168.1 billion; and total deposits increased \$14.9 billion, or 6.8 percent, to \$233.6 billion.
- Loan loss reserves increased \$55 million, to \$1.5 billion, and reserves were 1.36 times net chargeoffs in 1976.
- Total capital increased \$1.72 billion, or 14.0 percent, to \$14.0 billion; \$880 million came from the retention of earnings, \$190 million from new subordinated note and debenture issues and \$650 million from new stock issues and other additions to equity capital.
- Total capital to asset ratios increased in 9 of the 12 banks.

As the economic recovery continues into 1977, further improvement in the condition of national banks, especially the largest ones, is likely. Because of the improvement in liquidity, earnings and capital that has occurred over the last 2 years, national banks are in a position to support economic expansion.

## Banks Requiring Special Supervisory Attention

A history of the methods the Office of the Comptroller of the Currency (OCC) has used to identify banks requiring special supervisory attention has been previously submitted to the Committee. (See *Annual Report of the Comptroller of the Currency, 1976*, pp. 189-190 and 198-200.) OCC considers its "problem" banks to be those banks that are receiving special supervisory attention and whose continued liquidity and solvency is in question. Our professional staff rates the condition of those banks as either "critical" or "serious." A detailed description of the characteristics which we consider in placing a bank in either of those categories is furnished in the appendix.

As of December 31, 1976, there were 23 national banks in the "serious" and "critical" categories combined. Of those, five, with total assets of \$1,689 million and deposits of \$1,396 million, had a combination of

weaknesses and adverse trends constituting a near-term threat to liquidity or solvency. At the time of our February 5, 1976 testimony before this Committee, there were seven such banks, with total assets of \$1,669 million and deposits of \$1,359 million.

The remaining 18 "problem" banks, with total assets of \$8,635 million and deposits of \$6,074 million, exhibited weaknesses which could lead to insolvency if not corrected, but they were in no immediate danger. Twenty-one banks, with total assets of \$9,856 million and deposits of \$6,242 million, were in that "serious" category at the time of our last testimony on this subject before the Committee.

In addition, the OCC reviews, monitors and provides special supervision to a number of other banks that have adverse performance characteristics but whose prospects of failure are remote. Those banks are assigned a "close supervision" designation. As of December 31, 1976 there were 124 banks under "close supervision," compared to 57 banks at year-end 1975. The increase in the number of banks being monitored does not reflect a deterioration in the National Banking System. The increase is, instead, largely the result of a number of OCC procedural, policy and timing changes, as follows:

- (1) The 1976 downgrading of some 39 banks resulted from adverse 1974-1975 economic conditions captured for the first time in 1976 examination reports. That time lag is inherent in the bank examination process.
- (2) Some banks, which would ordinarily not be of concern to the OCC based on their individual conditions, were nevertheless added to the "close supervision" category and followed for the first time in 1976 because of their affiliation with parent holding companies which were experiencing financial difficulties.
- (3) The Washington unit, whose sole responsibility it is to identify such banks, analyze their problems, and insure that corrective measures are taken, did not become fully staffed and operational until early in 1976. That, together with improved procedural and review processes, has led to the identification of more banks for inclusion.
- (4) The National Bank Surveillance System, since it became operational in the summer of 1976, has enabled the Office to detect adverse trends at an earlier stage and, thereby, to single out banks for review and monitoring which would have escaped such early special attention under preexisting procedures.

In addition to pointing out banks that require special supervisory attention, our new monitoring systems are designed to alert us, at the earliest possible stage, to incipient weaknesses in any national bank. A bank experiencing a temporary adverse trend is not automatically considered a "problem" bank. Rather, each bank is analyzed individually to determine the cause of the trend and the appropriate remedial action.

In recent years, we have greatly increased our capacity to assure the best efforts of both the agency and the banks to correct problems, but no competitive system can be completely fail-safe. There must be some room for innovations based on bank management judgments. From time to time, therefore, failures will occur. We believe that some failures are an inevitable and acceptable cost of preserving a healthy, competitive and responsive banking system.

## Capital Adequacy, Liquidity and Bank Management

OCC has developed significant new tools to measure and monitor the traditional indices of performance — capital, liquidity and management. The National Bank Surveillance System (NBSS) combines computer-based analysis of national bank performance statistics with bank examiner experience.

It may be helpful to the Committee to provide a brief comparison of our new procedures with earlier practices. Supervisory rating of a bank's capital adequacy, liquidity and management has always required that the examiner engage in a complex series of subjective judgments based only in part on ratio analysis. Capital and liquidity ratios alone do not necessarily indicate the financial condition of a bank, but they are useful when calculated frequently and observed in relation to other ratios and trends. It is our experience that capital and liquidity ratios are usually *lagging* indicators of existing problems. To judge properly the health of the National Banking System, this Office now tries to identify *leading* indicators of potential problems.

### Capital Adequacy

**Past Examination Procedures** — In the past, techniques for measuring the adequacy of capital have varied somewhat from region to region and even from examiner to examiner. Quite properly, an examiner did not base his or her entire analysis of the bank's capital adequacy on ratios alone. He or she was also directed to evaluate, subjectively, such factors as quality of assets, quality of management, liquidity, earnings, ownership, occupancy needs, volatility of deposits, operational procedures and capacity to meet the community's needs. That subjective process was and is as important as the calculation of objective ratios. In making those complex judgments, however, the examiner lacked significant current information on the performance of the bank under examination in relation to other similar banks operating in similar environments.

If the examiner felt that the trends in capital adequacy were adverse, he or she commented on the situation in the report of examination's confidential section addressed to the regional administrator. Discussion with bank management was not mandatory. Examiner-mandated board meetings typically were not held until the situation was considered serious.

**Current Examination Procedures** — In the current examination, the examiner must follow well-defined procedures leading to a conclusion about the bank's capital position. That conclusion is supported by detailed



workpapers and the conclusion is discussed in the open section of the report of examination presented to the board of directors. The examination, in general, and the adequacy of the bank's capital position, specifically, are thoroughly discussed with both management and the board of directors at a meeting required at the conclusion of each examination.

In addition to the review of a bank's capital position during the examination, a trained analyst in the regional office reviews quarterly NBSS data on banks exhibiting the most significant changes or unusual performance. That review includes an analysis of the bank's capital adequacy. Thus, review or tracking of a bank does not wait until the next examination.

Each condition of concern indicated by the analysis of capital adequacy is investigated by the regional office and monitored on the Action Control System. That system requires the regional office to report, at least once a month, the bank's progress or lack of progress toward correcting the conditions of concern. A capital problem usually cannot be corrected after a bank is in a serious condition. But, under the procedures required by the Action Control System, a potential capital deficiency, detected in this "early warning system," is more likely to be corrected before a crisis occurs.

## Liquidity

Adequate liquidity can be defined as a bank's ability to provide funds to its customers, including borrowers, in response to reasonable demand. A liquidity ratio should measure all liquidity requirements against all sources of liquidity. However, all liquidity demands and sources, by their nature, are not recordable in the traditional financial reports produced by banks. Unrecordable factors include the ability of the bank to secure new liabilities as needed and its ability to liquidate certain assets. Those are qualitative factors which cannot be captured by ratios.

**Past Examination Procedures** — In the past, our analysis of a bank's liquidity position was based primarily upon a single traditional ratio. A bank's net liquid assets were generally deemed acceptable by the Office if they exceeded 15 percent of net liabilities. If a bank's liquidity dropped below that point, additional analysis of the bank's recorded assets and liabilities and their contractual maturities was usually performed. That analysis included a somewhat subjective review of the bank's liquidity position as well as the composition of its deposit structure. Procedures for making those subjective judgments were not formalized, thus, there was some undue dependence on the ratio.

**Current Examination Procedures** — Recognizing the limitations of trying to analyze a bank's liquidity with a single, static ratio, comprehensive analytical procedures encompassing the entire area of funds management are now in effect. Those work programs entail a careful weighing of the bank's historical funding requirements, current liquidity position, earnings, stability of sources and uses of funds, anticipated future

needs and options for reducing funding needs or attracting additional liquid funds.

As far as quantitative measures are concerned, we continue to use the basic liquidity ratio, but it is complemented by NBSS data which enable the examiner to analyze trends within the bank and significant variations from peer group averages.

Since liquidity sources are dependent upon the confidence that others have in the bank, an analysis of the factors affecting that confidence is important. One of the principal trends affecting such confidence is a decline in the bank's earnings. NBSS is designed to monitor earnings and significant changes in asset and liability composition on a quarterly basis. All banks selected for priority review through analysis of the quarterly call reports are reviewed, with subsequent follow-up of all problem areas. Continued improvements in NBSS will be geared toward improving our methods of quantitatively measuring a bank's liquidity position.

## Management

**Past Examination Procedures** — Examiners were previously required to state their evaluation of management in the confidential section of the report of examination. Their written comments were usually preceded by a one word caption — "Excellent," "Good," "Fair" or "Poor." The primary officers and directors were listed with a narrative evaluation of each. Examiners were told that those evaluations "should reconcile with the bank's condition." Instructions recommended that, "When an unsafe management is encountered the examiner should take pains to nail down the indictment both in the open and confidential sections of the report." In practice, however, comments pertaining to unsafe management appeared all too frequently only in the confidential section.

**Current Examination Procedures** — Current instructions to examiners state:

Examiners must not restrict their appraisals to the past and present . . . the determination of what the management will do for the bank in the future is most significant. Senior management should be judged by the sufficiency of earnings to date and by its plans for the bank's assets and liability mix to achieve both maximized future earnings and a strong liquid future condition.

Those views are now presented to the bank's board of directors.

The leading indicators and significant ratios tracked by NBSS on a quarterly basis all reflect the actions of bank management. Banks which are designated for quarterly priority review by NBSS are analyzed in detail by regional specialists. Their recommendations for immediate investigation usually require discussion with bank management.

Adverse evaluations of bank management from reports of examination or from the more frequent NBSS reviews can be placed in the Action Control System. Any condition of concern placed in the Action Control



System requires review of corrective progress at least once a month.

We believe that the regular distribution of NBSS bank performance reports to national banks will make a significant contribution to the improvement of bank management. That distribution will begin shortly.

## The GAO Report

As I have previously testified, we have little difficulty with many of the recommendations in the GAO report. Many of the recommendations endorsed, in some measure, procedures and approaches which the Comptroller's Office was already taking. Thus, the GAO recommended that the OCC invite the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve System (FRS) to evaluate jointly the OCC's new examination procedures with the goal of incorporating our new concepts, after proper testing, into their approaches. We have provided such orientation. The latest edition of our revised examination procedures handbook is being made available to the other agencies as it comes off the press. Our new "small bank" examination procedures have just been released for field testing and have been forwarded to the FDIC for their review. Perhaps most significant, the Interagency Coordinating Committee has formed a top level staff subcommittee composed of the Director of Banking Supervision and Regulation, FRS; The First Deputy Comptroller of the Currency for Operations; the Director, Division of Bank Supervision, FDIC; and the Director, Office of Examination and Supervision of the Federal Home Loan Bank Board for the purpose of coordinating, on a regular and continuing basis, the examination policies and procedures of the four agencies. One of the first assignments for this new group is to explore approaches to development of uniform criteria for the identification of "problem" banks.

The GAO recommended that the Federal Reserve System and the Comptroller's Office develop a single approach to country risk classification. We are continuing to work with the FRS to develop a coordinated program in that area.

The GAO made certain recommendations about how the FRS and the OCC might combine their foreign examination efforts to better utilize examiners and facilities. There are some legal obstacles, but we are receptive to the idea. In particular, I have requested that senior examination officials on my staff explore, with their Federal Reserve counterparts, increased coordi-

nation in matters of mutual interest such as minimum standards for foreign exchange operation and country risk analysis. I have also asked that, in such exchanges, they specifically review the advantages and disadvantages of joint overseas examinations.

With regard to the GAO recommendation that all supervisory agencies establish more aggressive policies for using formal actions, we believe that statistics quoted in the GAO report are adequate testimony to our increasingly aggressive posture. However, formal actions taken under the Financial Institutions Supervisory Act are only part of the story. As I pointed out in my testimony before the joint session of committees of the House, the present formal enforcement powers of the agencies are inadequate in a number of respects. Improvements recommended by the agencies have been contained in a number of bills before committees of the present and past Congresses. However, bank problems arising from managerial incompetence and poor economic conditions cannot always be solved through cease and desist actions. When we conclude that formal action will assist in rehabilitating an institution, we will use it. I suspect that increasing use of the formal enforcement tools will continue and, perhaps accelerate, particularly if legislation granting the agencies additional flexibility in that area is enacted by the Congress. For most institutions, however, we believe that recent improvements in the examination process, including better communication with bank directors and methods for early detection of adverse trends, will achieve an even greater impact.

The GAO recommended that, where possible, the bank regulatory agencies coordinate and combine their examiner training efforts. The OCC has contacted the FRS on the development of common courses and has responded positively to the FDIC's proposal for establishment of a joint training facility in Rosslyn, Va.

The GAO specifically recommended that all agencies jointly staff a group to analyze shared national credits. That recommendation has met with positive response from all three agencies. Examiners from the three agencies, meeting in joint session, will analyze and classify such credits. The results of those joint meetings will be binding on both national and state member banks. The FDIC shares its responsibility in that area with state agencies, and its inclusion in the process promises to be more complex. Nonetheless, the FDIC will be included. We anticipate that the program will begin in early May.

## Appendix to March 11 Statement by Robert Bloom

(In the interest of space, this is not a complete reproduction of the information provided. It represents, however, the most significant portions. Complete data are available elsewhere. Item numbers have been altered to be consecutive.)

### Explanation of Bank Descriptions Used

**Critical** — Banks so characterized exhibit a combination of weaknesses and adverse financial trends which are pronounced to a point where the ultimate liquidity

and solvency of the institution and its continuance as an independent entity are in question. The probability of failure is high for such banks.

Usually these banks are suffering from a variety of ills which may include combinations of:

1. Mismanagement, arising from ineptness or fraudulent and self-serving practices.
2. Inadequate earnings or loss operations emanating from high loan losses; excessive overhead and operating expenses; deficient asset/liability/liquidity management which has failed to properly match interest-sensitive assets and liabilities to provide the bank with a profitable interest spread and a means to meet current demands placed upon it; heavy concentrations in non-accrual loans, renegotiated reduced interest rate loans and non-earning foreclosed real estate; imprudent or speculative dealing and trading in securities; and the like.
3. Inadequate capitalization in terms of the bank's earnings capacity and retention rate, its growth pattern, the quality of its assets, management capacity, the liquidity of assets, the efficiency of operations, liquidity/liability management, and its capacity to meet present and future financial needs of its trade area, considering the competition it faces.
4. Poor quality assets, especially when excessive rigidity is prevalent and concentrations exist in assets of doubtful collectibility.
5. Lack of liquidity emanating from an excessive reliance on interest-sensitive purchased funds which have become confidence-sensitive due to adverse financial trends and which have not been properly matched against interest-sensitive assets. Secondary liquidity sources through the sale of loans or securities are generally not available to such banks, except at a substantial discount due to heavy concentrations in low yielding fixed-rate securities and loans, their poor quality, or their lack of marketability.
6. Other unsafe and unsound policies and practices.

The precarious condition of these banks and the attendant uncertainties as to possible contingent losses arising from threatened or protracted litigation or from the prospects for further financial deterioration, com-

bine to virtually preclude outside support from existing or prospective shareholders. Moreover, the traditional remedy of merger with or sale to a stronger institution is obviated by the same considerations and uncertainties.

Such institutions obviously require the most intense supervision and monitoring by the Comptroller's Office.

**Serious** — Banks in this category reflect combinations of all or some of the adverse factors noted for critical banks, except that the weaknesses and financial trends are not so severe as to threaten the immediate liquidity and solvency of the institution. The potential for failure is present but not pronounced. In addition to financial and management considerations, banks may also be placed in this category when significant violations of law or regulation are evident, when unsafe and unsound banking practices or policies first become apparent, or when self-dealing practices of officers and directors come to light. This is true even though such violations or practices may not yet be actually threatening the viability of the bank. Such banks also require continuous monitoring, supervision and attention from the OCC.

**Close Supervision** — This category includes banks that may be experiencing a combination of adverse factors noted for banks rated critical and serious to the same or lesser degree than those banks in the serious category. However, they possess certain characteristics more favorable than banks in the problem bank categories. Those favorable characteristics might include all or a combination of the following: a strong market position with solid fund sources and a diversified asset structure; a strong ownership affiliation; management quality; earnings capacity; and capital protection. These banks are less vulnerable than serious banks and their strength and financial capacity as a whole is such as to make failure a remote possibility. Nevertheless, certain problems remain and require more than ordinary supervisory concern and monitoring. Such banks have typically identified their problems and have implemented remedial action, but because of the nature of some of their problems, such as depressed real estate conditions, a return to a satisfactory condition is primarily dependent upon the rate of economic recovery or other factors beyond the bank's control.

**Table 1**  
National Banks Requiring Special Supervisory Attention, by Category  
(Dollars in millions)

<i>Date of list</i>	<b>Critical</b>			<b>Serious</b>			<b>Close Supervision</b>			<b>Total</b>		
	<i>Number of banks</i>	<i>Assets</i>	<i>Deposits</i>	<i>Number of banks</i>	<i>Assets</i>	<i>Deposits</i>	<i>Number of banks</i>	<i>Assets</i>	<i>Deposits</i>	<i>Number of banks</i>	<i>Assets</i>	<i>Deposits</i>
12/31/75*	7	\$1,669	\$1,359	21	\$9,856	\$6,242	57	\$60,597	\$49,285	85	\$72,122	\$56,886
12/31/76†	5	1,689	1,396	18	8,635	6,074	124‡	72,930	59,285	147	83,254	66,755
Increase, 1975-76										73%	15%	17%

\* Asset and deposit figures are from the latest 1975 report of examination.

† Asset and deposit figures are from the June 30, 1976 report of condition.

‡ The increase in the number of banks assigned to "Close Supervision" category during 1976 is more attributable to improved identification procedures than it is to deterioration in bank condition (See text p. 221).

**Table 2A**  
Reconciliation of National Banks Rated  
"Critical", 12/31/75 and 12/31/76  
(Dollars in millions)

	<i>Number of banks</i>	<i>Total assets</i>	<i>Total deposits</i>
12/31/75:	<u>7</u>	<u>\$1,669</u>	<u>\$1,359</u>
Less:			
Banks Re-rated	2	20	16
Banks Merged	2	36	31
Banks Failed	2	590	482
Total subtractions	<u>6</u>	<u>646</u>	<u>529</u>
Plus:			
Banks Re-rated	4	734	580
Total	<u>5</u>	<u>1,757</u>	<u>1,410</u>
Adjustments*	<u>—</u>	<u>(68)</u>	<u>(14)</u>
Reconciled Total, 12/31/76	<u>5</u>	<u>1,689</u>	<u>1,396</u>

\* Adjustments for growth and shrinkage of assets and deposits between 12/75 and 6/76 and to convert from examination report figures used in the 12/75 calculations to report of condition figures as of 6/76 used for "Critical" rated banks on 12/31/76.

**Table 2B**  
Reconciliation of National Banks Rated  
"Serious", 12/31/75 and 12/31/76  
(Dollars in millions)

	<i>Number of banks</i>	<i>Total assets</i>	<i>Total deposits</i>
12/31/75:	<u>21</u>	<u>\$9,856</u>	<u>\$6,242</u>
Less:			
Banks Re-rated	14	1,428	1,167
Banks Merged	1	13	12
Banks Failed	—	—	—
Total subtractions	<u>15</u>	<u>1,441</u>	<u>1,179</u>
Plus:			
Banks Re-rated	12	985	824
Total	<u>18</u>	<u>9,400</u>	<u>5,887</u>
Adjustments*	<u>—</u>	<u>(765)</u>	<u>187</u>
Reconciled Total, 12/31/76	<u>18</u>	<u>8,635</u>	<u>6,074</u>

\* Adjustments for growth and shrinkage of assets and deposits between 12/75 and 6/76 and to convert from examination report figures used in the 12/75 calculations to report of condition figures as of 6/76 used for "Serious" rated banks on 12/31/76.

**Table 2C**  
**Reconciliation of National Banks Rated "Close**  
**Supervision", 12/31/75 and 12/31/76**  
(Dollars in millions)

	<i>Number of banks</i>	<i>Total assets</i>	<i>Total deposits</i>
12/31/75:	<u>57</u>	<u>\$61</u>	<u>\$49</u>
Less:			
Banks Re-rated	29	5	3
Banks Merged	2	†	†
Banks Failed	—	—	—
Total subtractions	<u>31</u>	<u>5</u>	<u>4</u>
Plus:			
Banks Re-rated	<u>98</u>	<u>17</u>	<u>14</u>
Total	<u>124</u>	<u>73</u>	<u>60</u>
Adjustments*	—	(†)	(†)
Reconciled Total, 12/31/76	<u>124</u>	<u>73</u>	<u>59</u>

\* Adjustments for growth and shrinkage of assets and deposits between 12/75 and 6/76 and to convert from examination report figures used in the 12/75 calculations to report of condition figures as of 6/76 used for "Close Supervision" rated banks on 12/31/76.

† Less than \$500,000.

**Table 3**  
**National Banks Requiring Special Supervisory Attention, Selected Report of Condition Data,**  
**December 31, 1975 and June 30, 1976, by size of bank**  
(Dollars in Millions)

<i>Size of bank (assets)</i>	<i>Total equity</i>	<i>Debt capital</i>	<i>Total capital</i>	<i>Total risk assets</i>	<i>Total assets</i>	<i>Total deposits</i>	<i>Total liabilities</i>	<i>Equity as percent of assets</i>	<i>Equity as percent of deposits</i>	<i>Debt capital as percent of total capital</i>	<i>Total capital as percent of risk assets</i>	<i>Total capital as percent of total assets</i>	<i>Total capital as percent of total liabilities</i>
June 30, 1976:													
0-\$100 million	\$201	\$15	\$216	\$2,309	\$3,189	\$2,868	\$2,973	6.3	7.0	6.9	9.4	6.8	7.3
\$100 million - 1 billion	458	71	529	5,918	8,130	6,848	7,601	5.6	6.7	13.4	8.9	6.5	7.0
Over \$1 billion	3,523	568	4,091	52,608	71,935	57,040	67,844	4.9	6.2	13.9	7.8	5.7	6.0
December 31, 1975:													
0-\$100 million	194	13	207	2,259	3,009	2,658	2,802	6.4	7.3	6.3	9.2	6.9	7.4
\$100 million - 1 billion	395	71	466	5,433	7,372	6,260	6,906	5.4	6.3	15.2	8.6	6.3	6.7
Over \$1 billion	3,437	376	3,813	55,535	71,172	57,377	67,359	4.8	6.0	9.9	6.9	5.4	5.7

Table 4A

Extensions of credit to directors, officers, employees, and their interests, by asset size of bank, for national banks with assets of over \$1 billion, during 1976  
(Dollar amounts in millions)

	\$1 to 5 billion			Over \$5 billion		
	<i>Number of loans</i>	<i>Amount direct</i>	<i>Amount indirect</i>	<i>Number of loans</i>	<i>Amount direct</i>	<i>Amount indirect</i>
Obligations of directors, officers, employees, and their unincorporated companies .....	N.A.	\$571	\$135	N.A.	\$839	\$15
Obligations of corporations in which directors, officers or employees, individually, or with members of their families, own 10 percent or more of the outstanding stock .....	615	667	71	49	121	
Obligations of others, or portions thereof, collateralized by securities issued by corporations in which directors, officers, or employees, individually, or with members of their families, own 10 percent or more .....	327	80	6			
Investments in stocks, bonds, or other obligations of corporations in which directors, officers, or employees, individually, or with their families, own 10 percent or more .....	—	—	—	—	—	—
Less duplications within and between groups ...		39	107		—	18
Total .....		1,279	105		\$960	4

Source: U.S. Comptroller of the Currency examination reports.

Table 4B

Extensions of credit to directors, officers, employees, and their interests, by asset size of bank, for national banks requiring special supervisory attention, during 1976  
(Dollar amounts in millions)

	Less than \$100 million			\$100 million to 1 billion			More than \$1 billion		
	<i>Number of loans</i>	<i>Amount direct</i>	<i>Amount indirect</i>	<i>Number of loans</i>	<i>Amount direct</i>	<i>Amount indirect</i>	<i>Number of loans</i>	<i>Amount direct</i>	<i>Amount indirect</i>
Obligations of directors, officers, employees, and their unincorporated companies .....	N.A.	\$40	\$34	N.A.	\$56	\$32	N.A.	\$189	\$20
Obligations of corporations in which directors, officers or employees, individually, or with members of their families, own 10 percent or more of the outstanding stock .....	368	19	2	228	74		84	118	8
Obligations of others, or portions thereof, collateralized by securities issued by corporations in which directors, officers, or employees, individually, or with members of their families, own 10 percent or more .....	37	2		58	3		111	14	
Investments in stocks, bonds, or other obligations of corporations in which directors, officers, or employees, individually, or with their families, own 10 percent or more .....	—	—	—	—	—	—	—	—	—
Less duplications within and between groups ...		6	25		1	21		2	10
Total .....		55	11		132	18		319	18

Source: U.S. Comptroller of the Currency examination reports.

**Table 5**  
**National Banks Rated 3 and 4\***  
(Dollars in millions)

Date of list	Total number of national banks	Total assets of national banks	Total deposits of national banks	Group 3						Group 4					
				Number of banks	Assets	Deposits	Percent of all national banks			Number of banks	Assets	Deposits	Percent of all national banks		
							Number	Assets	Deposits				Number	Assets	Deposits
12/70	4,348	\$323,359	\$269,690	104	\$3,058	\$2,685	2.4	.9	1.0	8	\$211	\$193	.2	.1	.1
6/71	4,366	354,327	299,254	112	5,002	4,311	2.6	1.4	1.4	8	328	294	.2	.1	.1
12/71	4,385	373,870	315,212	101	13,084	10,990	2.3	3.5	3.5	8	121	109	.2	—	—
6/72	4,417	398,278	333,843	105	13,558	11,399	2.4	3.4	3.4	5	93	83	.1	—	—
12/72	4,449	425,550	354,442	61	10,693	9,107	1.4	2.5	2.6	6	81	73	.1	—	—
6/73	4,495	466,265	388,516	56	11,601	9,472	1.2	2.5	2.4	8	131	116	.2	—	—
12/73	4,546	497,583	410,471	71	13,742	10,735	1.6	2.8	2.6	8	144	131	.2	—	—
6/74	4,612	545,290	444,084	110	119,603	97,397	2.4	21.9	21.9	11	225	202	.2	—	—
12/74	4,659	579,715	469,181	169	225,164	180,916	3.6	38.8	38.6	17	2,376	1,779	.4	.4	.4
6/75	4,703	599,803	489,624	251	249,725	201,919	5.3	41.6	41.2	25	3,527	2,901	.5	.6	.6
12/75	4,709	600,860	490,594	251	249,747	201,917	5.3	41.6	41.2	24	3,487	2,866	.5	.6	.6
6/76	4,748	657,234	545,663	256	227,201	182,543	5.4	34.6	33.5	27	5,987	4,672	.6	.9	.9

NOTE: Dashes indicate amounts less than .05 percent.

\*A reconstruction based on examination reports of banks still in existence.

### Formal Proceedings Brought by the Comptroller Pursuant to the Cease and Desist Provisions of the Financial Institutions Supervisory Act of 1966, 12 USC 1818 (b), 1976

(Similar detail for 1971-1975 is available on pp. 211-214 of 1976 report.)

1. A written formal Agreement to eliminate self-serving concentrated loans to certain individuals and their interests and extensions of credit in violation of 12 USC 84. A requirement that the bank raise additional capital, institute lending policies and obtain current and satisfactory credit information from all borrowers.
2. A Temporary Cease and Desist Order, Notice of Charges, Permanent Cease and Desist Order and a Stipulation and Consent to the Issuance of a Permanent Cease and Desist Order requiring elimination of self-dealing through loans to relatives and friends and extensions of credit made in violation of 12 USC 84. Provisions requiring the bank to raise additional capital and to restrict dividends. Requirements that the bank improve the status of all criticized loans and secure adequate collateral for loans. These requirements include improvements to the internal controls and audit procedures, reduction in concentrations of credit, formulation of a collection plan for previously charged off assets and provision for a written loan policy. The bank was also required to obtain a new executive officer.
3. A written formal Agreement requiring elimination of extensions of credit made in violation of 12 USC 84. Provisions requiring compliance with Truth-in-Lending Act (15 USC 1601) and Regulation Z (12 CFR 226). Requirements that the bank raise additional capital and improve liquidity. Requirements for a new written lending policy and written investment policy. Requirement to improve the status of criticized assets. Provision requiring the bank to hire a new executive officer.
4. A written formal Agreement to eliminate problems related to the bank's holding company and to improve classified status of loans and to prohibit extensions of credit to criticized borrowers. Provisions to eliminate extensions of credit made in violation of 12 USC 84. Requirements that the bank raise additional capital and hire a new executive officer.
5. A written formal Agreement to improve status of criticized assets and adoption of written loan policy, including the requirement to eliminate extensions of credit made in violation of 12 USC 84. Limitations on the payment of dividends. Provision requiring the hiring of a new executive officer and full time auditor.
6. A Notice of Charges and Temporary Order to Cease and Desist from self-dealing and self-serving practices of extending credit through the use of overdrafts. An administrative hearing before an administrative law judge resulted in a finding by the law judge favorable to the Office of the Comptroller of the Currency.
7. A Cease and Desist Order, Notice of Charges, and a Consent Stipulation to the Issuance of a

Cease and Desist Order requiring the improvement of inadequate management through the hiring of an operations officer, trust officer and an auditor. Requirements to eliminate violations of 12 USC 24, 12 CFR Part 21, 12 CFR 328.1 and 31 CFR 103.33. Requirements to eliminate collateral exceptions, criticized status of certain loans and establish new internal operations policies.

8. A written formal Agreement to eliminate self-serving concentrations of credit to a director. Provisions to improve the bank's liquidity position and to require compliance with 12 USC 60. Requirement to remove loans from criticized status. Requirements to improve the loan portfolio by providing new written loan policies. Restrictions of out-of-trade area loans. Provisions requiring conformity with 12 USC 371c.
9. A written formal Agreement to prohibit payment of self-serving and self-dealing management and consulting fees to the bank's holding company. Provisions to require conformity with 12 USC 56, 60 and 84, and the elimination of loans from criticized status. Requirement of new written lending and investment policies. Provisions to improve bank's liquidity position and raise additional capital.
10. A written formal Agreement prohibiting self-serving and self-dealing practices, prohibitions of financial transactions with certain persons and corporations, elimination of violations of 12 USC 84, 375a and 1829(b), 12 CFR 23, 221, 1134 and 7.2120, and 31 CFR 103.33. Provision requiring the hiring of a new executive officer and loan officer. Provision to improve the condition of the loan portfolio by prohibiting extensions of credit to criticized borrowers, reducing concentrations of credit, and adopting a written program improving internal operations and lending policies. Requirement of audit by outside auditing firm. Requirement of additional capital and prohibitions on paying dividends.
11. A written formal Agreement eliminating extensions of credit in violation of 12 USC 84. Requirements to improve the bank's liquidity position and improve the capital base. Requirement that the bank improve the status of all criticized loans by correcting collateral imperfections, reducing loan delinquencies and obtaining current and satisfactory credit information. Requirements that the bank develop new written lending and investment policies. Requirement that the bank hire a new executive officer.
12. A formal written Agreement to increase the bank's capital to protect the bank from potential loss from concentrations of investments.
13. A letter Agreement eliminating the upstreaming of funds and use of the bank's correspondent accounts for the benefit of the bank's holding company.
14. A written formal Agreement directed specifically at eliminating violations of consumer laws, in particular violations of the Truth-in-Lending Act (15 USC 1601) and Regulation Z (12 CFR 226). Requirement that the bank obtain current and satisfactory credit information from certain borrowers.
15. A written formal Agreement to limit management fees and extensions of credit to the bank's holding company and to eliminate self-dealing practices reflected in violations of 12 USC 56, 60, 84 and 371c. Requirements that the bank develop written investment and collection policies. Requirement that the bank improve the status of certain loans by obtaining current and satisfactory credit information. Requirement that the bank increase its capital.
16. A written formal Agreement eliminating self-serving and self-dealing by controlling shareholders and elimination of violations of 12 USC 371c and 375a. Requirement that the bank eliminate violations of the Truth-in-Lending Act (15 USC 1601) and Regulation Z (12 CFR 226). A restriction of extensions of credit to certain directors, other persons and their increases. A requirement that the bank recoup certain expenses and review officers' salaries and bonuses. Requirements that the bank improve its operations by hiring an independent auditing firm and developing written lending policies.
17. A written formal Agreement eliminating self-dealing and requiring the hiring of a new management team. Requirement that the bank improve the status of criticized loans by developing new written lending policies, obtaining current and satisfactory credit information, and reducing concentrations of credit. Requirement that violations of 12 USC 84 be eliminated. Requirements that the bank maintain a certain liquidity position, improve its capital base and adjust its loan valuation reserve. Requirement that the bank improve its internal controls and audit procedures.
18. A written formal Agreement eliminating violations of 12 USC 84. Requirements that the bank improve the status of criticized loans by hiring a new lending officer, implementing lending and collection policies, obtaining current and satisfactory credit information, and correcting collateral imperfections. Requirements that the bank improve its liquidity and capital base.
19. A written formal Agreement eliminating self-dealing as reflected in violations of 12 USC 84 and 375a, and correcting irregularities in the bank's trust department. Requirements that the bank improve the status of criticized loans by obtaining current satisfactory credit information. Requirement that the bank implement an asset and liability management program.
20. A written formal Agreement to eliminate self-dealing by majority owners by prohibiting extensions of credit to certain individuals and corporations.
21. A Notice of Charges, Permanent Order to Cease and Desist and a Consent Stipulation to the Is-

suance of a Cease and Desist Order to eliminate self-dealing practices as reflected in violations of 12 USC 84, 371a, 375a and 1829b. A requirement to eliminate large lines and concentrations of credit to controlling individuals and their interests.

22. A Board of Director's resolution requiring an extensive evaluation of certain officers' salaries, bonuses and expenses. A provision requiring the hiring of a new executive officer. A provision requiring the disposal of certain real estate. Requirements that the bank improve its liquidity and capital positions. Requirement that the bank improve the status of criticized loans by obtaining current and satisfactory credit information, and eliminating collateral imperfections. Requirement of complete audit.
23. A written formal Agreement to eliminate the self-serving payment of management fees to the bank's holding company and a limitation of extension of credit to the bank's affiliates. Requirements to eliminate violations of 12 USC 84 and 371c, the Truth-in-Lending Act (15 USC 1601), Regulation Z (12 CFR 226) and Regulation U (12 CFR 221). A requirement that the bank hire a new management team. Requirement that the status of criticized assets be improved through the implementation of new written lending and collection policies, maintenance of current and satisfactory credit information and elimination of collateral imperfections. Requirements that the bank improve its capital and liquidity position and improve its earnings.
24. A written formal Agreement to eliminate self-dealing loans to certain directors and former directors. Requirement that violations of 12 USC 84 be eliminated. Requirements to improve the status of criticized loans through hiring a new senior lending officer, implementing new written lending and collection policies, and obtaining current and satisfactory credit information. Requirement that the bank improve its capital position.
25. Temporary Order to Cease and Desist and a Notice of Charges to prevent extensions of credit to certain criticized borrowers. A requirement eliminating violations of the Truth-in-Lending Act (15 USC 1601), Regulation Z (12 CFR 226), Regulation Q (12 CFR 217) and 12 CFR 103.33. An administrative hearing is pending.
26. A board of directors' Resolution requiring the elimination of violations of law, improvement of the bank's internal controls, the filing of adequate credit information on all loans, and the planning of a program of growth for the bank.
27. An Order to Cease and Desist, a Notice of Charges and a Stipulation and Consent to the Issuance of the Order eliminating self-dealing extensions of credit in violation of 12 USC 84 and 375a. Requirement eliminating violations of the Truth-in-Lending Act (15 USC 1601), Regulation Z (12 CFR 226), and Regulation U (12 CFR 221). Requirement for the improvement of the status of criticized assets through implementing new written lending policies, obtaining current and satisfactory credit information, eliminating collateral exceptions, and extending credit only within the trade area of the bank. Requirement that the bank increase its capital base, limit dividends, and review officers' salaries and bonuses. A requirement for the hiring of a new executive officer.
28. Board of directors' Resolution requiring compliance with the reporting requirements of 12 USC 161. The bank, on two occasions, was assessed civil monetary penalties totalling \$12,300 pursuant to 12 USC 164 for failure to file timely call reports. The resolution required the directors to personally reimburse the bank for the penalty.
29. A written formal Agreement requiring the hiring of a new chief executive officer and the reviewing of all officers' salaries and bonuses. A requirement that the bank secure additional capital.
30. A Notice of Charges and Temporary Order to Cease and Desist to eliminate the self-dealing practices of granting excessive salaries and bonuses to certain officers and majority shareholders. A requirement that the bank improve its internal controls and audit procedures. An administrative hearing before an administrative law judge resulted in a finding by the law judge favorable to the Office of the Comptroller of the Currency.
31. A Notice of Charges and a Temporary Order to Cease and Desist to eliminate the self-dealing practices of overdrafts and loans outside the bank's trade area. Requirements to eliminate violations of 12 USC 84 and 375a. Requirements to eliminate loans from criticized status through timely collection of past due loans and the perfection of current and satisfactory credit information. A requirement to improve the internal controls and audit procedures of the bank. A provision to increase the bank's capital base. An administrative hearing is pending.
32. A board of directors' Resolution eliminating violations of 12 USC 84. Requirements limiting credit extended to directors. Requirement that the bank hire a new senior executive vice president/chief operations officer. Requirements that the bank improve its capital base and loan valuation reserve. Requirement that the bank improve the status of loans through the implementation of a written loan policy, and the review of classified assets and past due loans.
33. A written formal Agreement eliminating self-dealing as reflected in violations of 12 USC 84 and 375a. Requirements to hire a new executive officer and retain an independent auditing firm. Requirement of a program to improve the status of criticized assets through the implementation of new written lending policies and acquisition of current and satisfactory credit information. Requirement that the bank secure additional capital. Requirement that the income from the sale of insurance be distributed only to the bank.



## Failed National Banks, 1972 - 1976

Name	Date declared insolvent
Skyline National Bank Denver, Colo.	Mar. 26, 1973
First National Bank of Eldora Eldora, Iowa	Oct. 5, 1973
U.S. National Bank of San Diego San Diego, Calif.	Oct. 18, 1973
Franklin National Bank New York, N.Y.	Oct. 8, 1974
Swope Parkway National Bank Kansas City, Mo.	Jan. 3, 1975
American City Bank & Trust Company, N.A. Milwaukee, Wisc.	Oct. 21, 1975
Hamilton National Bank of Chattanooga Chattanooga, Tenn.	Feb. 16, 1976
Coronado National Bank Denver, Colo.	June 25, 1976

**Skyline National Bank, Denver, Colo.**  
Declared insolvent: Mar. 26, 1973  
Total assets on that date: \$6,527,124

### Total Assets and Deposits for 5 Years Preceding Failure (Dollars in thousands)

	<u>12/31/68</u>	<u>12/31/69</u>	<u>12/31/70</u>	<u>12/31/71</u>	<u>12/31/72</u>
Assets				\$642	\$6,399
Deposits				\$ 48	\$5,370

Summary of facts leading to failure: Due to imprudent lending policies the bank began to suffer significant loan losses shortly after it was chartered. During February and March 1973, liquidity deteriorated to the extent that the bank was able to meet its obligations only by the sale of loans. The bank was declared insolvent on March 23, 1973, when loan losses were determined to exceed its capital funds by \$149 thousand and it became apparent that the bank would not be able to meet future deposit withdrawals.

**First National Bank of Eldora, Eldora, Iowa**  
Declared Insolvent: Oct. 5, 1973  
Total assets on that date: \$8,071,962

### Total Assets and Deposits for 5 Years Preceding Failure (Dollars in thousands)

	<u>12/31/68</u>	<u>12/31/69</u>	<u>12/31/70</u>	<u>12/31/71</u>	<u>12/31/72</u>
Assets	\$4,831	\$5,244	\$5,384	\$5,957	\$8,292
Deposits	4,459	4,742	4,860	5,421	7,740

Summary of facts leading to failure: Self-dealing and other irregular activities by the president involving the payment of cash items and loans to a related company caused the bank to sustain losses of approximately \$1.3 million, in excess of the bank's capital. When the directorate was unable to provide the necessary additional capital, the bank was placed into receivership and sold by the FDIC to another group of investors.

**United States National Bank of San Diego, San Diego, Calif.**

Declared insolvent: Oct. 18, 1973  
Total assets on that date: \$1,265,868,000

### Total Assets and Deposits for 5 Years Preceding Failure (Dollars in thousands)

	<u>12/31/68</u>	<u>12/31/69</u>	<u>12/31/70</u>	<u>12/31/71</u>	<u>12/31/72</u>
Assets	\$488,257	\$535,762	\$596,460	\$737,441	\$994,218
Deposits	429,155	424,212	504,098	632,544	831,402

Summary of facts leading to failure: Failure of the United States National Bank resulted from massive fraud, perpetrated by a handful of individuals through the use of bank credit to their corporations and other affiliated organizations. Borrowings by those non-bank companies were used to roll-over debt of other non-bank companies with no legitimate reduction experience. Loans ostensibly made to one corporation were surreptitiously funneled to or used for the benefit of others. Cash flow problems of the companies precluded adherence to agreed repayment programs, necessitating an ever-increasing pyramid of debt.

Significant questionable transactions were first detected during a routine examination which commenced on June 26, 1972. The culmination of that examination led to the disclosure of two extremely large concentrations of bank credit, the repayment of which was highly questionable at the time. The next examination of the bank was commenced on January 8, 1973, and reflected, in essence, a continued deterioration in the condition of the bank, due in large part to the credit weaknesses inherent in the large concentrations of credit, as well as recurring violations of law.

On May 24, 1973, the Comptroller's Office issued a Cease and Desist Order which severely curtailed the lending activities of the bank and which called for the removal of the bank's chairman of the board and principal shareholder. Despite those supervisory efforts, the adverse publicity surrounding the bank and its parent holding company continued to cause a steady drain on the bank's liquid reserves. U.S. National was forced to borrow extensively both from other banks and the Federal Reserve, which borrowings reached over \$80 million in early July.

A special examination of the credits comprising the two large concentrations of credit was completed in late August 1973. The examiner concluded at that time that some \$45 million in credits was loss and another

\$98 million was viewed as being of doubtful collectability. After intensive review of the examiner's findings, efforts were put in motion to effect an FDIC-assisted sale of the bank, which was achieved on October 18, 1973.

**Franklin National Bank, New York, N.Y.**

Declared insolvent: Oct. 8, 1974

Total assets on that date: \$3,771,801,000

**Total Assets and Deposits for 5 Years Preceding Failure**

(Dollars in millions)

	<u>12/31/69</u>	<u>12/31/70</u>	<u>12/31/71</u>	<u>12/31/72</u>	<u>12/31/73</u>
Assets	\$2,875	\$3,489	\$3,537	\$4,397	\$4,996
Deposits	2,062	2,632	2,840	3,461	3,732

Summary of facts leading to failure: During the 1960's and early 1970's, the bank experienced rapid asset growth funded principally by volatile short-term, rate-sensitive funds. The quality of assets booked during that period was not generally high, due in part to the aggressively competitive market in which the bank operated. The penchant for growth had its impact on the bank's earnings, which declined substantially during the period 1970 to 1973. Net income from operations for 1973 equaled \$11 million, down from \$24 million in 1970. Of the \$11 million experienced in 1973, \$7.7 million was generated from foreign exchange trading.

Government efforts to counter the most severe inflation since World War II by restricting growth in money and credit resulted in a rapid run-up in short-term interest rates. The Federal funds rate, the bank's charge on other banks for the use of their excess reserves, rose to an average of 12.92 percent in July 1974. The prime rate also averaged about 12 percent during that month. That run-up in short-term rates not only created pressure on Franklin's cost of funds, but it also, through disintermediation, forced Franklin to acquire even greater amounts of volatile funds to finance its operations.

Moreover, the sharp deterioration in the economy that developed in 1974 was reflected in widespread layoffs, rising unemployment and declining real incomes. All of those stresses were reflected in slower loan growth and rising loan losses, which served to the detriment of Franklin.

Franklin, with a history of marginal existence as a New York City bank, as well as poor earnings and an unimpressive management reputation, was simply too weak in too many areas of its operation to withstand the pressures exerted upon it in 1974. The final blow came with the loss of confidence in Franklin by the financial community.

**Swope Parkway National Bank, Kansas City, Mo.**

Declared insolvent: Jan. 3, 1975

Total assets on that date: \$7,575,960

**Total Assets and Deposits for 5 Years Preceding Failure**

(Dollars in thousands)

	<u>12/31/70</u>	<u>12/31/71</u>	<u>12/31/72</u>	<u>12/31/73</u>	<u>12/31/74</u>
Assets	\$9,725	\$14,324	\$12,188	\$9,765	\$7,980
Deposits	8,455	13,233	11,344	9,407	7,748

Summary in facts leading to failure: Substantial loan losses arising from the imprudent lending policies of the bank's original management was the primary cause of insolvency. Operating losses resulting from a steady decline in deposits also had a negative impact on capital. All efforts made to generate additional capital funds failed and losses resulted in insolvency.

**American City Bank & Trust Co., N.A., Milwaukee, Wisc.**

Declared insolvent: Oct. 21, 1975

Total assets on that date: \$158,000,000

**Total Assets and Deposits for 5 Years Preceding Failure**

(Dollars in thousands)

	<u>12/31/70*</u>	<u>12/31/71*</u>	<u>12/31/72</u>	<u>12/31/73</u>	<u>12/31/74</u>
Assets			\$239,809	\$229,754	\$188,170
Deposits			200,344	181,741	145,614

\* Bank converted to national charter 12/22/72. Figures from prior years as state bank not available.

Summary of facts leading to failure: The bank's principal problem was attributable to a preoccupation with rapid growth with concomitant disconcert for asset quality, liability management and capital adequacy. Desire for growth and profitability during the latter parts of 1972 and 1973 was fulfilled through solicitation of poor quality loans to marginal borrowers. Over 70 percent of the bank's loan portfolio in September 1975 was centered in speculative real estate development and construction loans which had been affected significantly by the escalation of building cost overruns and a general recessionary economy. Many of the development projects were to out-of-area borrowers, intensifying the difficulties of problem credit supervision, which management proved incapable of accomplishing. The bank underwent serious crises of confidence in both 1974 and 1975, which were further exacerbated by the failure of its parent holding company, American Bancshares Corporation, to publish its annual report for the fiscal year ended December 31, 1974. Further contributing to the adverse publicity surrounding the two banking companies was the April 1975 suspension of trading in the shares of the bank's parent by the State of Wisconsin Securities Commission.

Beginning in February 1975, it became more apparent that the bank was steadily losing the confidence of its customers and approaching a crisis point. Losses in ACB's portfolio had steadily mounted. Between February and October 1975, the bank experienced a de-

posit run-off exceeding \$35 million, coupled with an inability to raise funds in the money market. Sustained reliance by the bank on the purchase of Federal funds to maintain its liquidity, and a corresponding loss of credibility to sellers of Federal funds, resulting from adverse published reports had, since June 1974, virtually foreclosed the bank from the Federal funds market.

During the fall of 1975, bank management engaged in numerous discussions with bank holding companies and individuals to try to effect a take-over by qualified purchasers of the bank and, concomitantly, to inject additional needed capital without FDIC assistance. However, it increasingly became apparent that a solution short of FDIC assistance could not be accomplished because of the massive problems in the bank. The Marine National Exchange Bank of Milwaukee purchased certain assets and assumed certain liabilities of the insolvent institution from the FDIC acting as receiver.

### **The Hamilton National Bank of Chattanooga, Chattanooga, Tenn.**

Declared insolvent: Feb. 16, 1976

Total assets on that date: \$441,267,000

#### **Total Assets and Deposits for 5 Years Preceding Failure**

(Dollars in thousands)

	<u>12/31/71</u>	<u>12/31/72</u>	<u>12/31/73</u>	<u>12/31/74</u>	<u>12/31/75</u>
Assets	\$360,033	\$414,074	\$464,781	\$551,074	\$476,073
Deposits	298,691	336,593	372,892	448,194	408,004

Summary of facts leading to failure: Hamilton National Bank was chartered by the Comptroller's Office in 1905. As of December 31, 1975, Hamilton National Bank ranked as the largest of the seven banks located in Chattanooga, Tenn.

In 1969, Hamilton National Bank became a subsidiary of Hamilton Bancshares, Inc., a registered multi-bank holding company. The bank and the holding company had been closely associated since 1930 because of common ownership. Hamilton National Bank was the largest of the 18 banks operated by the holding company in Tennessee and Georgia. The holding company also had several non-banking subsidiaries which were engaged in real estate, data processing, mortgage banking, loan servicing, life insurance and factoring. Those subsidiaries were formed between 1971 and 1974. The principal non-bank subsidiary, Hamilton Mortgage Corporation, was located in Atlanta, Ga.

An examination of Hamilton National Bank begun on September 30, 1974, and continuing into November 1974, revealed substantial asset difficulties. The examiner criticized the creditworthiness of loans and other assets amounting to 154 percent of gross capital funds. The poor condition of Hamilton National Bank was directly attributable to the large number of real estate loans originated or acquired from Hamilton Mort-

gage Corporation, a wholly-owned subsidiary of Hamilton Bancshares, Inc. Many of those loans represented 100 percent financing of acquisition, development and construction costs for large real estate projects. Most borrowers were highly leveraged and lacked the ability to complete or sell the projects undertaken.

The Comptroller of the Currency entered into an agreement with the board of directors of the bank on December 18, 1974, restricting extensions of credit or loan participations between Hamilton National Bank and the holding company and its affiliates and subsidiaries. Successive examinations and visitations revealed further deterioration. The September 29, 1975 examination revealed that assets acquired from Hamilton Mortgage Corporation aggregated 87 percent of total assets whose creditworthiness was questioned and 243 percent of gross capital funds. Non-accrual loans and non-income producing real estate exceeded \$77 million. Almost 27 percent of the loan portfolio was past due. Of those delinquent loans, 97 percent had been acquired from Hamilton Mortgage Corporation. During the first 11 months of 1975, the bank had a net operating loss of \$8.2 million, principally as a result of heavy loan losses and non-accrual assets.

During the period between January 31, 1975 and January 31, 1976, the bank underwent considerable retrenchment and suffered an absolute deposit decline of \$76.9 million as well as a decline in borrowings of \$15.7 million. Those reductions, which aggregated \$92.6 million, were met primarily through the liquidation of assets, including cash and due from banks, securities and Federal funds. That steady drain on liquid assets of the bank was, in the end, to cause its demise.

At the end of 1975, it became apparent that, without a massive capital infusion, Hamilton National Bank would be unable to sustain operations over the time period necessary to work out its real estate and other problems. Without such assistance, the bank and Hamilton Mortgage Corporation could not fund out the real estate projects or otherwise complete them. In view of the extended litigation on many of the properties, their location in economically depressed areas and the inactive and incomplete nature of some of the developments, it was the OCC's opinion that the liquidating value of the bank's portfolio of Hamilton Mortgage Corporation-related loans and foreclosed properties was much less than the value shown on the bank's books and records. In early February 1976, the Comptroller's Office estimated that, on a liquidating basis, the loss inherent in the bank's \$73 million of Hamilton Mortgage Corporation-related assets and the securities portfolio would exceed the gross capital funds of approximately \$28.5 million shown on the bank's books as of January 31, 1976.

The Comptroller decided at that time that, unless the bank or its parent holding company was able to raise the needed capital immediately, the bank could no longer be viewed as a going concern. There were no available sources of capital to rescue the bank as an entity and place it on its feet. Hamilton Bancshares, Inc., was in an extended financial condition at the time

and was incapable of raising sufficient funds to recapitalize the bank. No other banking company or other private group had shown any interest in assuming the bank without considerable federal assistance. After months of negotiations, the FDIC had been unable to agree with major lenders of the holding company (a group of banks) on a plan calling for financial assistance to Hamilton National Bank by the FDIC pursuant to 12 USC 1823 (c).

In early February 1976, the bank faced a severe liquidity crisis. Up until that time the bank had been able to meet deposit withdrawals through the liquidation of assets. It could, however, no longer continue to do so. Hamilton Mortgage Corporation-related mortgages and real estate were steadily becoming a higher and higher proportion of the asset structure of the bank and could not be sold to meet the demands of the depositors and other creditors. Additionally, the securities portfolio of \$82 million was largely pledged or sold under agreements to repurchase, leaving little margin for liquidity purposes. Finally, the adverse publicity surrounding the bank seriously hindered its ability to borrow from private sources to meet excessive deposit withdrawals.

On February 16, 1976, having become satisfied that Hamilton National Bank was insolvent, the Comptroller appointed the FDIC as receiver.

**Coronado National Bank, Denver, Colo.**

Declared insolvent: June 25, 1976

Total assets on that date: \$2,612,693

#### **Total Assets and Deposits for 5 Years Preceding Failure**

(Dollars in thousands)

	<u>12/31/71</u>	<u>12/31/72</u>	<u>12/31/73</u>	<u>12/31/74</u>	<u>12/31/75</u>
Assets	Chartered Mar. 31, 1973	\$2,905	\$3,393	\$4,127	
Deposits		2,364	2,876	3,895	

Summary of facts leading to failure: The bank opened March 31, 1973, for the purpose of serving the Mexican-American community in Denver, and was plagued with both operating and loan losses from inception. The problems resulted mainly from a lack of effective and experienced management in the bank. The bank's first two chief executive officers exercised extremely liberal policies and were lax in supervision of bank operations. The third president resigned in February 1975 at the request of the Comptroller's Office. His replacement, although considered capable, was unable to stem the flow of losses. Operating and loan losses had depleted capital funds to a deficit \$9,630 as of April 21, with continued monthly operating losses of \$7,000. The bank was declared insolvent when it became apparent that the board of directors could not succeed in recapitalization or reorganization of the bank.

## **Remarks of Robert R. Bench, Associate Deputy Comptroller of the Currency for International Banking, before the 55th Annual Meeting of the Bankers' Association for Foreign Trade, Cerramar Beach, Puerto Rico, May 2, 1977**

### **"Country Risk Analysis and Classification"**

It is a pleasure to visit with you to discuss the manner in which national bank examiners evaluate foreign public sector loans.

There is a great deal of misunderstanding in the industry about the Comptroller's evaluation procedures. Today I shall explain the background of the Office of the Comptroller of the Currency (OCC) Foreign Public Sector Credit Review Committee, that Committee's evaluation process, and the issues arising from those evaluations.

The Bankers' Association for Foreign Trade also has requested that I perform a collateral duty and express any concerns the Comptroller's Office may have about U.S. bank claims on foreign borrowers, particularly non-oil, less-developed countries.

Multinational bank supervision is the business of the Comptroller of the Currency. The OCC has about 150 national bank examiners trained in international examining and, since 1967, annually has performed examinations in more than 20 countries. We have sent abroad an average of 116 examiners annually since 1972. During the fall of that year, the Comptroller opened a London branch where six national bank ex-

aminers are assigned to continually examine the London branches of 23 national banks.

National bank examiners are responsible for evaluating the quality of loan portfolios as part of their overall examinations of national banks. Traditionally, the examiner in charge of a particular examination has been the deciding OCC official in the evaluation of loans made by the bank under examination. That OCC policy of examiner autonomy reflects the basic principle that loan evaluation is a judgment, based on the evaluator's knowledge of technical credit analysis and application of subjective experience factors.

The increase in international lending by national banks during the late 1960's and early 1970's forced the OCC to review its policy of examiner autonomy as applied to foreign public sector loans. Those loans contain a large number of complex credit considerations with which OCC examiners are variously skilled or experienced. Furthermore, such loans are often syndicated among a wide number of national banks which use different quality data to support granting the loans. That diversity of examiners' abilities to evaluate foreign public sector loans and the diversity of credit information developed by the banks, led OCC examiners to

evaluate the same loan dissimilarly in the various participant banks. The banking industry, properly, complained about that dissimilar treatment and the OCC shared the bankers' concern. The OCC sought uniform evaluations of the same loan for all national banks and, further, believed that evaluations should be current and accurate. The OCC also wanted its evaluations to remain a part of the traditional bank examination process.

Aside from improving the procedural aspects of the evaluation process, the OCC needed to strengthen its supervision because several banks were observed to be lending abroad without adequate information. Indeed, there were instances in which well informed institutions were recognizing certain problem borrowers while, concurrently, less well informed banks were lending to them.

In July 1974, the OCC modified its traditional policy of examiner autonomy by placing the authority to evaluate foreign public sector loans in a committee comprised of the OCC's most experienced international examiners from Washington, New York, Chicago and San Francisco. They continually examine, both in the U.S. and overseas, our country's major multinational banks. Through their examinations, those examiners have developed the skills necessary to evaluate foreign public sector loans. They compile a great deal of information from the multinational banks' country files and from discussion with the senior international lending officers of those banks. Those major banks' international portfolios generally contain every type of foreign public sector loan, therefore, the situations which the committee members evaluate through their examinations of them are applicable to the examination of all national banks that lend internationally.

The OCC recognizes that countries do not disappear as corporate borrowers may, and that, traditionally, foreign public sector loans in national banks have an excellent record of ultimate repayment. The OCC also recognizes, however, that, historically, national banks have not held the increased levels of foreign public sector loans which they hold today. Furthermore, today's portfolios contain credits to a group of fresh borrowers who are still establishing a repayment record. The OCC has a supervisory responsibility to evaluate those loans, not only for ultimate loss potential, but even more so for early detection of performance difficulties which can result in illiquid assets in the portfolios of national banks.

The purpose of the Committee, therefore, is to evaluate the loans granted by national banks to the public sector of foreign countries. The borrowers generally are governments, central banks, government agencies and quasi-governmental entities. The Committee's evaluations result in those loans being placed into one of five categories. The Committee disseminates its decisions to all national bank examiners who then apply them uniformly during their examinations.

Those categories relate to the liquidity and soundness of the bank asset. They are:

1. Pass — The loan is repaying as structured, and analysis of the loan indicates no foreseeable

interruption in regular payments or eventual pay-out;

2. Especially Mentioned — The loan is repaying as structured, but analysis indicates factual inherent conditions which could lead to an interruption of regular payments;

3. Substandard — Orderly repayment is jeopardized or has been interrupted, resulting in a slow paying or "frozen" loan, ultimate payment in full is expected;

4. Doubtful — There is no performance and full repayment appears tenuous;

5. Loss — There is no performance and no repayment is expected during the near future, the loan is not bankable, requiring its removal from the bank's assets, this classification does not mean that principal never will be recovered.

The Committee's evaluation procedures represent an extension of the traditional OCC examination process. The three Committee examiners from New York, Chicago and San Francisco, independently of each other, continually conduct examinations of the major national banks in those cities. The national bank examiners who are not Committee members have access to the Committee process. Occasionally, examiners outside of New York, San Francisco and Chicago receive, through their examinations of regional money center banks, information relevant to the Committee process. Those examiners document their findings and forward their information to OCC headquarters for use and research by the Committee.

The Committee's examiners begin their examinations of foreign public sector loans by determining the amounts of each borrower's liabilities due the bank under examination. The examiners also determine the structure of the loans, e.g., whether the loans are payable in the borrower's local currency or in an external currency, whether the loans are short or long term, or whether the loans are secured or unsecured. The examiners then review the borrowers' financial information held by the bank as support for making the loans. The examiners next analyze the financial condition of the borrower in relation to the loans outstanding. Finally, the examiners discuss their analysis with the bank's lending officers in order to receive information about the loans which may not yet be on file and in order to receive the officers' opinions about the borrowers' ability to pay those loans.

The Committee members meet quarterly in Washington to discuss their individual findings from examinations conducted during the quarter. The members also review data in OCC headquarters' files including data available from other U.S. government sources. The members then evaluate, as a committee, the foreign public sector loans repayable in a currency external to that of the borrower and assess whether those borrowers have, or likely will have, the external currency available to pay the national bank loans when payments are due.

The Committee weighs the myriad social, political and economic factors which influence the borrowers'

cash flows for external debt service. Generally, the Committee first looks to external economic information, e.g., balance of payments trends over the last few years, the expected results for the next 12 months (the short term), and the external debt structure as well as the service requirements for the same period. The Committee's evaluations of loans maturing within 12 months are influenced by such factors as available International Monetary Fund facilities, reserve levels, official and private loan commitments, foreign investment trends and the attitude among bankers toward further lending. Generally, if a borrower appears to have the capacity to repay short term loans and appears willing to honor the indebtedness, the Committee will "pass" the loan. Should a borrower appear to face a severe short term shortage of foreign exchange and lack availability of credit, the Committee may "especially mention" the short term loans. The Committee normally does not criticize short term trade credits unless they become delinquent or require refinancing.

The Committee's evaluations of medium and long term loans generally stress that the risk in these loans increases as the maturities lengthen. This risk-maturity relationship arises from the inherent uncertainties in lending over an extended period, e.g., 10 years. Those uncertainties are the many changes which can occur in the social, political and economic fabric of the borrowers and which directly affect the borrowers' capacities to repay their external currency loans.

Significant to the Committee are the social-political effects of the borrowers' economic trends. Economic projections for many foreign public sector borrowers are based on assumptions such as world prices for expanded exports, restrictions on import expenditures, future levels of foreign investment and expected bilateral assistance. Those assumptions are always influenced by environmental factors, some of which are beyond the control of the lender or the borrower. Global commodity prices react to varying demand and supply factors. Imports essential to political and social stability can be difficult to restrict. Bilateral assistance and direct investment flows respond to political events.

It is uncertainties such as those which concern the Committee. The Committee evaluates the borrowers' present financial condition and the trends in the borrowers' external currency flows. Generally, the Committee does not criticize long term loans which are paying as agreed and which show positive trends for continued performance. Borrowers that indicate marginal or decreasing availability of foreign exchange for debt service might be "especially mentioned" by the Committee, depending on the degree of uncertainty surrounding future social, political and economic trends affecting the foreign exchange flows. The Committee classifies more severely loans which are not meeting scheduled payments and/or which show trends indicating protracted repayment difficulties. It is emphasized that the Committee evaluations do not apply to foreign public sector loans denominated in the currency of the country where the borrower is located. The Committee evaluations also do not apply directly to foreign *private* sector loans, unless the private bor-

rowers' debt service is heavily reliant on central government support. Otherwise, loans to the foreign private sector are evaluated independently by national bank examiners during their examinations.

The Committee's criticisms arise only when overwhelming factual information is available. There have been observations that when criticisms do arise the result is "unfortunate" because the borrower receives criticism at a time when it is in a highly sensitive financial and political position trying to maintain its creditworthiness. The concerns of the Comptroller of the Currency are the banks under its supervision; the concerns of national bank directors are the loan assets under their supervision. It is "unfortunate" that borrowers fail to maintain their creditworthiness. Indeed, international bankers have conceded to us that it has been "fortunate" for bankers and borrowers that the OCC's loan criticisms have reintroduced credit principles in the face of which borrowers institute disciplinary action to improve their creditworthiness.

Commercial banks require a more conservative approach to loan repayment than do government-to-government credit transactions. Commercial banks analyze country risk to determine which countries may experience repayment difficulties over the life of the loans outstanding. Such determinations are made by analyzing the key variables which affect debt performance, not the least of which are social-political factors in relation to a country's economic difficulties. Commercial banks believe that reserve levels and a country's cash flow composition are significant, traditional concepts which must receive close scrutiny. The OCC and the national banks are taking a more discriminating approach to foreign public sector loans.

The OCC's Committee evaluations do not block further credit to countries and do not represent a "black-listing" or "redlining" of a country. The evaluations represent judgments of the quality of national bank loan portfolios and the multinational banks recognize the Committee criticisms as only one source of objective opinion. Generally, the OCC's criticisms are consistent with the loan appraisals performed by the multinational banks which maintain sizeable and sophisticated economic staffs as well as networks of reliable overseas public and private sector contacts.

The Office of the Comptroller of the Currency has never directed any national bank to cease lending in any country. The major multinational banks allocate and structure their foreign public sector loans based on their own in-house classifications of the borrowers. It is the civil responsibility of bank directors to determine a bank's overall goals as well as to allocate bank capital and resources accordingly. Bank directors have been exercising that responsibility and the result has been more conservative credit facilities for certain borrowers.

The OCC is disappointed that it becomes the scapegoat when a bank decides to take a more conservative approach with a borrower. Too often, bankers tell borrowers that the credit lines have been reduced by order of the Comptroller of the Currency. In far too many cases, bankers say that about loans which the OCC

Committee has never criticized. The OCC also is disappointed, and concerned, with the number of loan officers from banks who telephone OCC staff asking whether they should or should not lend to a particular borrower.

It is the policy of the Comptroller of the Currency that lending decisions be left to the bankers who are qualified professional lenders. The OCC must not become a credit allocation agency or an agency which dictates that banks cease or restrict lending to certain borrowers. For those reasons, the OCC emphasizes that its Foreign Public Sector Credit Review Committee is an in-house bank examination vehicle which does not distribute its criticisms nationwide, but rather communicates those criticisms only to bankers during the normal course of a regular bank examination.

It is the policy of the OCC that the Committee evaluations be applied as accurately as possible by national bank examiners during their examinations. The Committee carefully distinguishes the various facilities which national banks grant to borrowers, *i.e.*, trade credits, letters of credit, long-term loans, loans in external or foreign currency, and loans guaranteed by U.S. government agencies. National bank examiners are expected to make these distinctions in their reports of examination.

The OCC examination process results in the national

bank examiner submitting to the Comptroller, as required by 12 USC 481, a report of examination containing the examiner's findings about the liquidity, soundness and legality of the bank's activities. The Comptroller sends a copy of the report to the bank directors to assist them in supervising the affairs of the bank. That process has been in effect for 113 years.

A recent survey of national banks conducted jointly by national bank examiners and Federal Reserve staff sought opinions about the OCC method of evaluating foreign public sector loans. Practically all of the respondents reported that the evaluations by national bank examiners were warranted and fair. A few bankers indicated, however, that they would prefer the examiners' loan criticisms not to appear under traditional loan categories in the reports of examination, because directors became concerned.

Bank directors have a civil responsibility to manage a bank's affairs. Directors are responsible to employees, customers, shareholders and bank regulators. The directors are responsible for *bankwide* objectives, plans, policies, organization, management succession and allocation of resources. Consequently, directors increasingly are taking steps to know what is going on in your bank. They understand that, unlike countries, banks can disappear.

## Statement of Robert Bloom, Acting Comptroller of the Currency, before the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C., May 24, 1977

I appreciate this opportunity to present my views on S. 71, S. 73, S. 895 and S. 1433. Those bills represent significant banking legislative proposals and warrant careful attention. Given the limitations of time, I would like to concentrate my oral testimony this morning on section 8 of S. 71 because I feel strongly that the proposed changes in the budgetary system of the Comptroller and FDIC contained in that section would substantially and adversely affect the way we regulate and supervise commercial banks in this country. I will discuss briefly our views on the other legislative proposals before the Committee today.

Each of the federal banking agencies (Federal Reserve, FDIC, and Comptroller) is now assured, by Congress, of a source of funds independent from appropriations. The agencies have not been required to seek the approval of the appropriations committees in allocating those funds for the supervision and regulation of the nation's banking and monetary systems. Section 8 of S. 71 would subject the budgets of two of the banking agencies (FDIC and Comptroller) to a modified Congressional review akin to the process used for appropriated funds. Specifically, the bill, although stopping short of changing the mechanism for raising funds, provides that the Comptroller's "... expenditures ... during any fiscal year beginning September 30, 1977, may not exceed the limitation provided for such expenditures for that year in an appropriation Act."

The Office of the Comptroller of the Currency strongly opposes that legislation for the following reasons:

1. Other, more suitable and completely adequate mechanisms exist for Congressional oversight of the budgetary decisions of the agencies;
2. The system contemplated for Congressional approval of expenditures threatens the flexibility now possessed by the agencies to respond quickly and without prior publicity to problem situations; and
3. The legislation could create a situation wherein private banking and other interests might attempt to subject important elements of the Federal bank regulatory system to pressures inconsistent with the sensitive mission of those agencies.

I would like to summarize the essential considerations which underlie these points.

### Budgetary Oversight

Present mechanisms for oversight of expenditures by OCC are fully adequate. They include (1) a rigorous, computer-assisted, internal budget review system based on cost center responsibility accounting principles and administered by a budget review committee which includes two representatives of the Secretary of the Treasury; (2) annual audits of our income and expenditures by a major national accounting firm and



publication of the resulting report; (3) periodic performance audits by the Government Accounting Office (GAO) authorized either by agreements such as those recently used or by legislation such as H.R. 4469, which we have recently supported; and (4) regular appearances of agency representatives before House and Senate banking committees. Such approaches as the GAO performance audit, in particular, offer a sound means for Congress to conduct a thorough, objective review of the management decisions of the banking agencies.

### **Flexibility of Present Financing**

The bank regulatory agencies must, on occasion, commit unusually large resources in the contemplation of unforeseen emergency situations — most of which can be satisfactorily resolved by discreet and careful handling. Those financing needs are affected by events of the marketplace beyond the agencies' control. We have recently come through the most severe recession since the Depression of the 1930's. Some banks did not survive in that environment. Because of the unique method of financing of the banking agencies, however, extraordinary resources could be devoted, with a short lead time, to intensified supervision and rescue plans for troubled institutions. Corps of examiners and support personnel were transferred from one part of the country to another notwithstanding the impact upon projected budgets. As a result, public confidence in the banking system remains intact.

If the agencies had been forced to go to Congress for authority to expend funds in these unforeseen situations, significantly different consequences could have occurred. First, premature disclosure in appropriations hearings of contemplated problems could have led to runs on the banks and the impossibility of salvaging resources. In effect, staff projections by the bank regulatory agencies would become self-fulfilling prophecies. In addition, because of the procedures and delays involved in making supplemental appropriations requests, timely action might not have been possible at all. As it was, long, discreet, sometimes costly efforts by the banking agencies permitted rehabilitations and other orderly solutions. Even the failure of a few large institutions did not result in a dollar of depositor losses.

Bank examination is an extraordinarily people-intensive function. The 2,700 national bank examiners who make up our field forces daily critique the performance of management of the nation's largest and most sophisticated banks. Traditionally, and by any measure, bank examiners have performed that role well. However, the 60's and 70's have seen an enormous growth in the complexity and sophistication of our nation's financial institutions. Examination procedures and skills have not always kept pace. In recognition of the need to eliminate such lags, the Comptroller's Office, in 1974, commissioned the management consulting firm of Haskins & Sells to conduct a thorough review of Office procedures and practices. After a year-long study, the firm recommended revolutionary revisions of our examination procedures and

other fundamental changes designed to ensure that the quality of our examination keeps pace with the complexity of the institutions we regulate. Those improved procedures, which have received favorable comment from the GAO in its study of our Office, require examiners with highly-developed analytical and communications skills to deal directly with the highest levels of bank management of multibillion dollar banks. The study also concluded that maintaining an examination force with such capabilities can be done effectively only if the Office undertakes recruitment, training and compensation programs equal to the task. Such programs have been designed and approved by the Secretary of the Treasury.

The experience of state banking departments operating on appropriated funds or under other fiscal approval of the legislature is not reassuring. A study by the Conference of State Bank Supervisors concluded that 29 of 46 state banking departments which operate on appropriated funds or which must receive fiscal approval from the legislature conclude that their budgets are inadequate to support professional and effective examination programs. We believe that the demonstrated ability of the federal banking agencies to maintain a group of experienced, competent professionals is directly related to present budgetary flexibility. The present system has worked well. It should not be changed.

### **Safeguarding the Bank Regulatory System from Pressure**

The federal bank regulatory agencies have functions which are to some extent similar, and to some extent unique. All the agencies have bank examination and enforcement responsibilities. However, the Comptroller is the sole franchiser for federally chartered banking institutions, the FDIC is the insurer on which depositors rely in the event of insolvency, and the Federal Reserve conducts monetary policy, licenses foreign offices and regulates holding companies. That is a delicately balanced structure, the components of which must work together to work at all. Under the present structure, both the agencies and the Congress are well insulated against possibly improper constituent demands.

All three agencies share the sensitive bank examination function and, thus, possess unique access to private financial details on millions of Americans that are contained in the loan files of the nation's banks. Likewise, each of the agencies possesses extremely sensitive, and frequently controversial, enforcement responsibilities, including the power to issue and enforce cease and desist orders and to initiate the removal of officers and directors. Almost always, such individuals are among the most important leaders of their communities.

Similarly, OCC grants valuable franchises for new national banks and has responsibility for approving or denying applications for new branches, mergers and national bank security issues. Many, if not most, such matters involve serious financial consequences to the public and interested parties, and they are, therefore,



often contested. We are now able to make such decisions on the basis of professional, objective judgment, without consideration of possible future budgetary impact.

It is precisely a concern for maintaining the objectivity of the banking agencies in those matters that has prompted Congress to adopt various measures designed to ensure the independence of the agencies. Senator Burnet R. Maybank, as Chairman of the Senate Banking and Currency Committee, voiced the following concern, in 1950, opposing reorganization proposals which could conceivably have eroded the Comptroller's independence in franchising decisions:

The power of life and death over about 5,000 banks . . . would pass into other less independent hands. Likewise would pass the general supervision and examination of the banks with power to control and shape credit policies which could lead to political domination and control of the money and credit of this country . . . Political considerations are often demanding and the urge to exercise power hard to resist.

Similar concerns were expressed in 1947 by Senator Vandenberg in the course of a bipartisan effort to prevent requiring the FDIC to submit a budget annually to the Bureau of the Budget. (94 *Cong. Record* 10121) (1947). In the absence of the clearest evidence that other mechanisms for Congressional oversight of the operations of the banking agencies are insufficient, the objectivity resulting from the banking agencies not being subject to the appropriations process should not be abandoned.

### **Strengthening the Enforcement Powers of the Banking Agencies**

In the last Congress, this Office, together with the other banking agencies, proposed a strengthening of the agencies' supervisory authority over financial institutions and their affiliates. Those enforcement provisions, which were embodied in S. 2304 (94th Congress), were not enacted.

We again support legislation improving our enforcement powers. We particularly endorse Titles II and IV of the expanded substitute bill to S. 71 proposed to the Congress by the Federal Reserve Board, with some perfecting amendments of our own. Those amendments, detailed below, have been drafted after consultation with the staffs of the Federal Reserve Board and the FDIC.

We recommend incorporating civil money penalty assessment procedures in the model form recommended by the Administrative Conference of the United States. Unlike the procedure in S. 71 and the original Board proposal, which would allow a bank or person charged with a violation and assessed a penalty by a Federal banking agency to challenge that determination in a trial *de novo* in a U.S. district court, this proposal would provide for a *formal* administrative hearing at the request of the bank or person charged. The determination of the Administrative Law Judge at the hearing then would be subject to judicial review,

albeit more limited in scope than a trial *de novo*, in the U.S. Court of Appeals. We believe that this type of administrative assessment procedure would facilitate the use of the civil money penalties remedy and, thereby, make it much more effective than it otherwise would be were the agency required to undertake protracted litigation in the face of any challenge, no matter how frivolous.

We recommend that the imposition of civil money penalties be made applicable to violations of the National Bank Act in addition to violations of the Federal Reserve Act, the Bank Holding Company Act and the Federal Deposit Insurance Act. The deterrent effect of those penalties should be expanded to include some of the most important statutes which govern national banks, including 12 USC 84 (national bank lending limits) and 12 USC 82 (indebtedness of national banks).

We recommend defining "felony" in connection with section 401(f) of the Board's proposed bill which authorizes a federal banking agency to remove or suspend officers, directors or other individuals from participating in the affairs of a bank on the ground, *inter alia*, of commission of a felony involving dishonesty or breach of trust. As some states consider a number of crimes which would constitute felonies under federal law, only as "high misdemeanors," we propose defining "felony" as "a crime involving dishonesty or breach of trust and which is punishable by imprisonment for a term exceeding 1 year under state or federal law."

We recommend a change in connection with the anomalous situation under present law in which the suspension of an individual is terminated upon any disposal of an indictment, including disposal by conviction. Under current procedures, once a judgment of conviction is rendered, the suspended individual may participate in the affairs of the bank unless or until the appropriate banking agency is notified of the conviction and issues a second order permanently removing the individual. To correct that problem, we suggest an amendment giving the individual the opportunity to appear at a hearing before the appropriate agency on the issue of suspension or removal, while, at the same time, obviating the necessity of issuing a second order permanently removing a suspended individual upon conviction.

Finally, we recommend that our Office be permitted to schedule examinations of national banks in the most appropriate intervals, without the rigid requirement of present law that examinations of national banks be conducted twice each calendar year, with the right of the Comptroller to waive one examination every 2 years. That revision is identical to a recommendation (p. 4-9) made in the recent General Accounting Office report on federal supervision of state and national banks, and would give the Comptroller the same discretion now possessed by the Federal Reserve and the FDIC.

### **S. 73 — Prohibition of Management Interlocks**

Turning to S. 73, we believe that the limited prohibition against interlocks among management officials of

depository institutions in the same Standard Metropolitan Statistical Area (SMSA), or within 50 miles of each other, is appropriate and will help to strengthen public confidence in the nation's financial institutions. The bill, wisely, provides needed flexibility by permitting the Board to exempt interlocks which are in the public interest.

A reservation we have about the bill, and one that can be easily remedied by a simple deletion of a subsection, is the removal from the Clayton Act of the enforcement authority of the Federal Reserve Board. We urge that section 8(c), which makes that change, be struck from the bill.

#### **S. 895 — FDIC "Housekeeping" Bill**

In regard to S. 895, the FDIC "housekeeping" bill,

we do not have any objections. We do, however, urge the Committee to include employees of all federal bank regulatory agencies in section 7 of the bill which would amend 18 USC 1114 to make it a felony to kill or to otherwise harm or intimidate FDIC employees.

#### **S. 1433 — Restrictions on Subsequent Activities of Financial Regulatory Agency Officials**

Finally, we urge the Committee to consider S. 1433 in the context of the President's "Ethics in Government" program. The President's proposals deal comprehensively, on a government-wide basis, with issues of conflict of interest and in our view deal more thoroughly and equitably with the problem than does S. 1433.

### **Statement of Thomas W. Taylor, Associate Deputy Comptroller for Consumer Affairs, before the Consumer Affairs Subcommittee of the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C., July 11, 1977**

Thank you for this opportunity to present the views of the Comptroller of the Currency on the legislative proposals which are designed to simplify and clarify the Truth-in-Lending Act. As the agency responsible for enforcing that Act and Federal Reserve Regulation Z as they apply to national banks, our Office recognizes the need for sharpening the focus of the law to improve consumer understanding of basic loan information. We commend the Committee for undertaking the important task of perfecting this consumer legislation.

The Comptroller's Office has had considerable experience with administration of the Truth-in-Lending Act since its enactment. The Office has recently assigned a specially trained corps of national bank examiners to conduct consumer law compliance investigations of every national bank. As part of that new program we have committed substantial resources to examining for compliance with the requirements of Truth-in-Lending.

The results so far, in this particular regard, indicate too many instances of noncompliance with key provisions of the law, impairing the ability of consumers in some areas to shop in an informed way for credit.

However, clear breaches of legal duty can be corrected as they are discovered through regular enforcement mechanisms. We are concerned today about the technical noncompliance which may not impair the consumers' interest but greatly interferes with enforcement of the Truth-in-Lending laws, efficient bank examination and sound management of the nation's banks. Instances of technical noncompliance have run the gamut from failure to disclose the amount of loan proceeds, in contravention of the statute but in compliance with Federal Reserve Regulation Z, to inadequate disclosure of a security interest taken in automobile insurance premiums which were ruled to be "proceeds of the insurance policy" but not, as stated, "of the automobile."

A review of the litigation spawned by Truth-in-Lending reveals that comparatively few actions are brought against creditors for substantive violations of the Act. Rather, most involve issues not at all material to the consumer's ability to evaluate and compare credit terms. Creditors who attempt to comply scrupulously, as well as those who do not, must, unfortunately, without distinction be prepared to cope with costly lawsuits. Such a situation is intolerable and calls loudly for revision of the statutory requirements to accomplish a return to the original purposes of the Act.

#### **Simplification of Disclosures**

It is useful to examine the original intent of the drafters. As stated at the outset, the Truth-in-Lending Act was meant "to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available . . . and avoid the uninformed use of credit." In practice, however, events have not quite worked out that way. Some of the information currently disclosed under Regulation Z is of dubious value to the consumer. In exchange for marginal utility, those disclosures have been permitted to fuel the bulk of wasteful litigation which adds enormously to the cost of lawful compliance by creditors. Ironically, the additional information actually may serve to distract the consumer's attention from the core of disclosures which are of value in shopping for credit.

It is in that light that we endorse the approach of the staff of the Board of Governors of the Federal Reserve System (Board), as outlined in their proposed draft of May 24, 1977, limiting disclosure in closed-end transactions (exclusive of residential mortgages) to the amount financed, the finance charge, the schedule and total of payments, the annual percentage rate, and the deferred payment price (in the case of credit sales). However, we would expand the list of items to include late fees, security interests, prepayment penal-

ties and rebates, as these items also are important to comparison credit shopping.

The argument often is heard that disclosures, no matter how meaningful, are not actually used by consumers in obtaining the most favorable credit arrangements. The Committee may consider appropriate a requirement that each core disclosure be followed by a brief and simple explanation, as recommended by the Board staff in the sample form attached to its proposed draft, e.g., Finance Charge (this is the amount the credit is costing you).

### Provisions Ripe for Amendment

At this point I would like to comment upon several aspects of the law which should be reviewed as part of any serious inquiry into Truth-in-Lending simplification. In shopping for credit, consumers, out of necessity or convenience, rely heavily on information conveyed through telephone inquiries and printed and broadcast media. Consequently, we find it disturbing that even a cursory review of newspaper advertisements for loans, especially in connection with real estate, reveals widespread promotion of rates other than the annual percentage rate, with the APR disclosed in fine print. Although that practice is prohibited under existing law, it is likely to continue to frustrate the public because no civil remedy is available for violations of the advertising provisions of the Truth-in-Lending Act. Therefore, we suggest that the law be amended to require that the annual percentage rate (APR) be stated more conspicuously than any other rate in all advertising, including responses to oral inquiries by telephone or otherwise. Appropriate penalties for violations should be provided.

Currently, a number of charges are excludable from the finance charge if particular conditions are met. One of those charges, for optional insurance, is excludable if certain disclosures are made and the borrower indicates in writing that insurance is desired. Serious questions exist as to whether those charges really are optional, despite the fact that borrowers sign statements to that effect. Other charges involving costs associated with perfecting security interests are excludable from the finance charge as a matter of course. Because they constitute a basic part of the cost of credit, we believe that such charges should be reflected in the finance charge at all times. Moreover, the rules for exclusion are complex and, therefore, lead to confusion and increasing litigation.

The right of rescission was incorporated into the law to deal with a particular class of creditors involved in indirect sales of goods and services, frequently solicited and consummated at the borrower's residence. While we believe that right to be beneficial in connection with that type of transaction, we question the need for its extension to loan transactions conducted directly between a borrower and a financial institution. Typically, in the latter situation the borrower approaches the lender with the intent of obtaining credit. He or she is not caught unawares or in a weak moment and, therefore, needs no period to "cool off" or reassess the matter. Unless evidence of abuses in di-

rect loan transactions can be produced, we would advocate restriction of rescission rights to indirect paper and home solicitation sales only. In a related aspect, we also believe that a considerable amount of paper is wasted in providing a borrower with two copies of the notice of rescission rights when a single copy would serve the same purpose.

With respect to the avoidance of civil liability, section 130(b) of the Truth-in-Lending Act allows the creditor to notify the borrower and adjust the account within 15 days of discovering an error. That time period may be unrealistically brief for many large creditors and for problems involving a large class of borrowers. The Board staff has proposed that the law be amended to allow notification of borrowers within 30 days of discovery of an error. We support that proposal. Such a modification would not jeopardize consumer rights but would help to curtail court actions on failure to meet technical deadlines.

We also support the Board's proposal to clarify the meanings of "notice" and "discovery" with regard to the civil liability provisions. Those amendments will avoid the present uncertainty concerning application of the statutory language in cases where problems are discovered during the course of examinations conducted by regulatory agencies.

Under the current law, tolerances allowed in the quoting of the annual percentage rate are confusing and unfair. Section 107(c) of the Truth-in-Lending Act permits rounding of the disclosed APR to the nearest one-quarter of 1 percent. The Federal Reserve Board has taken the position that creditors either must disclose the precise APR or round to the nearest one-quarter of 1 percent. Thus, a creditor who chooses to disclose the exact rate is allowed no tolerance for error. As a simple solution to that problem, we suggest that the law be amended to allow a uniform tolerance of one-eighth of 1 percent, more or less, than the APR which a creditor discloses.

As I have mentioned, the Comptroller possesses substantial authority under present statutes for administrative enforcement of Truth-in-Lending requirements. Section 8 of the Federal Deposit Insurance Act permits the federal banking agencies to require banks "to take affirmative action to correct the conditions resulting from any . . . violation or practice." We use that authority to take any steps necessary, including the compulsion of reimbursement to customers, to insure full compliance by national banks. Unfortunately, we cannot ignore the prospect that that may embroil the Comptroller in costly and time-consuming litigation against recalcitrant banks. Clarification of the law to reaffirm that authority in express terms would eliminate the problem.

### S. 1312 — The Truth-in-Lending Simplification and Reform Act

I turn now to the specific legislative proposals before the Committee today — S. 1312, "The Truth-in-Lending Simplification and Reform Act," and S. 1501, "The Truth-in-Lending Simplification Act of 1977." I will concentrate my comments on those provisions in each

bill which especially interest the Office of the Comptroller of the Currency.

Section 2 of S. 1312, exempting agricultural credit, is a sensible amendment. We see no reason to afford greater protection to farmers than to other small businesses. S. 1501 shares that approach.

Section 3 of S. 1312, authorizing state authorities to enforce the Truth-in-Lending laws against all creditors, is not as welcome a change. The national banking laws provide for the thorough supervision and regulation of national banks by the Comptroller of the Currency. Crucial to that comprehensive scheme is the bank examination process embodied in 12 USC 481, *et seq.* Through the grant of exclusive visitorial powers under 12 USC 484, Congress has created a special working relationship between national banks and the Comptroller's Office. Our effectiveness in carrying out broad responsibilities concerning the National Banking System depends on our ability to maintain this high level of confidentiality and supervisory trust.

Ever since the creation of the National Banking System in 1863, Congress has always included, as part of the statutory provision for bank examinations, an express statement which limits the exercise of visitorial powers. Only once, when it established the Federal Reserve Board, has Congress elected to expand authority to conduct examinations of national banks, and that expansion was justified on the basis of "the close and intimate relationships" that would exist between Federal Reserve Banks and their member banks. Even then, the expressed concern about the potentially burdensome impact of additional examinations on national banks was apparently strong enough to make Federal Reserve examinations discretionary rather than mandatory.

We continue to perceive no need to upset the present division of enforcement authority so pivotal to the balance of the dual banking system. With state laws proliferating in the Truth-in-Lending field, it is easy to envision, under proposed section 3 of S. 1312 multiple enforcement efforts on the state and federal level which would cause agencies to work at cross-purposes, unduly encumber the operations of individual banks, and pose a serious threat to the maintenance of a stable and competitive National Banking System.

In requiring the banking agencies to direct banks to reimburse borrowers for creditor violations, section 4 of S. 1312 appears to fall short of explicitly reaffirming our present enforcement powers under section 8 of the Federal Deposit Insurance Act with respect to Truth-in-Lending. We also question the desirability of the companion provision requiring an agency to notify customers of the facts in the event a creditor refuses to reimburse. In order to minimize costs to the regulators, we think it would be more efficient to require such creditors to mail a proper notice to all affected accounts, as is now our practice.

Section 5 of S. 1312, through what appears to be a technical error, would provide a longer statute of limitations, applicable to actions brought for violation of Truth-in-Lending, only in states exempted from the re-

quirements of the federal statute. We would prefer that the new enforcement flexibility afforded by such an extension apply instead to violations uncovered by any of the regulators designated in section 4 of the bill.

We have additional difficulty with the blanket limitation section 5 would place on all actions against creditors brought more than 3 years from the date of the transaction. Without that restriction, borrowers who have entered into long-term contracts, such as 30-year mortgages, could bring suit for continuing overcharges for the duration of their loans. We doubt the wisdom of eliminating all limitations on civil actions, however, on the other hand, our experience has demonstrated that a borrower normally is not equipped to discover Truth-in-Lending violations and must rely on expert bank examiners or attorneys. Therefore, in the interest of fairness, we would suggest a 3-year limitation, measured, in the alternative, either from the date of the transaction or from the date of enactment of the amendment, whichever comes later. That approach would permit borrowers who now are repaying loans which were taken more than 3 years ago to sue creditors when notified, by a regulatory agency during the first 3 years the law is in effect, that violations have occurred.

Sections 11 and 12 of S. 1312 deal with default charges and security interests, respectively. We are pleased to note the improvements offered by S. 1312 in clarifying default charge disclosure and by the common approach of S. 1312 and S. 1501 in requiring only a simple statement that a security interest is taken.

Under S. 1312 all disclosures now required by the Truth-in-Lending Act would remain fundamentally intact. However, section 13 of the bill would attach civil liability only to a failure to disclose certain items. What results is that civil liability is eliminated for failure to disclose deferred payment price, a disclosure peculiar to credit sales. As civil liability is valuable principally as a spur to compliance, credit sale customers dealing with creditors who choose not to comply, in the absence of such a threat, will have difficulty in comparing the cost of a financed purchase with that of a cash transaction. For that reason, we are opposed to any limitation on civil liability which would remove coverage from any of the core items that I have described earlier in my statement.

The issues of set-off rights under Truth-in-Lending has been a matter of controversy since enactment of the statute. A number of courts have ruled that creditor violations may only be used offensively by aggrieved borrowers and not as grounds for recoupment or offset. Section 14 of S. 1312 would ratify the more widely held interpretation that set-off is permissible as a defense. As its sole weakness, that provision of the bill leaves open to question the applicability of the Truth-in-Lending Act statute of limitations to defensive use of claims for violations. We urge that that point be clarified to suspend operation of the statute in such cases.

Dissemination of annual percentage rates, as proposed in section 15 of S. 1312, is a concept which we endorse in principle. We would point out, however, that the concept poses practical problems of implementa-

tion. How should those rates be computed and how often? What categories of loans would be broken out?

We also are seriously troubled by the bill's coverage of "all creditors" in the most populous metropolitan areas across the nation. Section 15 would have the Federal Reserve Board undertake a herculean task in gathering and verifying the accuracy of such a vast range of data from unregulated, as well as regulated, businesses. We hope the Committee will devote careful attention to the practical import of that proposal in formulating a requirement which is useful and informative to the public.

### **S. 1501 — The Truth-in-Lending Simplification Act of 1977**

Focusing on S. 1501, we believe this bill offers a constructive approach to Truth-in-Lending simplification. As noted, section 2 pairs with section 2 of S. 1312 in exempting agricultural credit, but the provision in S. 1501 goes farther in its intent to exempt all consumer loans made by farm credit institutions. The language of that exemption, however, raises a question as to the true breadth of its scope when it speaks of "borrower-owned federal instrumentalities which extend credit under the supervision of an agency of the United States." For the sake of clarity, that provision should state specifically who is intended to be exempted from coverage of Truth-in-Lending.

Section 4 of S. 1501 heads in the wrong direction in its attempt to simplify Truth-in-Lending disclosures by eliminating the requirement under present law to itemize certain charges not included in the finance charge. Rather, we think these charges should be included in the finance charge. Earlier I stressed that fees relating to the filing of security interests, or insurance in lieu of such fees, are peculiar to credit sales and are very definitely a part of the cost of credit. If those charges are not included in the calculation of the finance charge, the consumer's ability to compare the cost of a cash purchase with a deferred payment sale will remain seriously impaired.

I have already discussed the problems created by the rules now governing disclosure of the annual percentage rate. Section 10(f) of S. 1501 would correct the shortcomings of the existing provisions by allowing disclosure within a tolerance of one-eighth of 1 percent of the actual APR.

Ostensibly to avoid forcing creditors to commit hypertechnical violations of the law, subsections (a), (d) and (g) of section 10 provide tolerances for the disclosed number of payments and the finance charge with regard to transactions payable in more than 120 installments. The presence of those provisions, which seem to be unjustified even under existing rounding principles, is apparently attributable to a faulty example incorporated into remarks in the *Congressional Record* of May 12, 1977. There it was explained that the large, 1 percent tolerance for such calculations is necessary to cope with the effects of rounding payments to the nearest penny. On the contrary, such minor deviations are well within current tolerances. For example, the 30-year, \$30,000 loan carrying a dis-

closed APR of 9 percent cited in the *Record* can legitimately be disclosed as 9 percent, even if payments are rounded to the nearest penny (\$241.39). Here the true APR would be only 9.000148942 percent. In fact, payments of as much as \$244.08 per month could be charged without the APR (9.124543188 percent) having to be disclosed at a level higher than 9 percent.

Eliminating civil liability for violations not material to the consumer's awareness of the cost of credit is a commendable idea. In practical terms, though, the question to be answered is which disclosures are important enough to trigger liability. Section 12 of S. 1501 would have liability turn on an *ex post facto* determination of exactly what information was most useful to the individual credit shopper. That provision, however, easily can be made more precise and workable once the core items, as suggested earlier, are settled upon. Thus, we would favor language imposing civil liability only for failure to disclose any terms which the statute expressly deems material to an intelligent comparison of credit offers.

The final provision of S. 1501, affecting the relation of the relevant federal statutes to state laws, appears to be a case of unintentional overkill. As it now reads, section 15 would preempt all state laws in the consumer credit area, thereby nullifying retail installment sales acts, small loan acts and all adaptations of the Uniform Consumer Credit Code. The Committee is well aware that those and similar state laws provide important substantive rights not at all duplicated by existing federal law. Therefore, we urge that the effect of section 15 be redesigned to pre-empt only state laws which attempt to deal specifically with matters pertaining to disclosure of credit cost information.

### **Consumer Education**

In closing, I want to reemphasize the interest of the Comptroller of the Currency in simplification of the Truth-in-Lending statutes and regulations. But we also recognize that no law, no matter how clear and salutary, can fully accomplish its purpose without those whom it is designed to protect having a fundamental awareness of their rights.

Without a comprehensive educational program, efforts to simplify and enhance enforcement of Truth-in-Lending requirements are largely futile gestures. Our experience continues to demonstrate that customers of national banks normally learn of their rights under any of the various consumer protection laws only when they contact us with specific complaints or default on their loans, leaving their attorneys to raise creditor violations as a defense. For that reason, we view education of the public as the most important challenge to the effectiveness of federal statutory protections. As a partial solution we now are preparing a consumer guide to national banks which will explain how consumers can use banking services to their best advantage and what legal rights they may exercise to protect their interests.

The ultimate solution cannot be wholly within the means of a bank regulatory agency. Although consumer education by federal agencies may not have

been contemplated at the time of enactment of the Truth-in-Lending Act or any of the other important consumer protection laws, we suggest to the Committee that the Education Division of the Department of Health, Education and Welfare (HEW) already possesses the necessary authority to develop a comprehensive program of this sort. Within its broad mandate, that division is responsible for providing professional and financial assistance to strengthen education in accordance with federal laws and regulations.

Some progress in that direction already has been made. In the latter half of 1976 the Office of Consumer

Affairs in HEW established the Interagency Consumer Education and Information Liaison (CEIL). Representatives from more than 50 government agencies, including our own, convene once a month to develop and disseminate information to our nation's schools and communities. The potential of this panel is apparent, but, whether through CEIL, the Education Division or some other vehicle, our Office is ready to support fully any efforts on behalf of consumer education in the financial area, and we pledge all facilities at our disposal in aid of producing an effective educational program.

## **Statement of John G. Heimann, Comptroller of the Currency, before the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C., September 16, 1977**

I am very pleased to be here today, Mr. Chairman, to discuss the important issue of the bank regulatory structure, specifically the proposals for change contained in S. 684 and S. 711. Although I have appeared previously before the Senate Banking Committee, this is my first appearance as Comptroller of the Currency. My experience as a state bank supervisor and now as the Comptroller gives me a unique opportunity to comment from a first-hand view of both the state and national bank systems.

As you know, I testified last year before this Committee on a bill similar to S. 684. I was then the Superintendent of Banks of the State of New York and I viewed the regulatory problems primarily from the vantage point of one who was acquainted with those problems at the state level. It was my opinion then, as state bank superintendent, and it continues to be now, as Comptroller, that the dual banking system is necessary for a competitive and healthy banking structure. Strong state banks and bank regulators are necessary for an effective dual banking system. In my prior appearance, I envisioned a change in the federal regulatory structure that would include a consolidated federal agency to supervise and regulate federally chartered financial institutions, with a strong FDIC taking a special role in helping to strengthen state supervisory efforts.

My present opinion on the agency consolidation question continues to be predicated on a strong dual banking system. That system would depend on state regulators who would have as adequate resources and firm commitments to effective regulation as the federal supervisors. A uniformly effective state system would provide the counterbalance to a consolidated agency for federally chartered financial institutions.

Unfortunately, a uniformly strong state system does not exist at the present time. Some states have regulatory structures which are comparable to federal agencies, but many do not. A healthy diversity in the financial system now exists because of the divided federal authority, not because of the strength of the state systems. If we are going to move toward an ideal, dual,

state/federal system, we must first improve the state system. Although that development can be advanced through FDIC support, it must also come from the commitment of the states themselves. I believe that a time will come when we can have a Federal Banking Commission regulating federally chartered institutions, but it is not yet here.

At this time, I believe the present structure is sufficiently effective to maintain the necessary diversity at the federal level which will preclude a monolithic and stultifying centralization, and will permit freedom of choice. Within the present structure, however, interim solutions include working through the recently established Interagency Supervisory Committee or creation of a new Federal Bank Examination Council to reconcile some of the problems which exist in regulation of financial institutions.

In explaining the reasons for my present position, I would like to present an overall view of the total U.S. financial system and its regulatory structure. I am aware that the literature and testimony on the subject is voluminous. I think, however, it would be helpful to present, in one document, a succinct description of the current financial regulatory system and the capital market within which it functions. Then we can evaluate advantages and deficiencies and consider the proposals which have been made to address the problem. Because of time limitations, I would like to submit that material for the record as a supplement to my statement and concentrate my remarks on the major problems which I perceive in the system.

The reality of the dual banking system in the United States is that state systems do not yet provide an effective alternative to the federal system. On one hand, the various federal agencies have thousands of examiners similarly trained and similarly paid with access to sophisticated staff support and the latest computer systems. On the other hand, states with well-structured, well-financed supervisory agencies exist side by side with other state agencies which are not comparably structured and financed.

The statistics put that inequality into stark relief. The

Comptroller's Office has 1,938 commercial bank examiners in the field examining 4,737 banks. On average, a field examiner handles \$301 million in domestic bank assets and 2.4 banks. The FDIC has 1,798 field examiners jointly responsible for 9,064 banks; on average, each examiner is responsible for \$204 million in domestic assets and 5 banks. The Federal Reserve Banks have 611 examiners jointly responsible for 1,029 banks, or \$294 million in domestic assets and 1.7 banks per examiner. Those differing numbers reflect the different types of banks administered by the three agencies. As a basis for comparison, the more simple depository institutions, credit unions, utilize 318 federal examiners who handle an average of 40 federally chartered institutions per examiner but only \$77 million of assets per examiner.

According to the Conference of State Bank Supervisors there are 1,918 state bank examiners who handle, jointly with the FDIC and the Federal Reserve Banks, 10,093 commercial banks with \$547 billion in domestic assets. Thus, there are 5.3 banks and \$285 million of assets per state examiner. But when we look at individual states, we see considerable disparities.

For example, in New York, there is less than one commercial bank and an average of \$490 million in assets per bank examiner. In Oklahoma there are 11 banks and only \$157 million in assets per examiner. In Florida, the dollar value per examiner is identical to Oklahoma, but there are only 5.6 state banks to each examiner. In Ohio, there are 5.9 banks to an examiner, but the examiner is responsible for an average of \$490 million in state bank deposits. Perhaps the disparity is due to the differing structures of state banks, but I am not sure that is the case.

To view the problem in another light, it is my firm belief that in reality there is one large capital market in the U.S. which is linked in various ways to an even larger international capital market. Commercial banks, regardless of type of charter or structure, compete for the public's savings with various types of other financial intermediaries — savings and loan associations, mutual savings banks, credit unions, insurance companies, consumer credit companies, public and private pension funds and the securities markets. Institutional specialization and varied legal environments prevent across-the-board competition. But competition really does exist among institutions.

On the liability side, banks and thrift institutions of various types all compete for the public's savings. Banks offer a greater variety of specialized accounts and, as a result, control 65 percent of all monies placed in depository institutions in the United States. That is down 2 percentage points from 1971; \$32 billion of potential growth lost to savings and loans or credit unions. Banks get the lion's share of corporate deposits because they offer demand deposits, but that business is the most vulnerable to the fine tuned efforts of modern corporations to hold minimal cash balances.

On the asset side, banks compete with all other types of financial institutions for their share of business. Thus, the 14,698 banks compete with the 473

mutual savings banks and 4,858 savings and loans for the public's home mortgages. They compete with credit unions and consumer credit companies for the public's installment paper. And they compete with the commercial paper firms for the short-term debt of major corporations. They must now compete with foreign banks for American business in the increasingly important international money market.

There is a single U.S. capital market with 42,637 depository institutions competing for their respective shares. Over \$1 trillion is in the U.S. commercial banking system — out of a total of \$1,612 billion in the domestic depository market. The figures are truly imposing. But, despite the strength of the banking system, savings and loan associations have grown 38 percent faster in the last 5 years than have banks, and credit unions, with their small part of the market, have grown even faster, 63 percent faster, in the same time period. Each of the financial institution regulators is responsible for a segment of that complex market, with the SEC also involved in enforcing disclosure laws for investors.

Although a more rational structure of regulation is desirable, what is eventually desirable may not be immediately possible. For example, there is a movement to broaden the powers of thrift institutions. I am in favor of that movement, provided we place all directly competitive institutions on the same basis. But, broadening the powers of thrifts, which possibly may result in a shift of resources to them, may diminish the power of the Federal Reserve Board to regulate the money supply. The financial structure of the United States is a vastly more complicated matter than the federal/state problem. There is a problem of segmented financial markets, each with its own special interests and its own dedicated supervision.

As discussed in the portion of the supplement to this statement dealing with various recommendations for regulatory structural change, experts have proposed different solutions to the problem of an imperfect system. Several noted authorities have proposed a centralized Federal Bank Commission, such as provided in S. 684. Some proposals, especially the Hunt Commission recommendations, have been more comprehensive by addressing the roles of the financial institutions, as well as the regulators, in an integrated capital market. Last year, I made a proposal for a strong Federal Bank Commission for federally chartered financial institutions, which would be counterbalanced by a strong FDIC and a vigorous state regulatory structure.

Although I continue to work for the ideal, I hope that the art of the possible will permit us to address immediately some of the pressing needs in that area. The Senate has taken a very important step in passing S. 71, and I hope that the House will complete action on a similar measure this year. Another important development has been this Committee's approval of the NOW account bill.

Much work is needed to make the state financial systems and regulatory structures uniformly more effective. I do not have any easy answers to give you today. I shall, however, use my position as a director of



the FDIC to help in developing new and improved measures to bring about the strengthening of the state system.

In addition, I would request Congressional consideration of legislation concerning the present regulatory structure of bank holding companies, which continues to present problems. That system, with divided authority between bank regulators and the Federal Reserve System, has not always worked smoothly. A bank holding company shares common identity and assets with its subsidiaries. However, the Comptroller has no authority to issue cease and desist orders, to approve or disapprove applications or to take other supervisory measures against a holding company, even if the only subsidiary of the holding company is a national bank. Divided responsibility between the supervisor of the bank and the holding company has led to problems.

Therefore, I recommend that the federal regulatory agency which is responsible for supervising the bank or banks which hold a majority of assets of a bank holding company also serve as the principal supervisor of that holding company. It is possible for a shifting of charters within a multi-bank holding company to result in undesirably frequent changes in regulators. To address that problem, I suggest that after the initial regulator has been determined by the majority of assets in a holding company, change of regulators would not occur unless two-thirds of the assets changed from one type of charter to another.

As I have previously stated, creation of a monolithic regulatory agency at the present time would be unwise. However, closer coordination among the financial regulatory agencies is desirable to resolve any uncertainties that might exist in the regulated industries, to share improvements in financial regulation and to standardize examining techniques.

One of the means of improved coordination is through the Interagency Supervisory Committee, established in February 1977, a subcommittee of the Interagency Coordinating Committee. Already, substantive progress has been made in the following areas:

1. Uniform bank rating system — There has been criticism, notably by the Government Accounting Office (GAO), because the three federal banking agencies utilize different approaches to the classification and monitoring of "problem banks." Progress is being made toward standardizing these approaches.
2. Shared national credits — In certain situations involving a loan in excess of \$20 million, a group of domestic banks may join in making the loan. Not all the members of the lending group may be banks supervised by the same federal banking agency. Under the terms of an agreement which already has been implemented, teams of examiners, representing the various agencies, inspect the lead banks and distribute their classification of the loan among the agencies. As part of a preliminary summary of the program's initial results, one agency has indicated a considerable savings of time on a recent examination of a large bank.

3. Uniform approach to nonaccrual loans — A uniform approach in defining nonaccrual loans and the application of that concept in the supervisory process were agreed upon by the subcommittee.
4. Uniform approach to concentrations of credit — A concentration of credit involves a group of loans to similarly situated individuals or companies by one bank. An interagency task force proposed a compromise definition of concentrations of credit for supervisory purposes which was adopted by the subcommittee. Implementation will take place via instructions to each agency's examining personnel.
5. Uniform trust department rating system — An interagency joint training session for senior trust examiners of the three agencies is planned for this year. In addition, an interagency task force will study the trust rating system and report when substantive results are achieved.
6. Consumer affairs — The subcommittee has agreed to pursue a uniform consumer examination manual, procedures and training. An initial interagency training session has already been held in that area.
7. International banking — Agencies have agreed to coordinate examinations of Edge Act corporations, foreign branches and foreign wholly-owned subsidiaries to achieve supervisory objectives more efficiently and effectively.
8. Restitution — The subcommittee has concluded that a uniform policy with respect to restitution of overcharges is desirable and should be pursued through the agencies' respective offices dealing with consumer matters.

If sufficient progress is not forthcoming on those and other matters of financial institution regulation and supervision, creation of a Federal Bank Examination Council would become more feasible. While S. 711 provides the framework for such an agency, the following changes in the bill would, in my opinion, improve its effectiveness.

The membership should be expanded to include representatives from other regulators of financial institutions such as the Federal Home Loan Bank Board and the National Credit Union Administration and state bank supervisory agencies. That recommendation was also made by the GAO.

The chair of the Council should rotate periodically among the Council members. That is another GAO recommendation.

The possibilities for experimentation inherent in the present system should be preserved by making it clear that the recommendations of the Council would not be binding on the agencies.

The GAO has presented an alternative which I consider to be satisfactory in the event that one agency does not consider a Council recommendation to be feasible. When a recommendation of the Council is found unacceptable by an agency, the agency must



submit to the Council, within a time period specified by the Council, a written statement of the reasons that the recommendation is not acceptable.

Again, I would like to thank you for this opportunity

to present my views. Let me assure you of my desire to work with you and this Committee on all matters concerning the improvement of the financial system and its regulators.

## Supplement to September 16 Statement by John G. Heimann

(In the interest of space, this is not a complete reproduction of the information submitted. It represents, however, the most significant portions. Complete data are available elsewhere. Item numbers have been altered to be consecutive.)

### General Functions and Responsibilities of Supervisory Agencies

#### Office of the Comptroller of the Currency

The Office of the Comptroller of the Currency (OCC) was established in 1863 as a bureau of the Treasury Department. It is headed by the Comptroller who is appointed by the President, with the advice and consent of the Senate, for a 5-year term. The OCC regulates national banks by its power to:

- Approve or deny applications for new charters, branches, capital, or other changes in corporate or banking structure;
- Examine the banks;
- Take various supervisory actions against banks which do not conform to laws and regulations or which otherwise engage in unsound banking practices, including removal of officers, negotiation of agreements to change existing bank practices, and issuance of cease-and-desist orders; and,
- Issue rules and regulations concerning banking practices, and governing bank lending and investment practices and corporate structure.

The OCC has divided the country into 14 geographical regions, each of which is headed by a regional administrator.

The Office is funded through assessments on the assets of national banks.

#### Federal Reserve System

The Federal Reserve System (FRS) was established in 1913. It is headed by a seven-member Board of Governors, each of whom is appointed by the President with the advice and consent of the Senate for a 14-year term. The President selects two Board members to serve 4-year terms as Chairman and Vice Chairman.

The Board establishes policies in the area of:

- Design and implementation of monetary (and foreign exchange rate) policy;
- Provision of a national funds transfer system;
- Provision of fiscal agent services to the federal government;
- Examination, supervision, and regulation of state member banks and bank holding companies; and,

- Approval or denial of applications for mergers and acquisitions by state member banks and bank holding companies.

The Board is aided in the formulation of monetary policy by the statutorily mandated Federal Open Market Committee, which consists of all seven Board members and the presidents of five Reserve Banks on a rotating basis. Implementation of policy decisions is carried out by the 12 District Federal Reserve Banks, each of which has operational authority within a specific geographical area. Each District Bank has a president and other officers, is under the general supervision of a nine-member board of directors and is an incorporated institution. The stock of the Banks is held by commercial banks that are members of the Federal Reserve System. All national banks must be members, and state-chartered banks may apply and be accepted for membership.

The funding for the District Banks is derived primarily from interest payments on federal government debt held by them. The funds for such investments are derived primarily from non-interest earning reserves which member banks are required to hold at the Reserve Banks. The District Banks pay assessments to the Board which are used to meet its expenses, with revenue in excess of expenses and dividends to stockholder-members paid to the U.S. Treasury.

#### Federal Deposit Insurance Corporation

The Federal Deposit Insurance Corporation (FDIC) was created in 1933 as the third federal bank regulatory agency. It is headed by a three-member Board of Directors, no more than two of whom may be of the same political party. Two of the Directors are appointed by the President with the advice and consent of the Senate for 6-year terms, and one of those two is elected by the Board to be Chairman. The Comptroller of the Currency is the third Board member and serves on the Board during his or her tenure as Comptroller.

The FDIC was established to provide:

- Deposit insurance for banks;
- Ongoing supervision of insured state banks (and mutual savings banks) that are not members of the Federal Reserve System; and,

- Services as receiver of all closed national banks and insured state-chartered banks, if appropriate.

Deposit insurance is provided through the maintenance of a fund which may be used for several purposes. It can cover deposits, up to the insured limit, in banks that have been closed; advance funds to facilitate a merger or absorption of a troubled bank; extend direct assistance to distressed banks through loans, purchases of assets, or deposits of funds; and maintain banking services in communities in which the failure of a bank has left inhabitants without such services, by establishing a "deposit insurance national bank."

The bank supervisory functions of the FDIC are shared with state and other federal authorities. All national banks and state banks that are members of the Federal Reserve System must be insured by the FDIC. The FDIC examines and supervises those banks under its purview that are not examined by the other federal regulators, approves or denies their applications for structural or corporate changes and rules on applications for insurance.

The FDIC has divided the country into 14 geographical regions, each of which is headed by a Regional Director. The Corporation is funded by assessments on average total deposits of insured banks.

#### **Federal Home Loan Bank Board**

The Federal Home Loan Bank Board (FHLBB) was established in 1932. It is headed by a bi-partisan three-member Board. Members of the Board are appointed by the President with the advice and consent of the Senate. Each member is appointed for a 4-year term. The Board is headed by a Chairman who is designated by the President. The Board regulates federally chartered savings and loan associations and supervises the Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation (FSLIC).

The Federal Home Loan Bank System is composed of 12 geographical districts, each of which has a District Federal Home Loan Bank. As with the Federal Reserve System, the District Banks are owned by their member institutions. In addition to federally chartered savings and loans, mutual savings banks and life in-

surance companies have applied and been accepted as members of the System.

Federal Home Loan Banks provide credit and other services to member institutions. District Banks have three sources of funds:

- Subscription to their stock by member associations;
- Sale of consolidated obligations; and,
- Deposits by members.

The FSLIC, under supervision of the Board, insures individual accounts. All federally chartered savings and loan associations must be insured, and state-chartered institutions may apply and be accepted for insurance.

The FHLBB is funded by assessments on District Banks and the FSLIC, and by fees charged to the institutions it examines.

#### **National Credit Union Administration**

The National Credit Union Administration (NCUA) was created in 1970 to charter, examine, supervise and provide insurance for all federal credit unions and those state-chartered credit unions which apply and are accepted for insurance.

The NCUA is headed by a seven-member Board appointed by the President with the advice and consent of the Senate, for 6-year terms. The Board consists of a Chairman, named by the President, and one member from each of the six regions.

Major responsibilities of the NCUA are:

- Chartering federal credit unions;
- Supervising federal credit unions;
- Examining federal credit unions;
- Providing administrative services for federal credit unions; and,
- Administering the National Credit Union Share Insurance Fund (NCUSIF).

The NCUSIF is the insurance fund for federal credit unions and other credit unions that apply and are accepted for insurance, much like the FDIC or the FSLIC programs.

The NCUA is financed solely by funds received from federal credit unions for services performed.

## **Description of the Depository Institutions**

### **Statistical Profile of Depository Institutions, 1971 and 1976**

Tables 1 through 4 show the relative size of the significant categories of depository institutions for year-end 1971 and 1976 and present annual rates of growth over that 5-year period. Figures are presented for the number of branches, number of institutions and total assets of commercial banks, mutual savings banks, savings and loan associations and credit unions, according to primary regulator. Also, for each of the year-end tables, the proportion of the total for all

depository institutions, excluding credit unions, is given. Credit unions were excluded from that computation because their very large number but relatively insignificant assets would have made comparison with the larger depository institutions difficult.

Commercial banks, holding \$1,040 billion of a total of \$1,612 billion in domestic assets, remain the most significant category of depository institutions. However, that 66.4 percent share of the assets of all banks and savings and loans is a decrease from the 68.6 percent share they held just 5 years earlier. In addi-

tion, FRB member banks have seen their share of the total market decline even more. National banks and state member banks combined held 54.5 percent of the assets of all major depository institutions at the end of 1971, but that share had decreased to 49.6 percent by the end of 1976. That sharp drop was only partially offset by an increase in the share held by state non-member banks, both FDIC-insured and other, from 14.1 to 16.8 percent.

The decline in the relative importance of commercial banks has been caused primarily by the very rapid growth of savings and loan associations. During the 5-year period, total savings and loan assets grew at an annual rate of 13.73 percent, compared to 9.98 percent for all commercial banks and 8.52 percent for mutual savings banks. That rapid growth in assets was accompanied by an even greater growth in the average size of savings and loans and reflected, in part, the FHLBB's liberal branching policy. Although the actual number of savings and loans declined, the number of branches operated by savings and loans de-

clined, the number of branches operated by savings and loans increased at an annual rate of 19 percent, much higher than the corresponding rate of 6.1 percent for commercial banks and 11.7 percent for mutual savings banks. Indeed, federally chartered savings and loans, which are solely under the supervision of the FHLBB, increased their branches at an annual rate of 25.1 percent. As a result, savings and loans increased their total share of assets from 21.9 to 25 percent, and their share of branches from 16.8 to 26.1 percent, at the same time that their share of number of institutions dropped from 27.7 to 24.2 percent.

Only credit unions, which have not been included in the aggregate figures, grew at a more rapid rate. Their assets increased at an annual rate of 16.25 percent over the last 5 years, and reached \$45 billion at the end of 1976. However, their average size remains small and their number has declined only slightly, to 22,608, which is more than the total number of commercial banks, mutual savings banks and savings and loan associations.

**Table 1**  
**Depository Institutions in the United States, December 31, 1971**

<i>Type of institution</i>	<i>Branches</i>	<i>Percent of all banks and S&amp;L's</i>	<i>Number</i>	<i>Percent of all banks and S&amp;L's</i>	<i>Assets (millions)</i>	<i>Percent of all banks and S&amp;L's</i>
Commercial Banks:						
FDIC Insured —						
National .....	13,322	23.2	4,600	45.1	\$378,104	40.1
State Fed Member .....	3,821	5.7	1,128	12.9	135,517	14.4
State Nonmember .....	6,163	39.9	7,884	20.9	126,282	13.4
Total FDIC Insured .....	23,306	68.8	13,612	78.9	639,903	67.9
State non-FDIC Insured .....	64	1.0	192	0.2	6,380	0.7
Total Commercial Banks .....	23,370	69.8	13,804	79.1	646,283	68.6
Mutual Savings Banks:						
FDIC Insured .....	984	1.7	327	0.7	77,892	8.3
Non-FDIC Insured .....	212	0.8	163	3.4	11,681	1.2
Total Mutual Savings Banks .....	1,196	2.5	490	4.1	89,573	9.5
Savings and Loan Associations:						
FHLBB Members —						
Federal S&L's (FSLIC Insured) .....	1,998	10.4	2,049	6.7	114,229	12.1
State FSLIC Insured S&L's .....	2,032	11.2	2,222	6.9	85,755	9.1
Total FHLBB Members .....	4,030	21.6	4,271	13.6	199,984	21.2
State non-FSLIC Insured S&L's .....	931	6.1	1,203	3.2	6,039	0.7
Total Savings and Loan Associations .....	4,961	27.7	5,474	16.8	206,023	21.9
Total Commercial Banks, Mutual Savings Banks and S&L's .....	29,527	100.0	19,768	100.0	941,879	100.0
Credit Unions:						
Federally Insured CU's (NCUA) —						
Federal CU's .....			12,717		10,553	
Federally Insured State CU's .....			793		1,955	
Total Federally Insured CU's .....			13,510		12,508	
State non-Federally Insured CU's .....			9,774		8,626	
Total Credit Unions .....			23,284		21,134	
Total Depository Institutions .....			43,052		\$963,013	

Note: Includes depository institutions in Puerto Rico and U.S. Trust Territories; foreign assets are excluded.

**Table 2**  
**Depository Institutions in the United States, December 31, 1976**

<i>Type of institution</i>	<i>Branches</i>	<i>Percent of all banks and S&amp;L's</i>	<i>Number</i>	<i>Percent of all banks and S&amp;L's</i>	<i>Assets (millions)</i>	<i>Percent of all banks and S&amp;L's</i>
Commercial Banks:						
FDIC Insured —						
National.....	16,723	36.9	4,737	23.7	\$ 586,989	37.5
State Fed Member.....	4,672	10.3	1,023	5.1	189,574	12.1
State Nonmember.....	9,927	21.9	8,651	43.2	234,766	15.0
Total FDIC Insured.....	31,322	69.1	14,411	72.0	1,011,329	64.6
State non-FDIC Insured.....	82	0.2	287	1.4	28,761	1.8
Total Commercial Banks.....	31,404	69.3	14,698	73.4	1,040,090	66.4
Mutual Savings Banks:						
FDIC Insured.....	1,796	4.0	329	1.7	120,840	7.7
Non-FDIC Insured.....	284	0.6	144	0.7	13,980	0.9
Total Mutual Savings Banks.....	2,080	4.6	473	2.4	134,820	8.6
Savings and Loan Associations:						
FHLBB Members —						
Federal S&L's (FSLIC Insured).....	6,125	13.5	2,020	10.1	225,763	14.4
State FSLIC Insured S&L's.....	4,939	10.9	2,023	10.1	157,409	10.0
Total FHLBB Members.....	11,064	24.4	4,043	20.2	383,172	24.4
State non-FSLIC Insured S&L's.....	779	1.7	815	4.0	8,827	0.6
Total Savings and Loan Associations.....	11,843	26.1	4,858	24.2	391,999	25.0
Total Commercial Banks, Mutual Savings Banks and S&L's.....	45,327	100.0	20,029	100.0	1,566,909	100.0
Credit Unions:						
Federally Insured CU's (NCUA) —						
Federal CU's.....			12,757		24,396	
Federally Insured State CU's.....			3,519		10,700	
Total Federally Insured CU's.....			16,276		35,096	
State non-Federally Insured CU's.....			6,332		9,765	
Total Credit Unions.....			22,608		44,861	
Total Depository Institutions.....			42,637		\$1,611,770	

Note: Includes depository institutions in Puerto Rico and U.S. Trust Territories; foreign assets are excluded.

**Table 3**  
**Growth of Depository Institutions in the United States, 1971 to 1976**  
**(Percent Annual Increase)**

<u>Type of institution</u>	<u>Branches</u>	<u>Banks</u>	<u>Assets</u>
Commercial Banks:			
FDIC Insured —			
National .....	4.65	0.59	9.20
State Fed Member .....	4.10	(1.94)	6.94
State Nonmember .....	10.00	1.87	13.20
Total FDIC Insured .....	6.09	1.15	9.59
State non-FDIC Insured .....	5.08	8.37	35.14
Total Commercial Banks .....	6.09	1.26	9.98
Mutual Savings Banks:			
FDIC Insured .....	12.79	0.12	9.18
Non-FDIC Insured .....	6.02	(2.45)	3.66
Total Mutual Savings Banks .....	11.70	(0.70)	8.52
Savings and Loan Associations:			
FHLBB Members —			
Federal S&L's (FSLIC Insured) .....	25.11	(0.28)	14.60
State FSLIC Insured S&L's .....	19.44	(1.86)	12.92
Total FHLBB Members .....	22.38	(1.09)	13.89
State non-FSLIC Insured S&L's .....	(3.50)	(7.49)	7.89
Total Savings and Loan Associations .....	19.01	(2.36)	13.73
Total Commercial Banks, Mutual Savings Banks and S&L's .....	8.95	0.26	10.72
Credit Unions:			
Federally Insured CU's (NCUA) —			
Federal CU's .....		0.06	18.25
Federally Insured State CU's .....		34.72	40.49
Total Federally Insured CU's .....		3.80	22.92
State non-Federally Insured CU's .....		(8.32)	2.51
Total Credit Unions .....		(0.59)	16.25
Total Depository Institutions .....		(0.19)	10.85

Table 4

Commercial Banks, Mutual Savings Banks and Savings and Loan Associations Including Foreign Operations of Commercial Banks, December 31, 1976

<i>Type of institution</i>	<i>Number</i>	<i>Percent of all banks and S&amp;L's</i>	<i>Foreign and domestic assets (millions)</i>	<i>Percent of all banks and S&amp;L's</i>
Commercial Banks:				
FDIC Insured —				
National .....	4,737	23.7	\$ 704,329	40.5
State Fed Member .....	1,023	5.1	242,330	13.9
State Nonmember .....	8,651	43.2	235,849	13.6
Total FDIC Insured .....	14,411	72.0	1,182,508	68.0
State non-FDIC Insured .....	287	1.4	28,644	1.7
Total Commercial Banks .....	14,698	73.4	1,211,152	69.7
Mutual Savings Banks:				
FDIC Insured .....	329	1.7	120,840	7.0
Non-FDIC Insured .....	144	0.7	13,980	0.8
Total Mutual Savings Banks .....	473	2.4	134,820	7.8
Savings and Loan Associations:				
FHLBB Members —				
Federal S&L's (FSLIC Insured) .....	2,020	10.1	225,763	13.0
State FSLIC Insured S&L's .....	2,023	10.1	157,409	9.0
Total FHLBB Members .....	4,043	20.2	383,172	22.0
State non-FSLIC Insured S&L's .....	815	4.0	8,827	0.5
Total Savings and Loan Associations .....	4,858	24.2	391,999	22.5
Total Banks and Savings and Loan Associations .....	20,029	100.0	\$1,737,971	100.0

Note: Foreign assets of commercial banks include holdings of foreign branches and Edge Act and Agreement Corporations in the U.S.

### Commercial Banking

Commercial banks constitute the major form of financial intermediary in the United States. The 14,698 commercial banks control approximately two-thirds of all depository institution assets. They perform their intermediary function by accepting deposits of households, businesses and governments and lending them back to the same group and to foreigners. The two major liabilities of commercial banks are demand deposits (those subject to checking) and time deposits (those which are deposited at interest and are not withdrawable prior to 30 days or more after deposit).

In providing funds for the borrowing public, banks provide a wide list of varied services. They provide short-term credit to both households and businesses, much of which is in the form of installment credit. Further, commercial banks purchase as assets various types of securities, primarily issued by various governmental bodies both federal and state and local governments. Although they provide many long-term loans, commercial banks typically prefer to maintain an average shorter maturity on their assets to coincide with the shorter maturity of their liabilities. Commercial banks provide long-term and mortgage loans to both households, businesses and governments, but that does not represent a major proportion of their assets.

In order to expand their services, banks have developed, in recent years, highly specialized forms of lending via equipment lease financing, mortgage backed bonds, credit cards and other specialized forms of credit. In addition to their lending and depository functions, many banks offer trust services. Those banks act

as fiduciary agents for individuals, corporations and governments to provide investment services, estate management, pension management and all other forms of financial management which require a fiduciary relationship.

Because of the increasing importance of the United States as the major power in international commerce and finance, approximately 150 large American banks have expanded overseas.

### Savings & Loan Associations

The next most numerous depository institutions in the United States are the savings and loan associations. There are 4,858 such associations that control approximately 24 percent of all depository assets in the United States. Traditionally, the role of the savings and loan is to provide a safe place for community savings at interest and to use those funds to provide individual home mortgage credit based upon the collateral of family housing. In recent years, savings and loans have increased their functions so that they provide funds for all forms of real estate development, home improvement loans, trailers, education loans, and, in the case of some state associations, general consumer credit. The structure of the savings and loan industry is such that approximately 20 percent of industry assets is controlled by stock companies. The balance is in mutual organizations.

In the three great credit crises over the last decade, the savings and loan industry has experienced serious problems of disintermediation — the process of investors removing funds from institutions at legally fixed

rates of interest to take advantage of money market instruments at free market rates. The general thinking of both the industry and the government has been that the process of disintermediation could only be prevented by allowing the asset structure and the liability structure of the industry to become more varied. Thus, there have been several attempts, legislatively, to give the industry broader lending powers and a greater variety of deposit accounts to offer to their depositors. Savings and loans also are the direct beneficiaries of Federal Reserve Regulation Q which guarantees that they may pay one-quarter percent more on all forms of interest-bearing deposits than commercial banks.

### **Mutual Savings Banks**

There are 473 mutual savings banks controlling approximately 8.5 percent of all assets in depository institutions. Mutual savings banks are concentrated most heavily in the northeastern part of the United States. These savings institutions pre-date the organization of the savings and loan industry. As savings banks, they were early promoters of small public deposits, not subject to check, on which interest was paid. While mutual savings banks are heavy providers of funds for mortgages, typically their portfolios of assets are much more varied than those of savings and loans. They do provide credit through the purchase of state and local bonds and are

empowered, in most states, to provide many of the same credit services as commercial banks. Mutual savings banks are among the leaders of a program to provide more varied services to the public. They pioneered the introduction of NOW accounts and a more varied approach to lending. In the New England area, many mutual savings banks are the owners of allied commercial banks, often domiciled in the same building.

### **Credit Unions**

A fourth form of depository institution is the credit union. There are 22,608 credit unions holding \$45 billion in assets, approximately 3 percent of total assets in depository institutions. Credit unions are typically organized in a very simple manner. There is, invariably, a common thread between the depositors. Usually they are fellow-employees or union members who organize themselves to provide a common pool of credit. Usually, office space and, often, the clerical help are provided *gratis* by an employer. Almost all credit unions have, as a common practice, a rule that they lend only to depositors in the association. The majority of their credits are in the form of installment credit which rarely matures in more than 5 years. Recently, credit unions have expanded their activities to provide mortgage credit and to provide, experimentally, share draft accounts to deposit members.

## **Significant Aspects of the Financial Regulatory System**

A review of the significant functions performed by the financial regulatory agencies is helpful in evaluating the present condition of the financial regulatory system and determining its strengths and deficiencies.

The present financial system is defined by the vast body of laws, regulations and practices that have developed over the past 100 years. Different types of financial institutions have developed in response to market forces, specialized needs and governmental intervention in the market process designed to accomplish a particular national goal. As a consequence, the institutions developed specialties and the regulators have become as specialized as the institutions they regulate.

### **Examination by Federal Authorities**

There are 42,635 depository institutions in the United States which run the gamut from giant New York banks with numerous foreign and domestic branches to municipal employees' credit unions in Kansas. All of those financial intermediaries are conduits for the flow of savings from households, businesses, and government to the users of such funds.

The financial history of the United States has revealed the vulnerability of financial institutions. As a result, our law, both state and federal, has mandated that such institutions be subject to examination and oversight by governmental authorities and that they operate in the public interest.

The five major federal agencies which examine depository institutions employ approximately 5,600

commissioned and non-commissioned examining personnel. That total does not include headquarters personnel who are commissioned or noncommissioned examiners (totalling approximately 400 people). That is not an official census, and the numbers are not as of a coincidental date, but a number of 6,000 examiners is accurate within 2 percent. As a rough guide, that means there is one federal examiner for every seven depository institutions. When the approximate number of state examiners is added, that proportion drops to five institutions per examiner.

Examination of financial institutions has become a very specialized profession, with most federal agencies now having specialists in electronic data systems, international, trust and consumer examinations. The myriad types of examinations are so complex that it has been estimated that the Office of the Comptroller of the Currency, although the present statutory requirement is for approximately 7,100 bank examinations annually, actually performs at least 26,000 examinations annually. That includes all consumer, EDP, international and trust examinations as well as all charter and branch investigations, all special visitations, and the bank-by-bank NBSS reviews performed by examiners. The other Federal agencies could develop similar statistics to show the incredible workload for supervising the nation's financial system. The last annual report of the Federal Home Loan Bank Board complains of the increasing load on its examiners and the difficulty of maintaining its examination cycle with its present work force.

The only agency that publishes any statistics regarding cost effectiveness of examinations is the Federal Home Loan Bank Board. In its annual report of 1976, the FHLBB demonstrates conclusively that the cost of examination per million dollars of savings and loan assets drops dramatically as the size of the institution increases. It takes only 14 percent as much time per million dollars of assets to examine the largest savings and loan as to examine associations with less than \$25 million in assets.

The Comptroller of the Currency's Office has undertaken a similar internal study of examiner productivity. It must be understood that a bank is a much more complex bundle of assets than most savings and loans, but the relationship in examination is similar to that shown by the Federal Home Loan Bank Board. For national banks, examination of the largest banks (those with more than \$1 billion in assets) requires only 40 percent as much time per million dollars in assets as does examination of the smallest banks (those with less than \$25 million in assets.)

It is difficult to compare relative efficiencies of examinations by the Federal Reserve, the FDIC, the Federal Home Loan Banks, the OCC and the NCUA. There are enough small, but significant, differences to affect the cost of examination. For example, each Federal Reserve Bank hires its own examiners. Typically, those bank examiners are domiciled at the head office of the District Bank and they travel the total territory of the District. The Comptroller's productivity studies show that the farther the examiner has to travel, the more expensive the examination becomes. Other things being equal, examinations by the Fed would tend to be more expensive than those of the OCC. As previously pointed out, the cost of examination is primarily a function of the size of the institutions examined. Since the average size of Federal Reserve state member banks is larger than that of insured non-member state banks, the cost of an examination for the Fed would tend to be lower than that for the FDIC.

Considering the number and size of credit unions, the relative cost to examine credit unions would probably be the highest of any of the depository institutions. Yet, credit unions are the simplest in structure. The many functions which are performed in commercial examination of banks and the more complex savings and loan holding companies would tend to influence cost totals. Each supervisor has a special group of regulatees with differing characteristics.

### Enforcement Activities

The financial regulatory agencies deal with problems they uncover in the institutions they regulate with both formal and informal actions. Most of the time informal approaches, such as discussions between examiners and bank officers and directors and requests for periodic progress reports are sufficient to resolve the problems. When such actions are not successful or are not considered feasible, formal

enforcement actions are taken. Such actions typically take the form of written agreements and cease and desist orders. Extreme sanctions, although usually impractical because of their draconian nature, are possible — the Comptroller's revocation of the charter of a national bank, the cancellation of deposit insurance by the FDIC, or cancellation of membership in the Federal Reserve System by the Federal Reserve Board.

Each agency has its own personnel and set of procedures to administer enforcement actions. Thus, there are different approaches to enforcement according to the practices of the agencies and the nature of the problems. The Comptroller's Office, for example, considers its examining force to be responsible for solving most problems. As a back-up resource, however, there are special staffs in Washington (the National Bank Surveillance System, the Special Projects Division, and the Enforcement and Compliance Division in the Law Department). Other agencies also have specialized enforcement personnel.

The difference in approaches is illustrated by the Government Accounting Office study of the banking agencies (January 1977) which indicates that from 1971 through 1976 the following formal actions were taken:

	<u>Comptroller</u>	<u>Fed</u>	<u>FDIC</u>
Written Agreements	71	9	3
Cease and Desist Orders	20	9	67

The Comptroller's Office has previously supplied to the Congress, in testimony before the Senate Banking Committee, accounts of the formal actions taken by the Office against national banks from 1971 through 1976. (See *Annual Report of the Comptroller of the Currency*, 1976, pp. 211-214 and pp. 228-230 of this report.)

Because of the recent publicity in connection with the termination of formal agreements, it would be particularly useful to examine the different termination practices of the financial regulatory agencies.

The primary responsibility for monitoring compliance with agreements and orders on national banks is placed with the 14 regional administrators. They are responsible for initiating additional supervisory action when significant areas of noncompliance are discovered. An evaluation form on compliance is also sent to the Special Projects Division in Washington.

A decision to modify or terminate an agreement or order must be approved at three different levels within the Comptroller's Office. The modification or termination of agreements or cease and desist orders may originate either in a request from the involved national bank's board of directors to the regional administrator or in a letter from the regional administrator to the First Deputy Comptroller for Operations, with copies to the Special Projects Division and the Enforcement and Compliance Division stating that the bank has progressed to the point where modification or termination of the agreement or cease and desist order may be considered. Those two divisions evaluate the propriety of



the proposed modification or termination. Based on that evaluation, a joint recommendation is made to the First Deputy Comptroller on the appropriate disposition of the matter. At the direction of the First Deputy Comptroller, the Enforcement and Compliance Division prepares the documents necessary to terminate or modify the existing agreement or order.

The Federal Reserve System, in response to a request to modify or terminate a cease and desist order, typically conducts a special examination to determine if the request should be granted. The results of that examination are forwarded to the Division of Banking Supervision and Regulation in Washington which makes a recommendation to the Board for an ultimate decision. Modification and termination of formal written agreements are handled by the various Federal Reserve Banks, subject to the concurrence of the General Counsel and the Director of the Division of Banking Supervision and Regulation in Washington.

The FDIC initially handles requests for termination of cease and desist orders and formal written agreements through the appropriate regional office which makes a recommendation to the Director of the Division of Banking Supervision. That recommendation is sent to the Problem Bank Section of the Division of Banking Supervision and to the Enforcement and Compliance Section of the Legal Division for their review. A final joint recommendation is then made by the Associate General Counsel and the Director of the Division of Banking Supervision to the Board of Directors of the FDIC.

At the Federal Home Loan Bank Board, the termination process for cease and desist orders begins with a request from a regulated association to either the District Director for Examinations or the Supervisory Agent. The recommendation of that official is reviewed by the Office of General Counsel and the Office of Examinations and Supervision in Washington. The case is then submitted to the Federal Home Loan Bank Board for final determination. Supervisory agreements, relating to deficiencies in the federal insurance reserve requirement or in the net worth of a regulated association, can be entered into and terminated by the Supervisory Agent.

Finally, at the National Credit Union Administration, the regional office can make a recommendation to either the Assistant Administrator for Examination and Insurance or to the Administrator that a cease and desist order be terminated. The matter is then reviewed by the Office of Examination and Insurance and by the Office of the General Counsel. A joint recommendation is then made to the Administrator,

who has the final responsibility for terminating an order.

### **Bank Failures**

One of the major criteria for judging the effectiveness of the financial regulatory system is its ability to prevent bank failures. Even that measure is not without controversy, however. On one occasion, Wright Patman, who was known as a critic of banking and bank regulators, complained that the banking industry was not serving the public because there were not enough bank failures. Other observers have agreed that eliminating failures throughout all phases of economic cycles would severely reduce the amount of credit available to small businessmen, marginal neighborhoods and other borrowers who deserve credit. Nevertheless, financial regulatory agencies endeavor to limit failures with all the tools at their command.

The principal causes of bank failure are:

- Improper loans to officers, directors or owners or loans to out-of-territory borrowers.
- Defalcations, embezzlement or manipulation.
- Managerial weaknesses in loan portfolio management.

The Comptroller's Office, in testimony to the Senate Banking Committee on March 11, 1977, presented synopses of the causes of the eight national bank failures from 1972 to 1976. Imprudent and improper loans were at least contributory factors in all of those cases. (See pp. 231-234 of this report.)

Bank failures are not the entire story. Each year there are banks that become troubled but that do not fail because of the efforts of the bank regulators. Such banks are noted because of their examination reports or through special surveillance techniques set up by their regulators. For some troubled banks, the solution is merely for the regulator to supervise more stringently and to come to agreements with the bank demanding that deficiencies or weaknesses be corrected. Other banks that are in more imminent danger of failure are often rescued through regulators' efforts to arrange mergers, purchases or holding company acquisitions. (See Table 5.) Some decisions are made under emergency provisions of federal law and may be recognized as attempts to rescue potentially failing banks. Table 6 shows such transactions for the Comptroller's Office and the FDIC, eliminating those banks considered to be failures because they required disbursements from the FDIC.

Table 5

Deposits in Failed Banks Requiring Disbursements by the Federal Deposit Insurance Corporation,  
1960-1976

<i>Year</i>	<i>Banks</i>			<i>Deposits (thousands)</i>		
	<i>Total</i>	<i>Payoffs</i>	<i>Assumptions</i>	<i>Total</i>	<i>Payoffs</i>	<i>Assumptions</i>
1960	1	1	0	\$ 6,930	\$ 6,930	0
1961	5	5	0	8,936	8,936	0
1962	0	0	0	0	0	0
1963	2	2	0	23,444	23,444	0
1964	7	7	0	23,438	23,438	0
1965	5	3	2	43,861	42,889	\$972
1966	7	1	6	103,523	774	102,749
1967	4	4	0	10,878	10,878	0
1968	3	0	3	22,524	0	22,524
1969	9	4	5	40,134	9,012	31,122
1970	7	4	3	54,821	33,489	21,332
1971	6	5	1	132,152	74,605	57,547
1972	1	1	0	20,480	20,480	0
1973	6	3	3	971,296	25,795	945,501
1974	4	0	4	1,575,832	0	1,575,832
1975	13	3	10	339,630	39,958	299,672
1976	16	3	13	864,859	18,859	846,000

#### Failed Banks By Class of Bank, 1960-76

	<i>Total</i>	<i>Payoffs</i>	<i>Assumptions</i>
All Banks	96	46	50
National	22	12	10
State Member	7	3	4
Nonmember	67	31	36

**Table 6**

Mergers or Purchases and Assumptions Consummated to Prevent Probable Failures, Approved by the Comptroller of the Currency or the FDIC, 1970-1975\*

<i>Year</i>	<i>Banks</i>	<i>Approved by</i>	<i>Year</i>	<i>Banks</i>	<i>Approved by</i>
1970	Southland National Bank, Yucaipa, Calif. (Purchased by United States National Bank, San Diego)	OCC	1973	NONE	
	The First National Bank of Carlton, Minn. (Purchased by Carlton National Bank, an organizing bank)	OCC	1974	Groveland State Bank, Groveland, N.Y. (Merged into Marine Midland Bank, Rochester)	FDIC
				Beverly Hills National Bank, Beverly Hills, Calif. (Purchased by Wells Fargo National Bank, San Francisco)	OCC
1971	Industrial Bank and Trust Company, Everett, Mass. (Merged into Coolidge Bank and Trust, Watertown)	FDIC	1974	Eutaw Savings Bank of Baltimore, Md. (Purchased by Maryland National Bank, Baltimore)	OCC
	City National Bank of Russellville, Ala. (Purchased by The First National Bank of Russellville)	OCC		Citizens National Bank, Jackson, Miss. (Purchased by First Mississippi National Bank, Hattiesburg)	OCC
1972	Oroville State Bank, Oroville, Wash. (Purchased by The National Bank of Commerce of Seattle)	OCC	1975	Fifth Avenue Savings and Loan, New York, N.Y. (Purchased by Dry Dock Savings Bank, New York)	FDIC
	The First National Bank of Upland, Calif. (Purchased by Crocker National Bank, San Francisco)	OCC		Bank of Pontotoc, Miss. (Merged into The Peoples Bank and Trust, Tupelo)	FDIC
	Beverly Hills Fidelity Bank, Beverly Hills, Calif. (Purchased by United States National Bank of San Diego)	OCC		The First National Bank of Tucker, Ga. (Purchased by The National Bank of Georgia, Atlanta)	OCC
	North Mecklenburg Bank, Cornelius, N.C. (Merged into First Union Bank of North Carolina, Charlotte)	OCC			

\* Excludes cases in which there was disbursement from the FDIC.

## Bank Holding Companies

Under the Bank Holding Company Act of 1956 and the amended Bank Holding Company Act of 1970, the Federal Reserve System was granted primary jurisdiction over bank holding companies. Although the OCC has authority under 12 USC 481 to examine bank holding companies and most other entities affiliated with national banks (exceptions are state-chartered banks, foreign banks and Edge Act and Agreement corporations), the Federal Reserve Board regulates them, *i.e.*, issues cease and desist orders, approves or disapproves applications and assumes

other supervisory and regulatory responsibilities.

National banks held nearly two-thirds of the deposits reported by all holding company groups according to the latest Federal Reserve Board statistics. In addition, national banks accounted for over two-fifths of all banks affiliated with bank holding companies. Both of those figures are considerably higher than the corresponding comparisons between national banks and all commercial banks, and leave little room for doubt that national banks are the most important single element in the overall structure of bank holding companies (see Table 7).

**Table 7**  
Selected Banking Structure Statistics, U.S. National Summary, December 31, 1975

	Number in holding companies			Number not in holding companies	Total	Deposits (billions)		
	One bank	Multi- bank	Total			Banks in holding companies	Banks not in holding companies	Total
National Banks . . . . .	464	1,051	1,515	3,226	4,741	\$337.2	\$110.4	\$447.6
All banks . . . . .	1,410	2,264	3,674	10,959	14,633	527.5	259.0	786.5
National banks in class as a percent of class . . . . .	33%	46%	41%	29%	32%	64%	43%	57%
National banks in class as a percent of total . . . . .	3%	7%	10%	22%	32%	43%	14%	57%
All banks in class as a percent of total . . . . .	10%	15%	25%	75%	100%	67%	33%	100%

Source: Computed and compiled from data supplied by the Board of Governors of the Federal Reserve System, and from Table 104, *FDIC Annual Report, 1975*, with data adjusted to remove "other areas."

The national bank affiliates of holding companies play an equally significant role in the National Banking System, for one out of every three national banks is a member of a holding company group and, collectively, those banks hold three-fourths of the deposits of all national banks. Hence, there would seem no need to argue further that actions in the holding company field must be monitored closely by the OCC in its role as administrator of national banks.

On December 31, 1965, bank holding companies could hardly have been viewed as a major element in the American banking system. Multibank companies did control more than 50 percent of the deposits in a few states, but nationally they accounted for less than 7 percent of the offices and just over 8 percent of the deposits of all commercial banks. At the same time, only about 550 one-bank holding companies were known to exist. Most of those firms were relatively small and they were affiliated with comparatively small banks (average deposits under \$30 million). As a result, the deposits of all holding companies, multibank (\$28 billion) and one-bank (\$15 billion), amounted to less than \$43 billion, or 13 percent of the deposits of all U.S. commercial banks at the end of 1965.

During the following decade, the importance of the bank holding company in the financial system of this country changed radically. In just 10 years, the number of bank holding companies rose from about 600 (550 one-bank and 48 multibank) to over 1,700, and their deposits climbed from \$43 billion to more than \$527 billion. Thus, by year-end 1975, bank affiliates of holding companies accounted for nearly 50 percent of the offices and 67 percent of the deposits of all commercial banks in the nation (see Table 8).

National banks are the most important single class of affiliates of bank holding companies. They not only hold nearly two-thirds of all holding company bank deposits but also, nearly four out of every five multibank companies includes at least one national bank. National banks play a less significant role in numbers in one-bank holding companies, representing only about one out of every three bank affiliates of those firms. But, given the modest size of most of the one-bank systems (particularly those that do not have a national bank as the banking affiliate), despite their large numbers, they constitute only a relatively small proportion of the total resources of all holding company groups.

Table 8

Number of Bank Holding Companies, Subsidiary Banks, Total Deposits, and Deposits as a Percent of All Bank Deposits Year-end 1970-1975

<u>Year</u>	<u>Number of bank holding companies *</u>		<u>Number of subsidiary banks</u>	<u>Total deposits (billions)</u>	<u>Deposits as a percent of all commercial banks</u>
1970	1,473	N.A.	2,247	\$261.1	54.2%
1971		N.A.	2,420	297.0	55.3
1972	1,567	N.A.	2,720	379.4	61.5
1973	1,607	(1,533)	3,097	446.6	65.4
1974	1,752	(1,612)	3,462	509.7	68.1
1975	1,821	(1,708)	3,674	527.5	67.1
1976	1,912	(1,802)	3,791	553.6	66.0

\* The number on the left includes companies that are subsidiaries of other holding companies, while the figure in parentheses eliminates such double counting and reflects the actual number of holding company groups.

N.A.: Consistent data not available

Source: Computed and compiled from data supplied by the Board of Governors of the Federal Reserve System.

National banks affiliated with bank holding companies comprise a greater percentage of each deposit size class above \$25 million and a smaller percentage of each class below \$25 million than do all national banks. Thus, since national banks on the average are already considerably larger than state

banks, the dominant role of national banks in holding companies is understandable. The percentage breakdown in Table 9 provides some perspective regarding the relative sizes of national banks in holding companies in contrast to all national banks and insured state banks as of year-end 1975.

Table 9

Relative Sizes of National Banks in Holding Companies, Compared to all National Banks and Insured State Banks, Year-end 1975

<u>Size category</u>	<u>National banks affiliated with holding companies</u>	<u>National banks in size category as a percent of —</u>		
		<u>All national banks</u>	<u>All insured state banks</u>	<u>National banks in size class that are in holding companies</u>
Under \$10 million. ....	13%	22%	46%	19%
\$10 to 24.9 million. ....	26	35	33	24
\$25 to 49.9 million. ....	22	20	13	34
\$50 to 99.9 million. ....	16	11	5	45
\$100 to 499.9 million. ....	15	9	3	58
Over \$500 million. ....	7	3	1	90
Total. ....	100	100	100	32
Number of banks. ....	1,515	4,741		9,631

Source: Calculated from data supplied by the Board of Governors of the Federal Reserve System, and from Table 104, *FDIC Annual Report*, 1975, with data adjusted to remove "other areas."

From the viewpoint of the operations of the OCC, aggregate data are interesting, but perhaps more important is the regional distribution of the companies and their affiliated national banks. Table 10 gives a breakdown of the number of national banks in holding companies and their total deposits by OCC region.

The data in Table 10 reveal that national banks in bank holding companies hold more than one-half of the national bank deposits in each of the 14 OCC regions, ranging from a low of 53 percent in region 4 to a high of 97 percent in region 14. Region 3 has by far the smallest percentage of national banks in holding

companies; yet those few banks hold some 60 percent of the total deposits of national banks in the region.

The recommendation of recent Comptrollers of the Currency, and one with which I concur, is that bank holding companies be examined by the agency which is responsible for examining the preponderance of assets in the holding company. In order to determine the practical effect of such a change, Federal Reserve statistics on the individual bank holding companies as of mid-year 1976 were screened. All holding companies in the Federal Reserve report which held 15 banks or more in the holding company (39

Table 10

Summary of Deposits and Number of National Banks in Holding Companies by OCC Region,  
December 31, 1975

(Dollars in thousands)

Region - Headquarters	Number of national banks in holding companies			Total number of national banks		Total national bank deposits in holding companies	Total national bank deposits	
	One bank	Multi- bank	Total	Num- ber	Percent in holding companies		Amount	Percent in holding companies
1 - Boston .....	17	52	69	186	37	\$ 14,728,156	\$ 17,860,045	82
2 - New York .....	10	83	93	263	35	55,758,398	65,770,782	85
3 - Philadelphia .....	14	1	15	249	6	17,203,467	28,912,041	60
4 - Cleveland .....	17	67	84	419	20	17,178,803	32,144,442	53
5 - Richmond .....	17	59	76	293	26	18,039,629	26,140,361	69
6 - Atlanta .....	17	222	239	378	63	18,585,148	22,654,529	82
7 - Chicago .....	64	49	113	541	21	38,683,893	53,570,262	72
8 - Memphis .....	20	57	77	337	23	14,906,639	25,214,269	59
9 - Minneapolis .....	42	137	179	404	44	13,762,760	18,311,710	75
10 - Kansas City .....	125	81	206	504	41	13,673,644	19,096,758	72
11 - Dallas .....	61	111	172	778	22	25,715,264	38,632,995	67
12 - Denver .....	37	98	135	228	59	9,892,311	14,295,477	69
13 - Portland .....	14	28	42	98	43	13,638,968	17,381,396	78
14 - San Francisco .....	9	6	15	63	24	65,418,569	67,604,511	97
Total United States .....	464	1,051	1,515	4,741	32	337,205,649	447,589,578	75

Source: Calculated from data supplied by the Board of Governors of the Federal Reserve System and *Assets and Liabilities - Commercial and Mutual Savings Banks*, December 31, 1975, published by the FDIC.

companies) were selected. Rather interestingly, only one bank holding company of that group, Michigan National, was a totally one-way system. All of its 15 subsidiaries were national banks. All the other 38 holding companies studied were mixed.

Of the holding companies selected, six holding companies could switch from one supervisor to another as a result of either a change in size of a subsidiary bank or by a change of charters. For example, Western Bank Corp. had 49 percent of its assets in national banks and a few national banks switching to state charters could tip the control under the proposed system to the Federal Reserve, since the preponderance of assets would then be in state member banks. The Ellis Banking Corporation of Florida has a slight preponderance of state non-member banks and a few charter switches there could also cause a switch. Of the 39 bank holding companies selected, 32 show either a majority or a plurality of bank assets in national banks.

Prior to the implementation of the new commercial examination procedures, the OCC had no national policy with respect to the examination of bank holding companies. No written or uniform policy existed in the regions, and philosophy and approach among regional administrators concerning examinations ranged from blanket coverage to indifference.

With the implementation of the new examination procedures, written guidelines and procedures for examining holding companies were established. Minimum standards were specified and if, in the

performance of the financial analysis and review of transactions among affiliates, the full nature and extent of interaction between the bank and its related organizations cannot be determined, the examiner must consider the necessity of an in-depth examination of the related organizations. The examiner-in-charge should confer with the regional administrator before undertaking such an examination. Guidelines and procedures are also in place for the subsequent in-depth examination of parent companies and related organizations. (See "Related Organizations" in the *Comptroller's Handbook for National Bank Examiners*.)

In 1970, the Federal Reserve was still debating its appropriate role as supervisor and regulator of bank holding companies. The debate centered around corporate structure issues — should parent companies and non-bank subsidiaries be viewed as banks and subject to banking-type regulations and review, or should their structure be viewed as separate from that of the affiliated bank(s)? On-site examinations were virtually nonexistent and no stated policies or guidelines were in place for monitoring holding company activities.

The Beverly Hills Fidelity Bank case in 1972 and certain other events which occurred during 1972-73 began to resolve the debate for the Federal Reserve (Fed). The link between an affiliated bank, its parent company and non-bank subsidiaries was established and the Fed began expanding its supervisory efforts.

As an interim step, the Fed began on-site

examinations of holding companies on a priority basis. Those that evidenced some problem — either from financial review or affiliated bank examinations — would be examined first. All holding companies were to be “inspected” or “visited” at least once every 3 years.

In 1976 the Board of Governors’ Division of Banking Supervision and Regulation was reorganized “to provide for expanded and more effective staff surveillance of bank holding companies, particularly those with problems.” On January 20, 1976, the Board sent out written guidelines for on-premises visits or inspections of operations and condition of all parent companies and significant non-bank subsidiaries.

The Bank Holding Company Annual Report (FR Y-8) and the Bank Holding Company Financial Supplement (FR Y-6) were revised during 1976 to strengthen their use for monitoring and supervisory purposes. In particular, the FR Y-6 supplement was modified “to provide timely information in a form that will be used for quick monitoring of changes in financial condition of bank holding companies.”

During 1976, the Federal Reserve completed 395 on-site examinations, *i.e.*, approximately 22 percent of all holding companies were examined during 1976. Of those 395 on-site examinations, 276 were full examinations and 119 were visitations.

The OCC and the Federal Reserve System established written communication procedures

whereby prompt notification would be given to the appropriate regional offices of the respective agencies whenever deteriorating condition or questionable actions were revealed.

Informal agreements and satisfactory working relationships between OCC regional offices and Federal Reserve District Banks exist in some, but not all, regions. In general, communication between the agencies tends to be better in the OCC regions where regional headquarters and Federal Reserve District Banks are located in the same city.

In several OCC regions, the regional administrator would have to maintain a working relationship with two Federal Reserve District Banks. Three OCC regions overlap with three different Federal Reserve Districts. Coordination and communication, by nature of location, is more difficult in those regions.

#### Change of Regulators By Banks: the “Switching” Issue

It has been charged that one of the defects in the present regulatory system is that banks change from one regulator to another on the basis of leniency in regulation.

Table 11 sets forth the changes in regulatory status from 1970 to 1976. The most obvious conclusion from these figures is that the absolute number of changes is quite small. In 1970, the year with the heaviest activity of this sort, only 0.7 percent of the institutions changed status. Even that figure is inflated because it includes

**Table 11**  
**Banks Changing Regulatory Status, 1970-1976**

	Changes during:						
	1970	1971	1972	1973	1974	1975	1976
Changes within the Federal Reserve System:	6	3	8	8	7	2	3
National to state member . . . . .	—	—	1	—	—	1	1
State member to national . . . . .	6	3	7	8	7	1	2
Entries into the Federal Reserve System:	6	11	18	14	18	13	18
Uninsured to state member . . . . .	—	—	—	1	1	1	—
Uninsured to national . . . . .	1	—	—	1	—	—	—
Nonmember to state member . . . . .	—	4	6	4	9	4	10
Nonmember to national . . . . .	5	7	12	8	8	8	8
Exits from the Federal Reserve System:	77	41	58	49	48	42	46
National to nonmember . . . . .	39	21	22	21	20	10	23
State member to nonmember . . . . .	38	20	36	28	28	32	23
Uninsured to nonmember insured:	12	6	5	9	5	4	6
Insured mutual savings bank becomes non-member:	—	—	—	—	—	—	1
Noninsured mutual savings bank to insured:	—	—	—	—	—	12	3
Nonmember to uninsured:	—	—	—	—	—	—	1
Total changes:	101	61	89	80	78	73	78
Net change in the Federal Reserve System:	-71	-30	-40	-35	-30	-29	-28
Net change in national banks:	-27	-11	-4	-4	-5	-2	-14

Source: *FDIC Annual Reports*.

uninsured banks becoming insured, a change that is considered indispensable in today's banking climate.

Another conclusion is that recent exits from the National Banking System and the Federal Reserve System indicate that the cost of Federal Reserve membership, rather than regulatory policies or more liberal laws, weighed heavily in the change. That subject was discussed extensively in a letter of April 6, 1977, from the Acting Comptroller of the Currency to Chairman Proxmire.

### Innovations

One of the major advantages of our economic system is that business responds to the needs of the public through innovations dictated in the marketplace. Although the financial industry is so closely tied to the public interest that it cannot be left completely to market forces, there should always be maximum opportunity for innovation. There are grounds for skepticism about such opportunities in an industry with a single regulator, but it would be useful to examine some of the advances under a dispersed financial regulatory system.

The provision of capital to banks through the issuance of capital notes was first permitted by Comptroller of the Currency James J. Saxon in the early 1960's. In 1963, the Comptroller first authorized national banks to lease personal property to their customers. More recently, the Comptroller approved the Automatic Investment Service which permits persons of moderate incomes to invest systematically in common stocks. The Federal Home Loan Bank Board ushered in the EFTS era with approval of the "Hinky-Dinky" experiment in Nebraska. Those are only a few of the banking improvements authorized by the different agencies, but they are illustrative of alert regulators.

Innovations also occur in the regulatory process itself. While all agencies have contributed to advancement in the art of regulating, the following are some of the innovations initiated and implemented by the Office of the Comptroller of the Currency.

1. Examination procedures have been completely revised to meet the requirements of more sophisticated banking practices. Capital adequacy, liquidity, and management factors are more thoroughly and systematically examined than in the past and the results have been very satisfactory.
2. An "early warning system" (National Bank Surveillance System) has been instituted which will use computer data to alert the Office to potentially dangerous positions in particular banks or in the National Banking System as a whole before they would have become apparent by the examination process.
3. An internal performance audit group, acting as our internal Inspector General, continually monitors the performance of the Office.
4. A new Human Resources Division has been established to change the way the Office recruits, trains and rewards professional employees, the most important asset of the Office.
5. Examiners are now required to meet with the board of directors of each national bank at least once a year.
6. On August 11, 1977, Office procedures were revised to provide for the release and publication of interpretative letters issued by the staff so that staff interpretations will receive maximum distribution and be widely available to the public.

## Various Recommendations for Change

The diverse approaches to bank regulation and supervision, with their occasional lack of symmetry and consistency, have offended the sensibilities of some observers for many years. Recommendations for restructuring federal bank regulation can be traced back at least to 1919 and they continue to this day.

Of 23 distinct proposals that have been identified by the Government Accounting Office (GAO) in its study "The Debate On the Structure of Federal Regulation of Banks" (April 14, 1977), five would place all federal bank regulation in the Treasury Department, four would place all in the FDIC, three in the Federal Reserve System and seven in a federal bank commission. Four proposals would create other new agencies for financial regulation. Some of the suggestions involve savings and loan and credit union regulation, but most concern only commercial banking regulation.

Although the GAO study provides a good source for detailed discussions of the proposals, I would

especially cite the Hunt Commission proposal and the so-called "Wille Interim Proposal" as examples.

In 1971, the Hunt Commission recommended the establishment of a new agency, the Office of the Administrator of State Banks to examine and supervise state-chartered, insured commercial banks and mutual savings banks. The bank regulatory and supervisory functions of the Federal Reserve System and the FDIC would be transferred to that office. The Comptroller's Office would be renamed the Office of the National Bank Administrator and would be established as an agency independent of the Treasury Department, with the present powers of the Comptroller's Office to charter, examine and supervise federally-chartered commercial banks and would include mutual savings banks. A new agency, the Federal Deposit Guarantee Administration, would be established to incorporate the FDIC, the FSLIC and the insurance functions of the NCUA.

The Wille proposal would continue the bank



examination function of the Comptroller's Office. Bank examination and supervisory powers over state-insured banks would be combined in a new agency, the Federal Supervisor of State Banks, headed by a single administrator, as suggested by the Hunt Commission. The Comptroller would have authority to approve or deny non-bank acquisition by one-bank holding companies where the bank is a national bank and the supervisor of state banks would be given similar authority for state one-bank holding companies. A new five-member Federal Bank Board would include the Comptroller, the Supervisor of State Banks and a governor of the Federal Reserve Board as *ex officio* members. The Board would implement uniform national policy and regulation of commercial banks with specific responsibility in the following areas: (1) the federal deposit insurance program; (2) the bank

holding company powers presently vested in the Federal Reserve Board; and (3) bank acquisitions which presently fall under the Bank Merger Act. In addition, the Federal Banking Board would be given certain powers of oversight in the examination and supervision of insured banks.

It must be added that many scholarly articles and much congressional testimony support the present system as the best, albeit almost accidental, financial regulatory structure. Proponents of the present system point to the growth of the world's strongest banking system through recent severe recessionary periods as proof of their thesis. Most important, this is the system that Congress has chosen to retain despite the other schemes which have been recommended by prestigious individuals and organizations.

## **Statement of Thomas W. Taylor, Associate Deputy Comptroller of the Currency for Consumer Affairs, before the Consumer Affairs Subcommittee of the House Banking, Finance and Urban Affairs Committee, Washington, D.C., September 28, 1977**

I appreciate the opportunity to appear today to present testimony on H.R. 8753, amendments to the Consumer Credit Protection Act. As you know, the new Comptroller of the Currency, John G. Heimann, has been in office only a few weeks and time has not permitted full and thoughtful consideration of these complex issues. Moreover, it is the general view of the Administration that the adoption of legislation of this character is somewhat premature.

Financial institutions have been developing EFT systems and the state of the art continues to evolve rapidly. Recognizing that consumer interests should be protected in that environment, and in response to requests from national banks for guidance in such matters, the Comptroller's Office issued *EFTS Guidelines* in April 1976, in the absence of legislation. Those guidelines, which are currently being revised in light of new developments and further understanding of the matter, are intended to provide guidance in the areas of consumer rights and security. The use of guidelines and other administrative action by bank regulators provides a flexible tool to deal with a swiftly changing environment.

In my capacity as Associate Deputy Comptroller for Consumer Affairs I serve as the Comptroller's representative to the National Commission on Electronic Fund Transfers, but my views do not necessarily represent those of the Commission. As the Committee knows, the EFT Commission was created by Congress in 1974 to recommend appropriate administrative and legislative action in connection with the possible development of public or private electronic funds transfer (EFT) systems. The effect that EFT will have on the consumer and what safeguards will be required in the development of EFT systems have been central concerns of the Commission and will be a major part of

the Commission's final report, due near the end of October.

The work of the Commission's Consumer Committee (on which I serve as chairman) will address all the topics included in Title I of H.R. 8753, as well as other matters of consumer interest. In the Administration's view, Congress should have the benefit of the Commission's report and recommendations, and the extensive public discussion that will undoubtedly ensue, before enacting legislation in this area.

Accordingly, I am appearing before you as a government official who has substantial experience in this area but not to present the views of the Administration or the Office of the Comptroller of the Currency.

### **Title I — Electronic Funds Transfers**

Title I of H.R. 8753 would add a new Title VIII to the Consumer Credit Protection Act to govern electronic fund transfers. I support the basic concepts in Section 803, entitled Electronic Fund Transfer Agreements, which would permit purchase or transfer transactions only under EFT agreements and also provides that appropriate disclosures be made to the customer by the institution before an EFT agreement may be signed.

I intend to discuss certain rights and responsibilities connected with Section 803 disclosures, which are set forth in succeeding sections. However, I emphasize that whatever rights and responsibilities are adopted in the final bill should be disclosed clearly and meaningfully to the consumer prior to entering into an EFT agreement.

Section 806 concerns purchase transactions and would provide the consumer with the right to stop the transfer of funds before the close of the second business day beginning after a purchase transaction. Be-

cause the provision refers to stop payment and not reversibility, I assume it contemplates a value dating system whereby the transaction does not become final until 2 days later.

In considering any proposal to legislate a right of stop payment or reversibility, Congress may wish to consider that one of the primary consumer advantages of point-of-sale debit transactions is the immediate acceptability of the debit card without any further type of credit or background check beyond simple computer verification. As a practical matter, the advantages of an EFT system are dependent upon ground rules encouraging wide acceptance. Further, because EFT is intended to serve only as an alternative means of payment, the customer would retain the ability to use other means of payment which still carry the right to stop payment, such as a check. Recognizing the pros and cons of each side of this issue, on balance, in my view, the wiser approach is to treat debit transactions in a fashion similar to cash transactions in this initial legislative phase.

Sections 806(a)(5) and 807 would require that a record of each transaction be provided to the customer at EFT terminals. I wonder whether a record of a transaction needs to be provided if it is initiated at a place other than the point-of-sale, or other EFT, terminal. For example, in telephone bill paying, the cost to the institution of providing a record of the transaction, a cost which will eventually be passed on to the consumer, may be an undue burden. If the consumer demand for such a receipt, in addition to regular monthly statements, is substantial, the marketplace will accommodate.

In this regard one point must be stressed. EFT promises considerable savings and increased consumer convenience. EFT systems are electronic information transmission and processing systems. As such, they promise to reduce societal costs of creating, handling and storing of paper documents. Moreover, it is generally agreed that the marketplace, in attempting to promote EFT payment services to the consuming public, will provide the necessary paper documentation.

Section 808 provides for error resolution procedures and is of vital concern for it addresses one of the primary concerns the public has in their acceptance of EFT. Therefore, I endorse the basic procedures which this section establishes.

On the other hand, Section 808 raises a host of technical questions, which require further exploration. It would require an institution, upon receipt of notification of an alleged error, to acknowledge such receipt within 7 days. If the allegation is found to be true, the institution would have to correct the error within 30 days. That pattern creates a possibility that a customer would be without funds for up to 37 days. Consideration might be given to the benefits of shortening the error resolution period. Also, because there is no requirement that the institution recredit an account in the event the customer continues to dispute the error, the Committee might consider the desirability of placing a greater burden on an institution in the event it is sued and loses.

Preauthorized payments, deposits, and transfers are covered by Section 809. Although I agree with the basic approach, again many details need further thought. For example, subsection (3), concerning liability of an institution, does not include the standards of the Uniform Commercial Code by providing exceptions for acts of God, war, etc., as well as circumstances in which the institution has exercised reasonable care.

Section 810 raises a basic problem concerning the marketability of debit cards. In seeking to protect the cardholder from potential liability from unauthorized use before he has accepted the card, the intent of Section 810 is laudable. I would suggest that an unsolicited distribution of debit cards can be developed without exposing the consumer to any liability. Card issuers would be able to distribute either unsolicited authorization codes or unsolicited debit cards (but not both), provided that the customer is not liable in any way until he accepts the card. Each distribution should be accompanied by a full disclosure of the recipient's rights and liabilities and a contract for the recipient to sign indicating his acceptance of the card. After the card issuer receives the cardholder's signed contract, it could then send the customer the missing element needed to gain access to the account. The card issuer would bear all liability for any loss attributable to unauthorized use prior to the date the contract was signed.

The Comptroller's *EFTS Guidelines* also establish certain security provisions regarding the physical distribution of debit cards. Our reasoning parallels that underlying the recommendation of the Federal Reserve Board in its 1976 *Annual Report to Congress on Truth-in-Lending* that Congress reconsider the statutory prohibition against unsolicited credit cards. According to the Board, such a prohibition poses "marketing hurdles that have hindered the entry of new competition into the credit card field."

Section 811 would establish a maximum cardholder liability of \$50 resulting from the unauthorized use of his EFT card, provided certain conditions are met. Liability for unauthorized use is one of the most controversial issues associated with EFT. Those who support the concept of \$50 liability see an overriding benefit in establishing a clear understanding between the parties at the outset as to the customer's maximum exposure irrespective of any negligence. On the other side are those who believe that a customer who was not negligent should bear no liability whatsoever for unauthorized use. Both sides make persuasive and equitable arguments. In fact, as you know, there is no clear consensus even among the consumer groups as to which method provides the greater consumer protection.

Section 812 would prohibit a seller from charging the consumer more for a purchase made by check than a purchase made by EFT. Again, a very fundamental question is involved here: should Congress circumscribe through legislation the pricing practices of the merchant? Ordinarily, a merchant should be free to price according to his costs. If EFT does lower costs for the merchant, and hence for the consumer, why

should the merchant be prohibited from passing these cost savings on to the consumer?

## **Title II — Credit Card Amendments**

Turning now to Title II of the bill, which would amend substantially the Truth-in-Lending Act as it applies to credit cards, I believe these provisions may infringe unnecessarily on the free and competitive marketplace. By mandating methods and practices by which credit card issuers and customers would be bound, this title would go far beyond the Act's original intent of providing a means of disclosure and basic consumer rights. Existing credit card legislation remains adequate for today's environment. Also, it may be inadvisable to combine legislative provisions dealing with credit card arrangements and provisions governing EFT transactions in one bill.

With these concerns in mind, I offer my comments on several of the provisions in Title II. Section 202 would require creditors to use the so-called "country club billing" method where a copy of each signed receipt is provided to the customer with the monthly statement. Currently, creditors may use either the "country club billing" method or the "descriptive billing" method, which provides the essential information on or accompanying the periodic statement. I appreciate the fact that "country club billing" does provide the

consumer with more meaningful information concerning the credit charge. On the other hand, "descriptive billing" was developed to truncate the processing of paper receipts at a central processing point in order to reduce the costly flow of paper through the system. Therefore, I hope the Committee will weigh the desirability of returned receipts against the resulting increased costs that will be passed on to the consumer.

Sections 175, 177(a), and 178 would legislate pricing limits which creditors could charge for their credit card services. As long as meaningful information has been disclosed to customers concerning fees to be charged, the price for the use of credit should continue to be determined by the competitive forces of the free marketplace.

I do not believe it is in the consumer's interest to legislate the manner in which the consumer is to pay for the cost of a credit card. In certain states with overly restrictive usury laws, the very existence of the credit card plan may depend on the ability of the issuer to impose an annual or periodic fee. In some states, it actually may be to the consumer's advantage to pay an annual or periodic fee along with a reduced finance charge.

In closing, let me assure the Committee that we continue to study the problems addressed in H.R. 8753. We look forward to working with the Committee in this important area.



# Index

- Accountant's opinion, 47
- Acting Comptroller of the Currency, testimony of, 207-213, 216-218, 218-219, 219-234, 237-240
- Action Control System, 212, 222, 222-223
- Addresses and testimony of the Comptroller's Office, 205-263
- Adequacy of bank capital, 231-232
- Administration Department, 35-37
- Administrative enforcement actions of OCC:
  - in 1976, 228-230
  - in 1977, 18-23
  - for 1971-1976, 254
- Ag-Land Fund, 216, 217-218
- American City Bank & Trust Co., N.A., Milwaukee, Wisconsin, 232-233
- Annual Percentage Rate (APR) disclosure, 241, 243
- Anomaly Severity Ranking System, 212
- Antitrust Division, 25
- Assets of national banks:
  - by asset size, year-end 1977, 196
  - in domestic offices, 1976 and 1977, 2
  - of foreign branches, 203
  - foreign and domestic, of banks with foreign operations, 201
  - at last report of condition, 1961-1977, 200
  - by states, December 31, 1977, 169-176
  - by states, June 30, 1977, 161-168
  - in trust departments, calendar 1977, 204
  - year-end 1967-1977, 198
- Assets of the OCC, 44
- Associate Deputy Comptroller for Consumer Affairs, testimony of, 213-216, 240-244, 263-265
- Associate Deputy Comptroller for International Banking, speech of, 234-237
- Automated data processing standards for trust departments, 29
- Bank examination:
  - for consumer compliance, 24-25, 29, 39-40, 211, 214, 240
  - Comptroller's procedures for, 207, 208-209, 210, 211, 221-222
  - and dual banking system 244-245
  - during 1977, 15
  - by federal authorities, 253-254
  - federal council for, 27, 244
  - frequency of, 15
  - of holding companies, 260-61
  - of international operations, 31-32, 33, 210, 234-237
  - legislation on, 27
  - purpose of, 15
  - scheduling of, 210, 239
  - training for, 18, 23-24, 29, 32, 37, 40, 211, 212, 213, 214
  - of trust departments, 29, 30
- Bank examiners:
  - comparison by agency, 245
  - for national banks, in 1977, 15
- Bank failures, 208, 231-234, 255, 256
- Bank holding companies:
  - national banks in, year-end 1975, 258, 259, 260
  - proportion of all bank deposits, 1970-75, 259
  - regulation of, 246, 258, 259-260
- Bank holding company regulation, 246, 258, 259-261
- Banking regulation:
  - and bank holding companies, 246
  - consolidation of, 244, 262-263
  - functions and responsibilities of agencies, 247-248
- Bank Organization and Structure Division, 35
- Bank powers:
  - description of, 252
  - litigation on, 17
- Bank ratings:
  - descriptions, 223-224
  - of trust departments, 246
  - uniform system for, 246
- Bank regulation, GAO report on, 207-213, 219, 223, 238, 246, 246-247, 254, 262
- Bank regulatory system in U.S., 244, 247-248, 253-255
- Banks changing regulatory status, 261-262
- Banks requiring special supervisory attention (See "Problem banks")
- Bench, Robert R., speech of, 234-237
- Bloom, Robert, testimony of, 207-213, 216-218, 218-219, 219-234, 237-240
- Branches of national banks:
  - de novo*, applications for, by states, calendar 1977, 12
  - de novo*, opened, by community size and size of bank, calendar 1977, 13
  - entering and leaving system, calendar 1977, 10, 11
  - examinations of overseas branches, 33
  - foreign, by region and country, December 31, 1977, 202
  - foreign, year-end 1960-1977, 203
  - number, by states, December 31, 1977, 6, 10, 11
- Capital adequacy of banks, 231-232
- Capital stock of national banks, changes in during 1977, 146
- Changes in the structure of the National Banking System, 5, 145
- Charters and chartering:
  - applications for conversion to national bank charter, by states, calendar 1977, 9
  - applications pursuant to corporate reorganizations, calendar 1977, 8, 148
  - applications, by states, calendar 1977, 7, 147
  - conversions of, among agencies, 1970-1976, 261
  - guidelines for decisions, 209
  - issued for conversion to national bank charter, by states, calendar 1977, 9
  - issued, pursuant to corporate reorganizations, by states calendar 1977, 8, 152
  - issued, by states, calendar 1977, 7
  - state-chartered banks converting to national, calendar 1977, 15
- Civil money penalties, 26, 239
- Clayton Act, 240
- "Close Supervision" banks,
  - description of, 224
  - in 1975 and 1976, 225, 226
- Collective investment funds of national banks, 217
- Community Reinvestment Act, 25, 35, 40
- Competition in Banking Act, 27
- Comptroller of the Currency, Office of:
  - accountant's opinion of, 47
  - addresses and selected testimony of, 205-263
  - Administration Department, 35-37
  - Antitrust Division, 25
  - assets of, 44
  - audit by GAO of, 26
  - and bank examination, 15, 210, 211, 240
  - bank ratings by, 223-224
  - Bank Organization and Structure Divisions, 35
  - budget system of, 35, 237-238
  - cease and desist powers of, 25-26
  - changes in financial position, 46
  - and collective investment by national banks, 217
  - compensation program, 36
  - Comptrollers' listed, 143
  - Consumer Affairs Division, 29, 39, 40, 213
  - and consumer complaints, 39, 214
  - consumer protection activity of, 24, 39-40, 213-215, 240
  - Corporate activities guidelines, 209
  - Deputy Comptrollers, listed, 144
  - disclosure by, 17-18
  - EDP Examination Division, 29
  - and electronic funds transfers, 216, 263
  - enforcement activities, 18-23, 212, 228-230, 254
  - Enforcement Division, 18, 29, 254, 255
  - equity of, 44
  - examination procedures of, 207, 208-209, 221-222, 223
  - expenses of, 45
  - and fair housing enforcement, 214-215
  - Finance and Administration Division, 35-36
  - Financial Accounting and Reporting Division, 35
  - financial operations of, 43, 46
  - Foreign Public Sector Credit Review Committee, 32, 234, 235-237

functions and responsibilities, 247  
 Haskins & Sells Study of, 207, 208, 212, 238  
 Housekeeping Act, 26  
 Human Resources Division, 35, 36-37, 262  
 income of, 45  
 Internal Audit Staff, 41  
 and international banking, 31-32, 234-237  
 International Operations Division, 31, 32  
 Law Department, 17-27, 29  
 Legal Advisory Services Division, 24-25  
 Legislation relating to, 25-27  
 Legislative Counsel Division, 25  
 liabilities of, 44  
 Litigation of, 17-18, 25  
 Litigation Division, 17  
 London Office, 32  
 National Bank Surveillance System, 210, 212, 220, 221, 222, 223, 262  
 Operations Planning Department, 41  
 Operations Review Department, 41  
 planning for, 41  
 and "problem banks", 212, 230-231  
 regional administrators, listed, 144  
 Research and Economic Analysis Department, 209  
 response to GAO report on banking regulation, 207-213  
 and Safe Banking Act, 26  
 Securities Disclosure Division, 23-24  
 and shared national credits, 211  
 Special Projects Division, 254  
 staffing operations of, 36  
 and training for examiners, 18, 23-24, 29, 32, 37, 40, 211, 212, 213, 214  
 Trust Operations Division, 23-24, 29-30  
 Comptroller of the Currency, testimony of, 244-263  
*Comptroller's Handbook for Consumer Examinations*, 24-25, 40  
*Comptroller's Handbook of Examination Procedures*, 211  
*Comptroller's Handbook for National Trust Examiners*, 29  
 Comptrollers, listed, 143  
 Concentrations of credit, 246  
 Condition of the National Banking System, 1, 219-220  
 Consolidated assets and liabilities of national banks with foreign operations, December 31, 1977, 201  
 Consolidated Country Exposure Report, 32  
 Consolidation of bank regulation, 244  
 Consolidations of national banks, 156  
 Consumer Affairs Division, 29, 39, 40, 213  
 Consumer compliance examination, 39-40, 211, 214, 240  
 Consumer Credit Protection Act, 25, 40, 263  
 Conversions:  
   applications for conversion to national bank charter, calendar 1977, 9  
   between agencies, 1970-1976, 261  
   to national banks, by states, calendar 1977, 151  
   to state banks, by states, calendar 1977, 154-156  
 Coronado National Bank, Denver, Colorado, 234  
 Corporate guidelines for national banks, 209  
 Country credit evaluation, 210, 223, 234-237  
 Country Exposure Report, 32  
 Credit card balances of national banks, by states, December 31 1977, 178  
 Credit unions:  
   description of, 253  
   insurance for, 248  
   regulation of, 248  
   statistical profile, 1971 and 1976, 249-251  
 "Critical" banks:  
   description, 223-224  
   in 1975 and 1976, 225  
 Customer-Bank Communications Terminal (CBCT) branches, calendar 1977, 5, 11, 35  
  
*De novo* branches of national banks:  
   applied for, by states, calendar 1977, 12  
   opened for business by community size and size of bank, 13  
 Deposit insurance, 248  
 Depository institutions:  
   comparison of, 245  
   descriptions of, 252-253  
   with foreign operations, December 31, 1976, 252  
   growth of, 1971 to 1976, 251  
   statistical profile, 1971 and 1976, 248-252  
   in the U.S., December 31, 1971, 249  
   in the U.S., December 31, 1976, 258  
 Deposits in failed banks requiring disbursement by the FDIC, 1960-1976, 256  
 Deputy Comptrollers, listed, 144  
 Direct lease financing by national banks, December 31, 1977, 179  
 Disclosure by OCC, litigation on, 17-18  
 Disclosure under Truth-in-Lending, 240-241, 243  
 Dividends of national banks, 1967-1977, 198  
 Dual banking, 244-245  
  
 EDP Examination Division, 29  
 Electronic Funds Transfer Systems (EFTS):  
   and consumers, 215-216  
   legislation concerning, 27, 263-265  
 Enforcement activities of OCC:  
   actions 1971-1976, 254  
   actions, 1977, 18-23  
   actions, 1976, 228-230  
   relative to other agencies, 212, 254  
   termination procedures, 254-255  
 Enforcement Division, 18, 29, 254, 255  
 Enforcement powers of banking agencies, 25-26, 212, 223, 239, 254-255  
 Equity capital of national banks:  
   by asset size, year-end 1977, 196  
   in 1976 and 1977, 2  
   in 1967-1977, 198  
   by states, December 31, 1977, 169-176  
   by states, June 30, 1977, 161-168  
 Equity of the OCC, 44, 45  
 Examination (See Bank examination)  
 Expenses of national banks:  
   by asset size, December 31, 1977, 197  
   in 1976 and 1977, 4  
   by states, December 31, 1977, 180-195  
 Expenses of OCC, 45  
 Export Administration Act, 25  
 Extensions of credit to national bank insiders, by asset size of bank, 227  
 External currency claims of U.S. banks on foreign borrowers, December 31, 1977, 33  
  
 Failures of banks, 208, 231-234, 255, 256  
 Fair Debt Collections Practices Act, 25, 40  
 Fair housing enforcement, 214-215  
 Federal Bank Commission Act, 26-27, 244, 245  
 Federal Bank Examination Council Act, 27, 244, 246-247  
 Federal Banking Agency Audit Act, 26  
 Federal Deposit Insurance Corporation,  
   enforcement actions, 1971-1976, 254  
   enforcement actions, termination procedures, 255  
   functions and responsibilities of, 247-248  
 Federal Home Loan Bank Board,  
   enforcement actions, termination procedures, 255  
   functions and responsibilities of, 248  
 Federal Open Market Committee, 247  
 Federal Reserve System:  
   and bank holding company regulation, 258, 260-261  
   enforcement actions, 1971-1976, 254  
   enforcement actions, termination procedures, 255  
   functions and responsibilities of, 247  
   membership problem, 26  
 Federal Trade Commission, 25, 40  
 Federal Trade Commission Improvements Act, 39, 213  
 Fiduciary activities of national banks, (See Trust department)  
 Finance and Administration Division, 35-36  
 Financial Accounting and Reporting Division, 35  
 Financial Institutions Supervisory Act:  
   formal actions under, 1977, 18-23  
   formal actions under, 1976, 228-230  
   litigation on, 17  
   use by bank regulators, 25-26, 212, 214, 223

Financial operations of the OCC, 43, 46  
 Financing bank supervision, 238-239  
 First National Bank of Eldora, Iowa, 231  
 Foreign banks in the U.S., 26  
 Foreign branches of national banks:  
     assets of, year-end 1953-1977, 203  
     by region and country, December 31, 1977, 202  
     year-end 1960-1977, 203  
 Foreign loans of U.S. banks, 31, 32  
 Foreign Public Sector Credit Review Committee, 32, 234, 235-237  
 Franklin National Bank, New York, New York, 232  
  
 Government Accounting Office (GAO):  
     and auditing of banking agencies, 26, 218-219  
     report on bank regulation, 207-208, 208-213, 219, 223, 238, 246, 246-247, 254, 262  
  
 H.R. 8753, 263-265  
 Hamilton National Bank of Chattanooga, Tennessee, 233-234  
 Haskins & Sells study, 207, 208, 212, 238  
 Heimann, John G., testimony of, 244-263  
 Holding company regulation 246, 258, 259-261  
 Home Mortgage Disclosure Act, 215  
 Housing and Community Development Act, 25  
 Human Resources Division, 35, 36-37, 262  
  
 Income and expenses of national banks:  
     by asset size, December 31, 1977, 197  
     in 1976 and 1977, 3  
     by states, December 31, 1977, 180-195  
     in trust departments, calendar 1977, 204  
 Insider loans of national banks, by asset size, 227  
 Interagency cooperation, 29, 32, 40, 207, 210, 211, 212, 213, 214, 223, 246  
 Interagency Coordinating Committee, 213, 223, 246  
 Interagency Supervisory Committee:  
     and agency consolidation, 244, 246  
     and bank securities activities, 24  
 Interagency Task Force on Fair Housing Enforcement, 214  
 Interest-bearing checking, 26  
 Interest rate ceilings, 25  
 Interlocking managements of depository institutions, 239-240  
 Internal Audit Staff, 41  
 International banking, 31-32, 234-237  
 International Banking Act, 26  
 International Operations Division, 31, 32  
  
 Law Department, 17-27, 29  
 Leasing activities of national banks:  
     direct lease financing, by states, December 31, 1977, 179  
     litigation on, 17  
 Legal Advisory Services Division, 24-25  
 Legislation relating to OCC, 25-27  
 Legislative Counsel Division, 25  
 Liabilities of national banks:  
     by asset size, year-end 1977, 196  
     in domestic offices, 1976 and 1977, 2  
     of foreign branches, December 31, 1977, 203  
     foreign and domestic, of banks with foreign operations, 201  
     at last report of condition, 1961-1977, 200  
     by states, December 30, 1977, 166-176  
     by states, June 30, 1977, 161-168  
 Liquidity of banks, 222  
 Litigation Division, 17  
 Litigation by the OCC, 17-18, 25  
 Loan losses and recoveries of national banks, 1961-1977, 199  
 Loans to foreigners by U.S. banks, 31, 32, 234, 235-237  
 Loans by national banks to insiders, by asset size of bank, 227  
 Loans of national banks, by states, calendar 1977, 177  
  
 approval opinions, 55-139  
 approvals, listed, 51-54  
 by assets of acquiring and acquired banks, 1960-1977, 160  
 consummated, calendar 1977, 13, 51-54, 55-139, 157-160  
 consummated to prevent probable failure, 1970-1975, 257  
 denied, 139  
 disposition of applications, calendar 1977, 13  
 legislation concerning, 27  
 in litigation, 136-139  
 litigation on, 25  
 of national into state banks, calendar 1977, 154  
 pursuant to corporate reorganizations, 13, 53-54, 121-136, 149-151  
 Municipal securities dealers, 23-24  
 Mutual savings banks,  
     description of, 253  
     regulation of, 248  
     statistical profile, 1971 and 1976, 249-252  
  
 National bank examiners:  
     and international operations, 31-32  
     number of, 15  
 National Banking System:  
     branches entering and leaving calendar 1977, 10, 11  
     capital stock changes during 1977, 146  
     condition of, 1, 219-220  
     conversions into, calendar 1977, 151  
     conversions out of calendar 1977, 154-156  
     structural changes in, 5, 145  
 National banks:  
     affiliated with holding companies, December 31, 1975, 258, 259, 260  
     applications for charters, 7, 147  
     applications for charters pursuant to corporate reorganizations, 8, 148  
     applications for conversion to, 9  
     assets and liabilities of domestic offices, 2, 161-168, 169-176, 196, 198, 200  
     collective investment funds of, 217  
     consolidated, calendar 1977, 156  
     converted to state banks, calendar 1977, 154-156  
     corporate activities guidelines for, 209  
     credit card balances of, December 31, 1977, 178  
     engaged in direct lease financing, December 31, 1977, 179  
     equity capital of, 2, 161-168, 169-176, 196, 198  
     expenses of, 4, 180-195, 197  
     failures of, 1972-1976, 231-234  
     foreign branches, assets of, 203  
     foreign branches of, by region and country, December 31, 1977, 202, 203  
     in holding companies, 258, 259, 260  
     income of, 4, 180-195, 197  
     insider information, 24  
     legislation relating to, 1977, 25-27  
     loan losses of, 1961-1977, 199  
     loans of, by states, December 31, 1977, 177  
     loans to foreigners by, 31, 32  
     loans to insiders of, by asset size, 227  
     merged, calendar 1977, 13, 51-54, 55-139, 149-151, 154, 157-160  
     as municipal securities dealers, 23  
     newly organized, by states, calendar 1977, 148-149  
     number, by states, December 31, 1977, 6  
     offices of, by states, December 31, 1977, 6  
     purchases of state banks by, calendar 1977, 156  
     rated 3 and 4, 1970-1976, 228  
     removal of officers and directors of, 25-26  
     requiring special supervision, 220-221, 225, 226  
     securities dealings of, 23-24  
     state banks converted to, calendar 1977, 151  
     trust assets and income, calendar 1977, 204  
     trust operations, of, 24, 29-30  
     in voluntary liquidation, calendar 1977, 153  
 National Bank Surveillance System (NBSS), 210, 212, 220, 221, 222, 223, 262  
 National Commission on Electronic Fund Transfers, 27, 39, 215-216, 262

National Credit Union Administration,  
     enforcement actions, termination procedure, 255  
     functions and responsibilities of, 248  
 Negotiable Order of Withdrawal (NOW) accounts, 26  
 Net income of national banks, 1967-1977, 198  
 Newly organized national banks, by states, calendar 1977,  
     148-149  
 Number of national banks and branches, by states, December 31,  
     1977, 6  
  
 Offices of national banks, by states, December 31, 1977, 6  
 Operations Planning Department, 41  
 Operations Review Department, 41  
 Opinion of independent accountant on OCC, 47  
 Overseas branch examinations, 1972-1977, 33  
 Overseas bribes, 25  
  
 "Problem" banks, 212, 220-221, 223, 223-224, 225, 226  
 Purchase and assumption transactions consummated to prevent  
     probable failures, 1970-1975, 257  
 Purchases of state banks by national banks, calendar 1977, 156  
  
 Ratings of banks:  
     descriptions of, 223-224  
     of trust departments, 246  
     uniform system for, 246  
 Real Estate Settlement Procedures Act, 215  
 Regional administrators of national banks, listed, 144  
 Regulation 9, 29-30, 216, 217  
 Regulation Q, 25  
 Regulation Z, 215, 240  
 Regulatory agencies:  
     consolidation of, 244, 262-263  
     enforcement powers of, 25-26, 212, 223, 239, 254-255  
     functions and responsibilities of, 247-248  
     switching of banks among, 1970-1976, 261-262  
 Removal of officers and directors, 25-26, 239  
 Report of Condition data on national banks requiring special  
     supervision, 226  
 Research and Economic Analysis Department, 209  
 Revenues of OCC, 45  
  
 S. 71, 237, 239, 245  
 S. 73, 237, 239-240  
 S. 684, 244, 245  
 S. 711, 244, 246  
  
 S. 895, 237, 240  
 S. 1312, 27, 241-243  
 S. 1433, 237, 240  
 S. 1501, 243  
 S. 2304, 239  
 Safe Banking Act, 26  
 Savings and loan associations:  
     description of, 252-253  
     regulation of, 248  
     statistical profile, 1971 and 1975, 249-252  
 Scheduling of bank examination, 210, 239  
 Securities dealing by national banks, 23-24, 29-30  
 Securities Disclosure Division, 23-24  
 Securities Exchange Act, 23-24  
 Securities and Exchange Commission (SEC), 23, 24, 29, 30  
 "Serious" banks,  
     description of, 224  
     in 1975 and 1976, 225  
 Shared national credits, 211, 223, 246  
 Skyline National Bank, Denver, Colorado, 231  
 Special Projects Division, 254  
 Statistical profile of U.S. depository institutions, 1971 and 1976,  
     248-252  
 Structural changes in the National Banking System, 5, 145  
 "Study of Federal Supervision of Our Nation's Banks," 207  
 Swope Parkway National Bank, Kansas City, Missouri, 232  
  
 Tax and loan accounts, 25  
 Taylor, Thomas W., testimony of, 213-216, 240-244, 263-265  
 Testimony of Comptroller's Office, 207-213, 213-216, 216-218,  
     218-219, 219-234, 240-244, 244-263, 263-265  
 Training for bank examination, 18, 23-24, 29, 32, 37, 40, 211, 212,  
     213, 214  
 Trust assets and income of national banks, calendar 1977, 204  
 Trust departments:  
     automated data processing standards for, 29  
     examinations of, during 1977, 29  
     and Regulation 9, 29-30  
     uniform rating of, 246  
 Trust Operations Division, 23-24, 29-30  
 Truth-in-Lending Act, 40, 215, 240, 241, 265  
 Truth-in-Lending Simplification Act, 27, 241-243  
  
 United States National Bank of San Diego, California, 231-232  
  
 Voluntary liquidations of national banks, calendar 1977, 153





Postage and Fees Paid  
Department of the Treasury  
Treasury—556



---

**Comptroller of the Currency  
Administrator of National Banks**

---

Washington, D.C. 20219

Official Business, Penalty for Private Use, \$300