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# **WHERE HAVE ALL THE BANKERS GONE?**

A Report on the Decline of Independent

Banking in Nebraska and its

Impact on Agricultural Lending

The Center for Rural Affairs

CENTER FOR RURAL AFFAIRS  
P.O. Box 405  
Walthill, Nebraska 68067

TO: HOLDERS OF "WHERE HAVE ALL THE BANKERS GONE?"

FROM: CENTER FOR RURAL AFFAIRS

DATE: APRIL 26, 1977

Information we have received since the publication of "Where Have All the Bankers Gone?" causes us to call the following matters to your attention:

The following banks should be classified as INDEPENDENT banks:

Commercial National Bank of Ainsworth  
First National Bank of Ainsworth  
Pender State Bank  
Citizens State Bank of Polk  
Dakota County State Bank of South Sioux City

It may be helpful to remind you of the data sources we used in our report. Directors and officers of banks were identified from the Spring, 1976 edition of the American Bank Directory. Information on bank stock pledged as collateral for a loan was obtained from the Omaha office of the Federal Deposit Insurance Corporation on September 29, 1976. Financial data for each bank (dollar amounts of loans, deposits, etc.) was obtained in The Banks of Nebraska 1975.

The report should be viewed in light of these dates and any change in status of any banks since these data were gathered is beyond the scope of the report.

As a result of the Citizens State Bank of Polk being classified as independent, the group of banks classified as part of the JOHNSON country chain should be classified as MINOR GROUP banks as follows:

State Bank of Burchard  
Bank of Sterling  
Johnson County Bank of Tecumseh

THE CENTER FOR RURAL AFFAIRS

This report was published by the Center for Rural Affairs in March, 1977. The Center is a private, non-profit organization located in Walthill, Nebraska. It seeks to promote rural development by providing information to Nebraskans about the trends and implications of changes in government, agriculture and private industry. The Center welcomes the reprinting and quoting of this report. Acknowledgement of authorship is appreciated.

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## PREFACE

As an independent banker who has been outspoken on banking matters for many years, I am pleased to present for the consideration of the public as well as the banking industry, this report on the impact of bank ownership on farm credit in Nebraska.

Although the report represents the first stage of a continuing study, it brings to light new information and provides fresh analysis of the branch banking controversy which has divided the banking community in Nebraska for so long. Although many of us who are bankers--including myself--may disagree with some of the findings of this report, we will find it difficult to dispute the central message offered by it: the banking industry is too vital to the agricultural economy of Nebraska to be left exclusively to bankers.

This report is also significant because it represents an "outsider's" view of banking. It has been prepared by people whose perspective on banking is critical, who are interested in a practical evaluation of its performance in rural communities. Moreover, preparation of the report has been guided by a committee of the Center for Rural Affairs board of directors composed of a farmer, a newspaper editor and an economist, a diverse group of non-bankers with a genuine interest in the banking business.

For me, one of the most important findings of this report is that there are fewer purely "independent" banks left in Nebraska than many of us had imagined. The report documents that a large number of banks are in the grey area between being independent and being parts of larger bank groups. In fact, I note from the classification of banks in the appendix of this report, that only a minority of the members of the board of directors of Nebraskans for Independent Banking, Inc., are from purely independent banks. This does not imply to me any sort of conspiracy, nor does it mean that these "non-independents" are not supporters of independent banking. It simply says that the banking industry is undergoing a sort of crisis of identity, and provides a clear explanation for the erosion of independent bank consciousness which has been underway for many years. The truly independent bank has lost its prominence in an industry which is undergoing rapid concentration.

I hope that this report adds to the public understanding of this issue, and that as a result, public judgements about the future of the banking industry can be made on the basis of better information than they have been in the past.

The Center board of directors hopes, and intends, that this initial report will be followed by more thorough studies, and we invite the comments of the public and the banking community in helping to shape these further efforts.

V.E. Rossiter, Sr.  
Hartington, Nebraska  
March, 1977



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DATA SOURCES:    -Federal Deposit Insurance Corporation  
                  -Federal Reserve System  
                  -The Banks of Nebraska, 1975, Sheshunoff Co.

"The men who can manage men manage the men who can manage only things,  
and the men who can manage money manage all." - Will and Ariel Durant



## I. WHO OWNS THE BANKS IN NEBRASKA? IS IT AN ISSUE?

"Some farmers who have been forced to sell land and other property to pay debts at the (Blue Hill Commercial Bank) claim Commercial's lending policies have done them in. At best, they say, the bank has been insensitive. They blame a new administration. The bank, no longer a locally owned family institution but part of a chain, "doesn't really care, they say."

Omaha World Herald, Nov. 14, 1976, p. 1-B.

In June, 1976, E. J. McBride was removed as President of the Blue Hill Commercial Bank after 30 years there. For the first time since any of the farmers doing business with the bank could remember, a McBride family member was not in the bank.

McBride was quietly replaced by Dave Schomberg, a younger man who was hired to run the bank by the four non-local men who had purchased controlling interest in the Commercial in 1970.

The quiet did not last long.

Although Schomberg had served in several central Nebraska banks prior to coming to Blue Hill, his mission had never been so controversial. For his job was to "tighten up" on the bank's lending policies, which the owners maintained, had become irresponsibly liberal under McBride. Schomberg approached his task vigorously.

Within weeks some of the bank's oldest customers had been called into close out their loans. Farmers who had been faithful borrowers for years were told that their loans were now due. Some sold cattle; some sold land. Some began to complain.

Business people responded by meeting with the bank owners to protest the arbitrary and sudden change in bank policies. Some depositors threatened to withdraw funds from the bank.

Local discontent grew to the point that it became newsworthy. A story in the Omaha World Herald quoted a local farmer as saying that thirteen of his fellow farmers had been forced out of business by the bank. Rumors that some of the bank's absentee owners were buying the forced-sale land stirred the kettle more.

The Blue Hill banking controversy rocked the banking community in Nebraska, making national news (Newsweek and Christian Science Monitor carrying stories) and scandalizing the banking establishment in this state. Banking is not supposed to be a controversial industry.

That the bank's troubles did not start with Dave Schomberg is evident.

Whether the bank's troubles are related to its purchase by an investor group which owns or influences eleven other Nebraska banks is not as clear. The fact that nine of the twelve banks in the chain are mortgaged to a big city bank, as reported in this study, raises additional questions about the forces at play in Blue Hill.

The Blue Hill controversy was, however, only one of a number of serious developments in 1976 within a troubled industry. Even the most casual newspaper reader is aware that all is not well in banking in Nebraska.

For instance, on the heels of the Blue Hill story came the titanic internal struggle over ownership of the third largest bank in Nebraska, the First National of Omaha. Lifelong friends, in-laws, business associates, engaged in a bitter power play. Warring tribes of bankers called each other names in the press, leveling accusations, offering recrimination.

The tempest within the banking industry was heightened again when Herman Brockmeier of Lincoln's National Bank of Commerce released a report to the Omaha World Herald in December revealing to the public a good deal not previously publicized about bank ownership in Nebraska. The Brockmeier report would have been controversial had it been published for the purpose of general information; the fact that it was used primarily to promote changes in the state's banking laws that would allow extension of city bank operations into rural areas, always a controversial subject, was nearly unbearable to Nebraska's bankers. The conservative and very private banking community of Nebraska could undoubtedly hardly believe that its hallowed privacy was being violated by another banker.

The Brockmeier-NBC report caused the President of the Nebraska Banker's Association to issue a statement to the news media saying that it was "personally distressing for me to see banking once again go to the press to voice its internal differences. We feel strongly that this issue (of bank ownership) can be resolved only by the Nebraska Legislature, and debate outside that body is inappropriate and damaging to the industry."

The authors of this report do not agree.

The banking industry has always been critical to the agricultural economy of Nebraska, and to the state as a whole, as bankers would be quick to agree. This has become increasingly apparent as agriculture has grown, using more expensive production methods, demanding more capital. The financial needs of farmers are enormous compared to only a few years ago.

Who owns and controls the banks of the state is therefore an important agricultural issue, deserving the attention of every Nebraskan. That is painfully obvious to the people in Blue Hill. It should be no less obvious to the rest of us.

It has been said that war is too important to be left to generals. It is said more every day that agriculture is too important to be left to farmers. And it follows that banking is too important to be left to bankers

Therefore, when the normally tightly knit banking community divides sharply on a banking issue, the public ought to take notice. Likely, the questions they are fighting over affect all of us.

The purpose of this initial report is to explain the bank ownership issue to those who are not bankers, and to provide the public with useful information about who currently owns the banks in Nebraska.

Banking is more art than science. It requires as much grace as it does business savvy. It is a rich mixture of subtle forces which are not easily understood.

We reject, however, the notion that the average citizen cannot understand an issue as pivotal as the banking issue, and we believe that the public ought to participate in deciding public policy regarding bank ownership. To believe otherwise would be a repudiation of democracy.



## II. THE ISSUE

Banking in the United States has traditionally been regulated at both the state and federal levels. In the past, the fear of the potentially excessive economic power which would result if control of the banking system were to fall into the hands of a few big banks, has acted to encourage policies at both of these levels which favor individual banking operations over large, multi-unit banking empires. Therefore, many state governments have outlawed branch banking (one bank with branch operations in several locations) and multi-bank holding companies (several subsidiary banks owned by one parent company). Even where they are permitted, branch banking and multi-bank holding companies are closely regulated by the federal government.

Nonetheless, some states have allowed branching and multi-bank holding companies for years, and the trend recently has been away from policies which protect independent banking and in favor of "concentrated banking." (We will group branch banking and MBHCs together under the term "concentrated banking" for convenience).

California was the first state to permit its banks to open branches anywhere in the state (1909).<sup>1</sup> Many states have subsequently passed laws which allow branching to some extent; many limit branching to a certain number of branch offices located in or near the city of the main bank's operation. In the 1930's, federal laws were passed which permitted national banks to branch in a state to the same extent that the state allows state banks to branch.

Today, about two-thirds of the states permit some degree of branch banking. Nebraska, which outlawed branch banking in 1927, has passed a series of laws which loosen the restrictions on branching. As of this writing, Nebraska banks may have no more than two detached offices within the corporate limits of the city.

Bank holding companies were first formed in the early 1900's largely as a means of circumventing the prohibitions against branching which most states still had at that time. Since banks could not open branches in many states, they simply bought existing banks, continuing to operate them as separate subsidiaries. In such cases, all the banks in the group were owned by the same holding company. (This development incidently, was largely inspired by the economic squeeze on rural banks in the South, Midwest, and West after World War I to avoid absorption by the big banks on the east and west coasts).

Although several states and the federal government enacted laws to restrict multi-bank holding company formation, the trend continued. Each new wave of bank mergers under holding companies

caused a surge in public concern over bank ownership and control being concentrated in a few hands, and resulted in more restrictive legislation.

Nebraska passed a law in 1963 which forbids any corporation from acquiring ownership or control of 25% or more of two or more banks (multi-bank holding companies which existed prior to the passage of the law were allowed to continue but not add more banks). One-bank holding companies (corporations which own 25% or more of only one bank) are not prohibited under Nebraska law. One bank holding companies can own other businesses, such as insurance companies, real estate firms and farm management concerns.

Recently, however, while the trend has been toward more careful regulation of bank holding companies at the federal level, the states have lifted some of their restrictions. Today, about half of the states have no limitations on bank holding companies, and only nineteen of the states, mostly ones with strong agricultural economies, place substantial restrictions on them.<sup>2</sup>

In those states which have liberalized their policies toward MBHC's the effect has been to concentrate control over the state's financial resources. In Minnesota, for instance, which does not restrict holding companies, six corporations own 132 banks which have over half of the states total commercial bank deposits.<sup>3</sup>

Overall, as of 1973, bank holding companies owned 42% of the banking offices in the nation, and held 61.5% of the deposits. The comparable figures are undoubtedly higher today.

The political arguments made for or against branch banking and multi-bank holding companies run, in essence, like this:

For:

1. They are required in order to raise the capital necessary to finance increasingly expensive business operations, especially farming. They therefore, encourage more economic growth.
2. They will provide better consumer services, such as longer hours, credit card and electronic banking, and more modern facilities.
3. They have access, because of their size, to more highly trained personnel and technical services.
4. They can operate more efficiently because of a bigger volume of business.
5. They operate more professionally and impartially, administering credit without regard for local personality conflicts.

## Against:

1. They are riskier because they concentrate bank assets among fewer bankers, creating increased potential for major bank failures.
2. They will drain bank resources from rural areas in favor of making loans to higher paying industries in urban areas.
3. They will be insensitive to many local concerns, and unsupportive of community needs.
4. They operate less efficiently because of the delay of bureaucracy between the "home office" and the branch or subsidiary bank.
5. They tend to create a monopoly over the financial resources of the state and nation.

A number of studies have attempted to investigate the validity of these claims. These studies have sometimes contradicted each other, and have failed to yield a consensus on many key points of contention. However, some are worthy of mention.

In June, 1975, the Federal Reserve System published a series of studies on rural credit in certain states which had recently changed their laws regarding banking.<sup>4</sup> They found that in Virginia, the changes in bank ownership which resulted from more permissive laws did not adversely affect farm credit. The same conclusion was reached in an Ohio study. However, in Wisconsin, which adopted partial branching in 1968, the study showed that farm lending tended to improve in the branch banks. On the other hand in Florida, where holding companies had been permitted to purchase rural banks, "farm loans tended to decrease soon after banks became affiliated with holding companies, while at the same time farm loans at other banks were continuing their upward trend."

Two studies were conducted as a part of the same Federal Reserve System project and were reported in preliminary findings but not included in the final published report.<sup>5</sup> One indicated that in Virginia, merged branches did not expand local lending relative to local deposits, as rapidly as a comparable group of independent banks. This implied that the systems were taking deposits from rural branches to increase lending at their urban branches. The other unpublished study found that in a group of North Central states, the impact of holding companies on farm lending was unfavorable.

In addition to these Federal Reserve Studies, a Michigan study indicates that larger banks operating in rural areas tend to disfavor smaller farm operations in favor of large farms.



The study, published in the Journal of the American Society of Farm Managers and Rural Appraisers, found that branch banks tended to place more emphasis on financial statements as an impartial basis for making credit decisions, making it more difficult for small farmers to get credit. Furthermore, these banks often imposed minimum loan sizes which were larger than that which small farmers could effectively use. Moreover, the professional services of the bank and the larger loan limits tended to cater to the large farmers.<sup>6</sup>

Finally, another Michigan study by the same author indicated that farmers who borrowed operating capital were often charged lower interest rates at independent banks, while commercial-industrial loans were lower at the branch banks.<sup>7</sup>

In more general terms, a paper prepared by L. Wayne Dobson, Professor of Banking at the University of Nebraska, surveyed various bank ownership studies and concluded that only two conditions are "reasonably certain" to follow if multi-bank holding companies are permitted:

1. a larger percentage of the state's financial wealth will be held or controlled by fewer individuals.
2. there will be larger number of banks owned and controlled by those from outside the trade area served by the banks.<sup>8</sup>

In sum, while there is a considerable amount of disagreement among research findings on the impact of concentrated banking on rural credit, these studies seem to challenge the claims of those who favor changing the law. For the most part, however, the "jury is still out" among the researchers with regard to the question.

### III. HOW NEBRASKA'S BANKING LAWS ARE CIRCUMVENTED

Nearly any law which regulates business can be avoided. It is not surprising then, to find that Nebraska's laws against branching and multi-bank holding companies have been successfully circumvented by some of the state's more aggressive bankers.

The existence of a large number of banks owned by the same people would appear to violate Nebraska's banking laws, but in fact, it does not. For although it is illegal for one bank to operate a series of branches in various communities, and it is likewise illegal for one holding company to own more than one bank subsidiary, it is not illegal for an individual or a group of shareholders to own as many banks as they want (or can afford) as long as the banks are separately chartered, their capital and assets separately maintained, and their activities separately reported to appropriate regulatory agencies. Several banks can legally have an identical group of owners, employ the same management, operate under the same policies, and participate in each other's lending activities-in fact behave like a centralized banking system.

A number of such groups of individually-owned banks exist in Nebraska. One good example is Lincoln's National Bank of Commerce (NBC). While NBC, which is wholly owned by a one-bank holding company, does not own any other banks, its shareholders and officers do. During recent years, NBC interests have purchased numerous existing banks and organized several new ones, all of which are now "affiliated" with the parent bank. This "chain" does not violate Nebraska's law against branching or multi-bank ownership.

The pattern for NBC acquisitions is similar; usually a top management person in NBC is dispatched to purchase the target bank. The new owner usually purchases the bank through a holding company established for that purpose. Stock in the holding company is then offered for sale to the shareholders of NBC. Hence, although NBC is not directly involved in ownership of the new acquisition, its management is, and the ultimate ownership of the purchased bank is offered exclusively to the same people who are the shareholders in NBC. The entire transaction, although it results in much the same situation as a multi-bank holding company, is not in violation of Nebraska law. And it is not a secret. NBC has openly reported the procedure in its published annual report.

There are numerous such chains of banks in Nebraska, some involving the big city banks, some involving chains of rural banks only.

The existence of these chains is frequently pointed out by those who favor allowing branch banking and multi-bank holding companies in Nebraska. Their argument is that since multiple ownership of banks

exists anyway, the law ought to permit branching and MBHCs. The city banks should be allowed to compete with these chains, either by establishing their own branches in rural communities or by purchasing a number of already existing banks and making them part of a holding company.

The most outspoken advocate of this position is the National Bank of Commerce, which favors liberalizing the banking law to allow branching and MBHCs in spite of the fact that current restrictions have not curbed its own bank acquisitions. It argues that if all the stock of the banks in its chain were owned by one giant holding company, it would have much less paper work than is currently required in owning the banks separately. More significantly, NBC argues that as a MBHC, it could shift capital from one local area to another, depending on where it was needed, something which it cannot do easily if the capital and deposits of each bank must be held separately.

Herman A. Brockmeier, NBC's executive Vice President recently released an informal study he had conducted of chain banking in Nebraska. The point of the study was that chain banking had grown tremendously in the state, and that there are no fewer than 58 chains with complete control or token interest in 198 of the 450\* banks in Nebraska. These chains he said, hold up to 60% of the bank deposits in Nebraska. Brockmeier's study was based on information in the American Bank Directory, Spring 1976 edition, as well as his own knowledge of the industry. Importantly, he used as a definition of a chain, "investment in two or more banks by an individual, partnership, or family." As a basis for determining investment, Brockmeier apparently used interlocks on the Board of Directors. That is, if one person serves on the Board of Directors of two banks, the two banks are interlocked. Since a board member must own some stock in a bank, the interlocked banks were termed "chains" by Brockmeier. He points out that many of these chains may be interlocked by board members with only a token ownership interest.

Although reportedly widely accepted, this definition of a "chain" contains a number of weaknesses.

First, it lumps together big aggressive, growing chains of banks owned by a group of investors, with single pairs of family-owned institutions. A chain of the magnitude of NBC's \$443,045,000-deposit chain is dumped in the same category with a small pair of rural banks in neighboring communities with a single minority stockholder in common. This implies that both "chains" have a similar set of interests and that they share common ground in the current political struggle over banking in Nebraska. It assumes that the tiny chains are more like the big chains than they are like their independent bank neighbors. This is not realistic.

\*Our report considers only 449 total banks because the Kearney State Bank was not yet chartered in 1974--the year for which we gathered data.



Secondly, the definition does not take into consideration trade area. That is, it ignores the fact that some bank chains operate in more than one business trade area while others do not. If the bank does not operate in more than one trade area, there would be no advantage in shifting capital from one member of the chain to another, a practice frequently cited as one of the advantages of a "chain."

Thirdly, and perhaps most important, the definition of chain bank used in the Brockmeier-NBC study does not take into consideration whether or not the chain banks have a common management. If the banks are not operated by a single set of decision makers, it seems difficult to conclude that they constitute a chain. Without common management, it seems unlikely that the advantages often cited by those who favor branching and MBHC's would benefit these separately operated banks.

In fact, many of the so-called chains indentified in the Brockmeier-NBC report are only interlocked by minor shareholders, and do not share common management.

In sum, it is evident that Nebraska is not a pure independent bank state in spite of laws prohibiting statewide branching and MBHC's. Nonetheless, it is also evident that chain banking exists in Nebraska, that it is complex, and that the interests of bankers are deeply divided on the issue of bank ownership.

It is further evident that a more sophisticated analysis of the current structure of banking in the state is necessary for the public to understand the issue which its legislature is being asked to resolve. We therefore, undertook an analysis of bank ownership in Nebraska.

#### IV. NEBRASKA BANK STRUCTURE

##### A. Definitions

There is an almost unlimited number of structural relationships between banks. Banks, like human beings have in-laws and second cousins, some of which are closer than others, (depending as much on personalities as on marriage or birth certificates).

To describe the ownership and control relationship between the banks in Nebraska is extremely difficult. This is so not only because actual ownership of stock in a bank is generally not public information, but also because banks are interconnected by a complex web of relationships. For instance, banks may have identical Board of Directors, indicating a pretty strong relationship between them. More likely, however, two or more banks may have only one or two directors in common. They may share one or more paid officers involved in the day-to-day management of the bank, and these officers may also be directors of the banks or not. Further, the officer of one bank may be only a director in another. In addition, one bank connected to another bank may be connected to a third bank, which may or may not be interlocked to the first bank.

Sorting out the complex relationships among banks, therefore, can be trying. Obviously, some limits must be set to the terms we use ("independent bank", "chain bank", etc.). The Brockneier-NBC study used as a definition of chain banks "investment in two or more banks by an individual, partnership, or family," which, for reasons stated in the previous section, resulted in nearly half the banks in Nebraska being classified as chain banks.

We think this definition is too broad. The banking industry is too complex to be analyzed by such simple definitions. We therefore prepared a more comprehensive set of definitions to classify the banks in Nebraska. We acknowledge that these definitions can be refined even further. Nonetheless, they provide a sound and conservative basis for analysis.

There are at least four kinds of banks in Nebraska, which for the purposes of this report, we define as follows:

1. INDEPENDENT BANKS - banks which are owned and managed by persons who are not involved in the ownership or management of any other bank. (NOTE: a bank does not qualify as an independent bank if 25% or more of its stock is held as collateral for a loan made to stockholder(s) by another bank, as this indicates that the purchase of stock by the stockholders has been financed by another bank and casts doubts on the independence of the purchased bank. Also, in Nebraska, the Packer's National Bank is an Omaha bank established by a group of rural banks in order to provide themselves with correspondent bank services. Generally, an interlock between a rural bank and Packers is not considered justification for disqualifying the independence of the rural bank.)

2. CITY BANK CHAIN - all banks which are owned by the same people or interlocked at the Board of Directors level, and which share management (have one or more of the same officers or over-one-half of their Board of Directors in common) with one of the big five city banks in Nebraska. The big five banks are, the Omaha National Bank, First National Bank of Lincoln, U.S. National Bank of Omaha, National Bank of Commerce (Lincoln) and First National Bank of Omaha. These five banks, which operate in the Omaha and Lincoln metropolitan areas, directly hold over a quarter of the deposits in the state. The smallest of these is two and one-half times as large as the next largest bank in the state.

In addition to those banks which are part of a city chain bank's chain, a bank is considered to be within a city bank's sphere of influence if it is interlocked at the Board of Directors level by an officer or director of the city bank, even if the bank does not have the same management personnel.

3. COUNTRY BANK CHAIN - all groups of four or more banks, none of which is one of the "big five" city banks, but which:

- A. operate in more than two adjacent counties (and therefore, by implication, operate in more than one trade area),
- B. are owned by the same people or interlocked at the board of directors level by an individual, family, or partnership, and/or,
- C. share management with the **other banks in the chain.**

A bank which does **not share** management with a country bank chain may be considered within the **sphere of influence** of such a chain if a key individual in the chain is **on the board of directors** of such a bank.

4. Minor groups - all banks which do not meet the definitions of independent bank or city, or country chain banks are classified as minor group banks. These banks are generally members of small groups of banks interlocked at the board of directors level, frequently operating in the same trade area. Many of them may be connected to other chains through "outside" or "secondary" interlocks. The closeness of these banks to the chain is too indirect or obscure to indicate that they are even in a sphere of influence. However, they are not independent banks. They are in the "grey area" separating independents from chains, an area which the NBC study ignores. Also banks that have 25% or more their stock pledged as collateral to another bank are considered minor group banks (unless they otherwise meet the definition of a chain bank).

It should be clear that many of the chains may be interlocked with each other by individual board members, and that the interrelationships among these chains is complex. The overall level of concentration in influence and control of banking in Nebraska is probably understated by the above definitions.

#### B. Sources of Information and Procedures

The question which we were most frequently asked while we were preparing this report was, "How do you find out who owns banks?" It is not a simple matter, for while the banking industry is as heavily regulated as any in the nation, who actually owns and controls Nebraska banks is generally not known to the public. We cannot claim to know more than what is available in the public record about the secretive world of bank ownership. A work is therefore in order about the procedures, sources of data, and methodology which we have used in preparing this preliminary report.

We used a number of search procedures to determine in as much detail as possible, the interrelationships between the banks in Nebraska. The purpose, of course, was to secure a basis for classifying each bank into one of our four classes defined above. We then had a reasonably complete picture of the overall ownership structure of the banking industry in the state and were able to make some comparisons of the relative economic significance of each class, and of the prominent banks or chains of banks within each class.

The most readily available source of information about who owns and controls the banks in Nebraska is the American Bank Directory: Nebraska, published by McFadden Business Publications and distributed by the First National Bank of Lincoln. The directory lists all of the members of the Board of Directors and officers for each commercial bank in the state. Membership on the Board of Directors is an indication of ownership and, in the case of small banks, is evidence of major interest.

We used the directory to compile an alphabetical listing of all people who are on the boards of directors of Nebraska banks. A number was assigned to each bank and placed after the name of each member of the bank's board of directors. All interlocks between bank boards were then tabulated.

We then determined how many of the banks which were interlocked at the board of directors level also had common management, that is, one or more of the same officers who function as working staff for more than one bank. This was particularly important in order to distinguish between the "country chains" and the "minor groups."

Finding direct information about shareholders is more difficult. Almost no public information about this is available.

There are some exceptions. Several government reports released by the House of Representatives Banking Committee in the 1960's reveals the names of some of the principal shareholders of the nation's largest banks, but few banks in Nebraska are on the list.

The best current information about ownership is to be found in reports which federal law requires to be filed whenever the ownership or management control of a bank is altered. These reports, which are available to the public, have been required only since 1964. Reports of changes in the control of state banks are filed with the Nebraska Banking Department, "Changes in Control of Management ", Nebraska Department of Banking Form 811402, and U.S. Comptroller of the Currency, "Digest of Changes in Control of Ownership of National Banks as Reported under Public Law 88-503".

Other information about ownership of banks in Nebraska is available from the Federal Reserve System. It provides a listing of all bank holding companies, including their subsidiary banks, non-bank subsidiaries, and banks which are not subsidiaries but in which the bank holding company owns a substantial amount of stock. For the purpose of this report, bank non-subsidiaries were considered to be interlocked with other banks in which the parent bank holding company is involved.

The Securities and Exchange Commission (SEC) also requires detailed annual reports from large bank holding companies. The report required by the SEC includes information about all "affiliated banks" which means banks which are owned or controlled by the officers, directors, or shareholders of the parent bank. Few Nebraska banks are required to file this report.

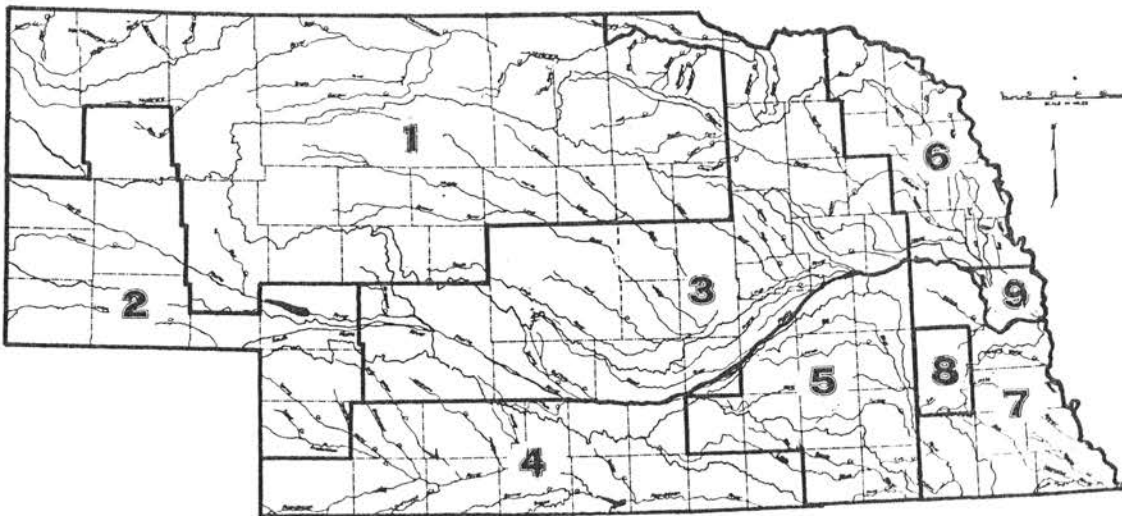
Finally, a list of all state banks in Nebraska which have a substantial percentage of their stock pledged as collateral for a loan made to the stockholder by another bank was supplied to us by the Federal Reserve System and the Federal Deposit Insurance Corporation (which covers state banks which are not members of the Federal Reserve System). Unfortunately no such information could be obtained within the time limits of this preliminary study for the national banks which are covered by the Comptroller of the Currency. However, about three-fourths of the banks in Nebraska are state banks.

The list of banks whose stock is pledged as collateral also indicated whether the bank holding the stock as collateral was a Nebraska bank. The FDIC would not reveal, however, the name of the bank which held the stock as collateral.

Having classified all of the banks in Nebraska into one of the four classifications, we then undertook to determine how important each class is compared to the others, especially with respect to agriculture. Using data supplied by the banks themselves to the Federal Deposit Insurance Corporation and published by Sheshunoff and Company (The Banks of Nebraska, 1975) we determined the total deposits, loans, and farm loans for each bank, for each chain of banks, and for each class of banks.



Finally, in order to determine the distribution of the various classes of banks within geographic regions of the state, we segregated the state into nine economic regions based on a map prepared by the Federal Deposit Insurance Corporation. This regional breakdown will be primarily beneficial for the purposes of comparing data regarding bank performance within regions which have similar agricultural economies. For the purpose of this introductory report, we have limited the use of the regional breakdown to analysis of the distribution of the various bank classes.



FDIC ECONOMIC REGIONS

## V. FINDINGS

1. Only 37% of the banks in Nebraska are independently owned, while 23% of the state's banks are parts of identifiable city or country chains. The rest of the banks are neither purely independent nor parts of chains. The independent banks hold only 26% of the state's bank deposits.

The study by the National Bank of Commerce published in the Omaha World Herald indicated that 198 of the 450 banks in Nebraska are chain banks based on interlocking directorates, and left the implication that the other 252 banks (56%) in the state are independent. Our analysis, which uses different definitions, reaches different conclusions.

We do not consider a "chain" of banks to exist unless it involves one of the big five city banks or consists of four or more banks which are connected through interlocking directors, operate in more than one trade area, and share common management (that is, they have one or more of the same officers). We also limit the independent banks to those whose owners are not involved in the ownership or management of any other bank. Between the chains and the independents are a large number of "minor groups"-- banks which are not deeply enough involved with other banks to be part of a chain, but which are sufficiently interconnected with other banks that they are not considered independent. (See pp. 11-13 for complete definitions)

Using this classification system, we conclude that there is a great deal of diversity in the ownership structure of banking in Nebraska. Table 1 presents a summary of this classification system. (Appendix A presents a classification list of all banks in the state. Appendix B and Appendix C present a tabulation of all banks which are in the five city bank chains and the 12 country bank chains.)

TABLE 1 NUMBER OF NEBRASKA BANKS, PERCENT OF TOTAL, AND SHARE OF DEPOSITS BY OWNERSHIP CLASS (Excluding and including sphere of influence banks)

CLASS	(Excluding sphere of influence)			(Including sphere of influence)		
	<u>No. Banks</u>	<u>% Banks</u>	<u>% Deposits</u>	<u>No. Banks</u>	<u>% Banks</u>	<u>% Deposits</u>
CITY CHAINS	27	6	36	42	9	41
COUNTRY CHAINS	74	17	12	83	19	14
INDEPENDENTS	168	37	26	168	37	26
MINOR GROUPS	180	40	26	156	35	19
TOTAL	449	100	100	449	100	100

Table 1 indicates that there are 27 banks involved in the five city chains\*, 74 banks involved in 12 country chains, 168 independent banks, and 180 minor group banks.

Banks which are in the sphere of influence of the chains are tabulated in the minor group classification in the above data. If they are included in the chain bank classes, the distribution of banks is altered: the five city chains then involve 42 banks, the country chains involve 83 banks, there are still 168 independent banks, and the minor group class drops to 156.

The mixture of banks should not, however, obscure the true nature of the relative importance. The five city chains, though they constitute only 6% of the banks in the state, hold 36% of the deposits. By contrast, the independent banks, which number 37% of the banks, hold only 26% of the deposits.

If the sphere of influence banks are included in the total, the city chains hold 41% of the deposits, and the country chains hold 14% of the deposits, while the minor group banks' share of the deposits falls to 19%.

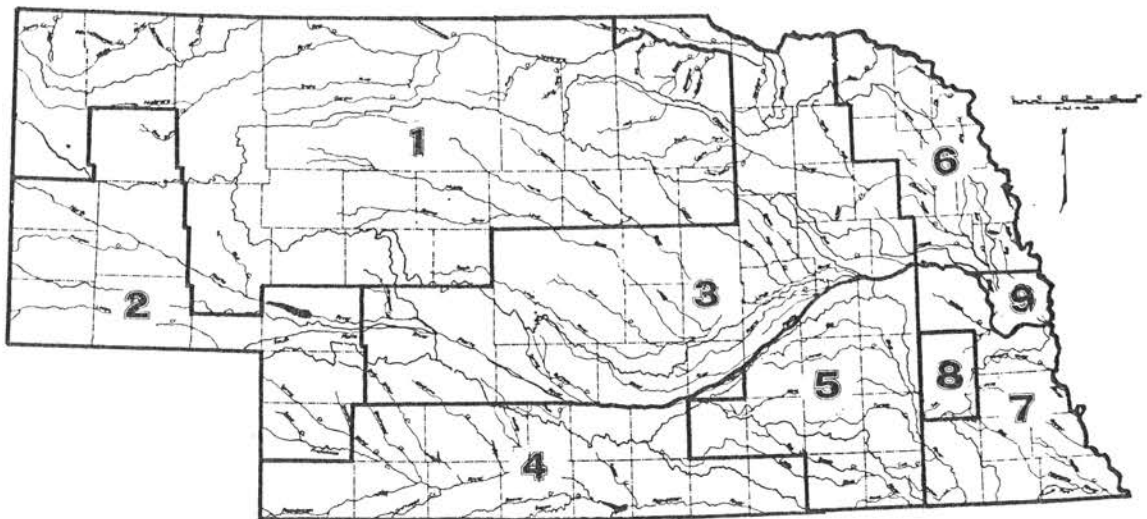
Overall, the distribution of banks by type is fairly even across the state. (See Table 2). A few generalizations can be made, although we do not know what, if any, significance there is to them. First, the south central region (FDIC Region 5) of the state (roughly, south of the Platte River, west of Lincoln, east of Grand Island) has a relatively large number of country chain banks. Second, the southwest part of the state (two tiers of counties along the Kansas border west from Grand Island which comprise FDIC Region 4) is the only region in which over half of the banks are independent banks, and in which there are virtually no chain banks. In the Northeast region, just half of the banks are independent.

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\* Only three of the five city chains actually involve a group of rural banks which share management with one of the big five city banks. The other two city chains consist only of the two city banks -- the Omaha National and First National of Lincoln -- and banks which are interlocked with them at the Board of Directors level but do not share common management. According to our definitions these interlocked banks are considered to be within the sphere of influence of these two city banks but not directly a part of their chains. Because this sphere of influence exists and because these two city banks provide a considerable amount of rural credit directly from their own urban economic base, we have classified them as city chains, even though the absence of management interlocks with rural banks technically means they are only "one-bank chains."

TABLE 2 NUMBER OF NEBRASKA BANKS BY OWNERSHIP CLASS AND ECONOMIC REGION

<u>ECONOMIC REGION</u>	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>	<u>TOTAL</u>
1	0	9	13	11	33
2	0	7	14	16	37
3	8	17	45	44	114
4	2	2	17	25	46
5	2	20	22	21	65
6	4	4	14	22	44
7	0	7	34	19	60
8	4	4	5	5	18
9	7	4	16	5	32
TOTAL	<u>27</u>	<u>74</u>	<u>180</u>	<u>168</u>	<u>449</u>



FDIC ECONOMIC REGIONS

II. There is very little difference between independents, chains, and minor group banks with respect to their tendency to lend money to farmers.

A claim frequently made by those who favor branch banking and multi-bank holding companies is that under these forms of banking more credit could be made available to farmers. Independent country bankers have lower legal lending limits than their larger city bank competitors would have, and tend to be more conservative in extending credit to their customers.

Since there are currently no branch banks or multi-bank holding company banks operating in rural communities, it is impossible to test the validity of this claim. We did, however, review the lending performance of banks in rural Nebraska to see if there is any difference between the independent banks and the other types of banks with respect to making credit available to farmers.

One commonly understood measure of lending performance is a bank's ratio of loans to deposits. The higher the percentage of its deposits which go to loans, the more liberal is the bank's lending policy. In order to estimate the bank's commitment to agricultural lending, it is possible to review the ratio of its farm loans to its deposits or to its total loans.

We calculated these ratios for all banks operating outside of Douglas and Lancaster counties. These two counties were omitted for the obvious reason that their banks have a relatively small percentage of farm loans. These calculations are presented in Table 3.

TABLE 3 LENDING RATIOS OF BANKS IN NONMETROPOLITAN NEBRASKA, 1974

CLASS	LENDING RATIO		
	<u>Loan/Deposit</u>	<u>Farm Loan/Total Loans</u>	<u>Farm Loan/Deposit</u>
CITY CHAINS	.65	.44	.28
COUNTRY CHAINS	.60	.61	.36
MINOR GROUPS	.58	.58	.33
INDEPENDENTS	.52	.65	.34



Table 3 indicates that independent bankers are, indeed, more conservative in their overall lending policies, the first column showing that they have lent out only 52% of their deposits compared with considerably higher percentages for each of the other classes of banks. The independents, however, were more likely to make farm loans, the second column indicating that 65% of the independent banks' loan funds are for farm loans compared with considerably lower percentages for each of the other classes. As a result, the third column shows that independent banks in non-metropolitan Nebraska in 1974 were making a higher percentage of their deposits (34%) available to farm loans than were either the city chains (28%) or minor group banks (33%), and were only slightly below the country chains (36%).

If farm real estate loans are eliminated from these figures, the city chains banks show even less of a tendency to make farm loans. Only 28% of the city chain funds loaned by banks operating in non-metropolitan Nebraska in 1974 were for farm operating loans (farm non-real estate loans); the comparable figures for the other classes of banks operating in non-metropolitan counties in 1974 are: independents, 59%; country chain banks, 56%; and minor group banks, 52%.

III. Rural banks which are part of chains dominated by one of the big five city banks tend to deposit a larger share of their funds with other banks than do other rural banks in their area.

Those who favor independent banking allege that city banks will drain funds from rural areas if they are allowed to establish branches or acquire subsidiary banks in rural communities.

Rural banks usually have a certain portion of their funds placed in other banks at all times. These deposits are frequently made with larger correspondent banks to facilitate day-to-day clearance by the correspondent banks of checks written on the rural bank's accounts.

We reviewed the percentage of customer deposits which various banks placed in other banks. Our review compared rural banks which are part of city chains with other rural banks operating in the same counties.

We found no significant difference between the percentage of funds deposited with other banks made by city chain banks operating in communities of 15,000 or more, and other kinds of banks operating in the same communities. Thus, city chain banks do not appear, from this data, to drain funds from medium-size cities in Nebraska by depositing their funds in other banks.

However, in smaller communities, there was a significant difference. City chain banks which operate in communities of under 15,000 place on an average, 20% of their funds with other banks. The individual banks ranged from 7% up to 35% for the First National Bank of Elm Creek, a member of the First National Bank of Omaha chain.

By contrast, independent banks which operate in communities of under 15,000 in the same counties as the city chain banks, placed only 7% of their funds with other banks. Country Chain banks and Minor Group banks in these communities placed 7% and 9% of their funds respectively, with other banks.

TABLE 4. FUNDS PLACED WITH OTHER BANKS BY CITY CHAIN BANKS LOCATED IN TOWNS UNDER 15,000 PEOPLE AND BY OTHER BANKS OPERATING IN THE SAME COMMUNITIES

<u>Class</u>	% of Customers Deposits Placed in Other Banks
City Chain	20%
Country Chain	7%
Minor Group	9%
Independent	7%

- IV. One-third of the banks chartered under state law have at least 10% of their stock pledged as collateral to another bank for a loan made to the stockholder. No less than 20% of the state banks have over one half of their stock pledged as collateral. Most of these stock mortgages are held by city banks in Nebraska.

In 1963 and 1964 there was an increase in the number of banks which collapsed, and according to the Federal Deposit Insurance Corporation, many of the failures followed a change in ownership or control of the banks.

Congress therefore passed a law requiring banks to report to the federal government any change in their ownership or management control. The same law required banks to report any loans they made to stockholders of another bank for which their collateral was 25% or more of the stock of the borrower's bank.

The reason for the latter requirement was that Congress suspected that many banks were being purchased on credit with the purchaser using the bank's stock as collateral for the loan. For instance, a prospective buyer could use bank "A"'s stock as collateral to secure a loan from bank "B" for the purpose of purchasing bank "A". The implication was that the purchased bank "A" was effectively controlled by the larger bank "B" which held its stock as collateral. This would be a form of ownership control and concentration which would be hidden without the reporting requirement.

The Banking and Currency Committee of the House of Representatives therefore made a staff study of the reports which were filed during 1964 through 1966. The concern of the Congress was justified by the staff report which the Committee published in 1967.

Of 860 banks in which ownership or management control changed during the study period, 424 banks with assets of 3.4 billion dollars were taken over by persons who had borrowed about 90% of the purchase price, and had pledged the stock of the purchased bank as collateral to secure the loan.

The new "owners" of these banks had personally invested less than 1% of the asset value of the banks they had purchased. The Committee staff further suspected that the terms of the loans were generous, probably involving little if any down payment, and no regular payment on the principal.

The study determined that a correspondent bank which holds 25% or more of the stock of another bank as security for a loan it has made to the stockholder, potentially controls that bank.

The report concluded that these developments greatly increased the dangers of "superconcentration and monopoly." Moreover, since almost all of the buying of banks on credit occurred in states which restrict branch banking, the Committee staff concluded that such purchases were in reality nothing more than a means for larger banks to expand into other trade areas without violating state and federal laws regarding branching. In the report's words, "All indications are that bank control changes and bank stock loans are the devices by which bank chains are organized." Furthermore, "In some cases, it appears reasonable to conclude that the individuals shown as new controlling persons are actually acting on behalf of other banks or bank holding companies and not in their individual capacities."<sup>9</sup>

We conducted a similar study of state banks in Nebraska using 1976 data supplied to us by federal bank regulatory agencies. National banks, which constitute about 27% of Nebraska's 449 banks, were not included in the analysis because of the unusually high cost of securing the necessary data from the U.S. Comptroller of the Currency. Data for the state banks, which constitute the great majority of rural banks, was supplied to us at little or no cost by the Federal Deposit Insurance Corporation and the Federal Reserve System.

Table 5 shows the number of state banks which have 25% or more of their stock pledged as collateral to another bank

	<u>Number</u>	<u>1974 Deposits</u>	<u>% of All State Bank Deposits</u>
State Banks With 25-50% of Stock Pledged	20	\$94,632,000	4
State Banks With Over 50% of Stock Pledged	64	413,285,000	18
All Nebraska State Banks	328	2,253,223,000	100

Of the 328 state banks in Nebraska, 84 (or 26%) are owned by persons who have pledged at least 25% of the bank stock as loan security. These 84 banks together have about 22% of the deposits of all state banks. Most of these pledged banks (64 of the 84) have over 50% of their stock pledged.

Table 6 shows a breakdown of the pledged banks by their ownership classification. Fourteen are parts of country chains, three are parts of city chains, and sixty-seven of them are in the grey area called "minor group" banks. Importantly, twenty-nine of the sixty-seven minor group banks would have been classified as independent banks except for the fact that their stock is pledged. This reinforces the House Banking and Currency Committee report's conclusion that stock pledging is frequently used to extend the sphere of influence of the lending bank.

TABLE 6 CLASSIFICATION OF NEBRASKA STATE BANKS WITH STOCK PLEDGED

	<u>State Banks With 25-50% Of Stock Pledged</u>	<u>State Banks With Over 50% Of Stock Pledged</u>	<u>TOTAL</u>
CITY CHAINS	0	3	3
COUNTRY CHAINS	2	12	14
MINOR GROUP			
Classified Minor Group for reasons in addition to stock pledged	11	27	38
Classified Minor Group solely because of stock pledged	7	22	29
TOTAL	20	64	84

However, it would be improper to assume that all of the loans reported here were made to the borrower for the specific purpose of purchasing the bank whose stock was used to secure the loan. The loan might have been made for other purposes. Nonetheless, for whatever purpose the loan was made, the fact remains that the bank's stock is held as security by the lending bank.

Table 7 presents a listing of the fourteen Country Chain banks, 25% or more of whose stock was pledged as of mid-1976. It is worth noting that of the fourteen, five are associated with the Stine-Huff chain of banks. In fact, of the twelve banks which are either



directly a part of that chain or within its sphere of influence, nine, including the troubled Commercial Bank of Blue Hill, had over 50% of their stock pledged as collateral during 1976.

TABLE 7

## NEBRASKA COUNTRY CHAIN STATE BANKS WITH OVER 25% OF THEIR STOCK PLEDGED

Name of Chain	Name of Bank	% of Stock Pledged
Adams	Bank of Brule	50%+
Adams	Security State Bank of Madrid	50%+
Burkley	Bank of Swanton	50%+
Dinsdale	Farmers State Bank of Lexington	50%+
Dunlap	Pawnee County Bank of Pawnee City	50%+
Shonsey	Platte Valley State Bank & Trust Company of Kearney	50%+
Stine/Huff	Bank of Burwell	50%+
Stine/Huff	Bank of Cody	50%+
Stine/Huff	Bank of Monroe	50%+
Stine/Huff	Nebraska State Bank of Ord	50%+
Stine/Huff	Farmers State Bank of Rising City	50%+
Voorhees	Harvard State Bank	50%+
Voorhees	Hastings State Bank	25%-49%
Voorhees	State Bank of Waterloo	25%-49%

Unfortunately, we are unable to determine the identity of the lending banks in most of these stock-secured loans. The federal agencies would not provide this data. However, they did indicate that in all but a few instances, the lending banks were Nebraska banks, indicating a strong likelihood that they were the big five city banks.

If we were able to include the nationally-chartered banks in this study, all of the figures would have been higher, of course.

## VI. SUMMARY/CONCLUSIONS

Using conservative definitions of the terms "independent bank" (one with no ownership connection to another bank) and "bank chain" (a group of four or more banks operating under common management in more than one trade area), we conclude that a larger number of Nebraska banks than is generally believed fall into the grey area between these two concepts of banking. Only 37% of the state's banks are independent, and they control only 26% of the commercial bank deposits in the state. On the other hand, 23% of Nebraska's banks are parts of identifiable chains, and they hold 48% of the state's deposits.

Our preliminary analysis of the performance of these classes of banks indicated that there is little difference between them with respect to making credit available to farmers. Although the chain banks tend to lend a higher percentage of their deposits, these loans are less likely to go to farmers than are loans made by independent banks. Therefore, the independents lend about the same percentage of their deposits to farmers as do the chains.

One significant difference does exist: rural banks which are parts of chains dominated by one of the big five city banks tend to deposit a larger share of their funds in other banks than do other rural banks which operate in the same counties. This indicates that the city bank chains may tend to drain funds from the rural areas in which they operate.

Finally, this introductory report shows that a startling number of rural state-chartered banks (20% of the 328 state banks) have over half of their stock pledged as collateral for a loan made to the stockholder by another bank. This indicates that Nebraska's prohibition against branch banking and multi-bank holding companies is being circumvented by larger banks who are financing the acquisition of rural banks and taking a mortgage on the acquired bank's stock.

These findings reflect a drift toward greater concentration in the financial resources of the state in spite of public laws outlawing branch banking and multi-bank holding companies. We are concerned about the consequences which greater concentration would have on access to credit for small farmers, and on general farm credit stability in drought sensitive regions of the state, and in times of depressed farm prices.

## VII. IMPLICATIONS

This initial report has been prepared in order to help both the Center and the public better understand the complexities of the banking issue in Nebraska. We have made no effort to take issue with any of the claims made by any of the sides in this industry debate. We do point out that professional scientific research has been contradictory on specifics, but has generally failed to support the claims made by those who favor branch banking and multi-bank holding companies.

We cannot help but be apprehensive about the prospects of further concentration in the control of Nebraska's financial resources. We are especially concerned about the impact which branch banking and multi-bank holding companies can have on small farmers.

The pro-branchers have made claims that they can supply more capital to agriculture. Our preliminary findings leave us puzzled as to how they plan to accomplish this. There is no significant difference between the farm loan to deposit ratios of independent banks and the chains (either city or country). Turning rural bank deposits over to the control of the city banks will not make them more available to farmers or to rural communities.

We therefore suspect that the heart of the pro-branchers' plan is not to make more funds available to farmers, but to redistribute among farmers the funds which are already available for agriculture. This holds two very serious implications for Nebraska farmers.

The first is that under a more concentrated banking system, we would expect larger loans to be made available to fewer farmers. The bigger banks, first of all, have higher legal loan limits than those under which rural banks operate. Further, the big banks tend to place greater emphasis on bookkeeping, cash flow records, and other formal lending criteria. They also offer more specialized management assistance to their customers. Such requirements and services are appropriate to heavily capitalized and specialized farming operations. The Michigan study cited on page 7 of this report reached the conclusion that big banks serve big farms, to the detriment of smaller farms.

The second implication about how concentrated banking would affect the distribution of funds within agriculture is that loans would tend to be made to "high return" investments. The pro-branchers refer to this as their flexibility in shifting funds where they are "needed the most." We have to wonder what these shifts would be and by whom they would be needed. The fastest growth in agriculture in Nebraska in recent years has been in

regions where center pivot irrigation has boomed. Much of the financing for this growth has come from outside the areas in which it occurs, especially from absentee investors, corporations, and non-farmers (as we have documented in our report, Wheels of Fortune). Is this the kind of growth which branch banking would encourage? We do not know. But, if California's corporate farming, which has flourished under that state's branch banking law, is an example of the quality of growth which concentrated banking induces, then Nebraska's family farmers and ranchers have justified cause for concern.

It is significant that some of the state's big five city banks have established subsidiary leasing corporations, used primarily to channel investment funds into center pivot irrigation. The leasing arrangement is desirable not only because it provides the bank with substantial investment credit and other tax advantages, but also because an equipment lease is a kind of financing instrument which is exempt from the state's 9% interest limit (usury law). Thus leasing contracts provide the kind of "high return" which would be given priority as a use funds by a concentrated banking industry.

The other side of the coin with respect to shifting funds to areas where they are needed, is that those funds must come from areas where they are "not needed." That is, they must come from areas which provide a relatively low return on interest-bearing loans. In recent years, drought and depressed cattle markets have severely reduced the short term earning capacity of agriculture in many areas of the state, especially in the northeast. Are these the regions of Nebraska which the pro-branchers regard as suppliers of excess capital?

The potential for such shifts to occur has serious consequences for agriculture as a whole. The effect of such opportunistic shifts would be to encourage more instability in the short term financing of farm operations. The possible extent of this impact can only be guessed.

Overall, we do not believe that greater concentration in the financial resources of Nebraska would be beneficial to the majority of farmers in the state. It would help only those who meet the lending criteria of the concentrated bankers. Access to credit for a majority of the farmers who borrow relatively small amounts of short-term capital from rural banks would likely become more restricted. Under a concentrated banking system, some farmers might be unable to meet the banks' minimum loan size.

Banks have recently come under considerable pressure for their lending practices in urban areas. They have been accused of financially strangling certain sections of their trade areas by refusing to make loans for housing or community improvements in those areas. Instances have been found where banks literally

drew a red line on a map around a part of the city where they would not make loans. This practice has been called "redlining", and has been outlawed in certain states. What we are suggesting is that, in a system where a few banks could dominate lending patterns across an entire state, certain kinds of farmers and certain regions of the state could be redlined in the same fashion.

It would be appropriate at this point to say that not all banks would operate in the same fashion if branch banking and multi-bank holding companies were permitted in Nebraska. Perhaps some of the branching banks would not be subjected to the management manipulations of the parent bank. In such instances, our concern over the drain of funds from rural areas and the redlining of certain types of farm operations might be unwarranted.

However, it is the potential for abuse which concerns us, and the fact that it has occurred in other states is evidence that our concern is warranted.

This is only an introductory report. More research into the questions we have raised in this report as well as into related questions which we have not addressed is needed.

More work must be done to compare the performance of chain banks and independent banks. We are especially concerned with their agricultural lending policies. Farm credit ought to be a major policy concern of Nebraska banking law.

Do chain banks respond to the needs of their farm customers as well as, or better than the independents? And to which customers are they more likely to respond? The family farm? The larger-than-family-farm? The investor-owned farm?

The required research should evaluate more than the total number of dollars banks make available to agricultural operations. It should consider the size of the loans, the terms under which they are made, the criteria for evaluating the credit worthiness of a customer and the customer level of satisfaction with bank performance.

Total farm lending is less important to the health of agriculture in Nebraska than is access to credit for individual farmers. In other words, how much money the banks are lending is not as important as who they are lending it to. If heavily capitalized industrial farms are given favored access to the financial resources of the state, the drift toward corporate farming and absentee ownership will be accelerated. This, the Center for Rural Affairs has consistently opposed.



## FOOTNOTES

<sup>1</sup>Much of the background material for this section is based on the Bank Holding Company: Its History and Significance in Modern America, Association of Registered Bank Holding Companies, Washington, D.C., 1973.

<sup>2</sup>Compilation of State Laws Affecting Bank Holding Companies, Association of Bank Holding Companies, January, 1977, Washington, D.C.

<sup>3</sup>Banking and Rural Credit and Other Rural Life Issues, Joint Religious Legislative Coalition, 1975-76 Official Position Paper, Minneapolis, Minnesota.

<sup>4</sup>Improved Fund Availability of Rural Banks, Board of Governors of the Federal Reserve System, Washington, D.C., June, 1975.

<sup>5</sup>"An Overview of the Research Program and Results", Ad Hoc Committee to Study Improvements in Marketability of Bank Agricultural Paper, Board of Governors of the Federal Reserve System, unpublished document, 1971.

<sup>6</sup>Hayenga, Wayne A., "Rural Bank Ownership Changes: Effects on Rural Communities and Implications for Agriculture", Journal of the American Society of Farm Managers and Rural Appraisers, Vol. 39, No. 1, April, 1975, pp. 6-11.

<sup>7</sup>Hayenga, Wayne A., "The Effects of Bank Mergers on Financial Services Available to Rural Michigan Residents", unpublished PhD dissertation, Michigan State University, 1973.

<sup>8</sup>Dobson, L. Wayne, "An Analysis of the Most Frequently Used Arguments in Support of Multibank Holding Companies", unpublished paper, 1976.

<sup>9</sup>Acquisitions, Changes in Control, and Bank Stock Loans of Insured Banks, Committee on Banking and Currency, U.S. House of Representatives, Washington, D.C., 1967, p. 41.



APPENDIX A

	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
AURORA-The Farmers State Bank & Trust Co. 17,601,000				
-First National Bank in Aurora 18,407,000	x			
AVOCA-Farmers State Bank 4,435,000				x
AXTELL-Farmers & Merchants Bank 2,809,000			x	
BANCROFT-Citizens Bank 3,716,000				
-First National Bank 5,066,000				x
BARTLEY-State Bank of Bartley 3,522,000				x
BASSETT-Commercial Bank 8,316,000			x	
BATTLE CREEK-Battle Creek State Bank 2,979,000			x	
BAYARD-First National Bank 7,235,000				x
BEATRICE- Beatrice National Bk & Tr Co. 29,503,000			x	
-Beatrice State Bank 4,423,000			x	
-First National Bk & Tr Co. 23,134,000			x	
BEAVER CITY-The First State Bank 7,269,000				x
BEAVER CROSSING-Home State Bank 2,487,000	x			
BEEMER-First National Bank 6,647,000				x
BELDEN-First National Bank 6,659,000			x	
BELLEVUE-Bank of Bellevue 22,314,000			x	
-First National Bank of Bellevue 11,443,000			x	
Southroads Bank 2,948,000			x	

APPENDIX A

CITY CHAIN      COUNTRY CHAIN      MINOR GROUP      INDEPENDENT

BENKELMAN-State Bank 6,006,000				X
BENNINGTON-Bank of Bennington 4,267,000				X
BERTRAND-Bank of Bertrand 5,379,000				X
BIG SPRINGS-Farmers State Bank 3,469,000				X
BLAIR-Blair Bank, Inc. 8,688,000				X
-Washington County Bank 25,620,000	X			
BLOOMFIELD-Farmers & Merchants State Bank 9,707,000	X			
BLUE HILL-The Commercial Bank 11,268,000				X
BLUE SPRINGS-Blue Springs State Bank 3,590,000				X
BOELUS-Boelus State Bank 1,860,000				X
BRADSHAW-The First National Bank 2,799,000				X
BRADY-Bank of Brady 3,102,000				X
BRAINARD-Bank of Brainard 5,000,000	X			
BRIDGEPORT-The Bridgeport State Bank 9,352,000				X
BRISTOW-Nebraska State Bank 1,614,000				X
BROKEN BOW-Broken Bow State Bank 9,135,000				X
-Security State Bank 1,528,000				X
-Nebraska State Bank & Trust Co. 19,961,000				X
BRULE-Bank of Brule 8,746,000	X			
BRUNING-Bruning State Bank 9,539,000				X
BRUNSWICK-Brunswick State Bank 3,229,000				X

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	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
BURCHARD-State Bank of Burchard 838,000				
BURR-The American Bank 1,616,000			X	
BURWELL-Bank of Burwell 10,844,000	X			
BUSHNELL-Kimball County Bank 3,229,000			X	
BUTE-Butte State Bank 5,596,000			X	
CAIRO-The State Bank of Cairo 11,142,000				X
CALLAWAY-Seven Valleys State Bank 3,641,000			X	
CAMBRIDGE-The Cambridge State Bank 2,940,000			X	
-The First National Bank 9,637,000				X
CAMPBELL-Campbell State Bank 3,941,000				X
CARLETON-Citizens State Bank 2,360,000			X	
CARROLL-Farmers State Bank 2,389,000			X	
CEDAR BLUEFS-Cedmercial State Bank 1,792,000			X	
CEDAR RAPIDS-Cedar Rapids State Bank 1,549,000				X
CENTER-Center State Bank 1,892,000			X	
CENTRAL CITY-Central Bank 5,984,000			X	
-Farmers National Bank 9,376,000		X		
CERESCO-Farmers & Merchants Bank 3,052,000				X
CHADRON-Bank of Chadron 14,161,000		X		
-First National Bank 14,309,000				X

	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
CHAMBERS-Chambers State Bank				X
4,871,000				
CHAPPELL-Deuel County State Bank				X
5,109,000				
CHESTER-State Bank of Chester			X	
2,615,000				
CLARKS-Bank of Clarks				X
4,007,000				
CLARKSON-Clarkson Bank				X
10,295,000				
CLATONIA-Farmers Bank of Clatonia			X	
1,787,000				
CLAY CENTER-The Commercial State Bank				X
5,186,000				
CLEARWATER-Citizens State Bank			X	
4,446,000				
CODY-The Bank of Cody		X		
4,299,000				
COLERIDGE-The Coleridge National Bank				X
6,788,000				
COLON-State Bank of Colon			X	
2,193,000				
COLUMBUS-Citizens Bank & Trust Company				X
16,872,000				
-Columbus Bank and Trust Company			X	
18,433,000				
-First National Bank & Trust Co.				X
62,751,000				
COMSTOCK-Farmers & Merchants Bank		X		
2,028,000				
COOK-Farmers Bank of Cook			X	
3,263,000				
COZAD-Cozad State Bank and Trust Co.				X
12,120,000				
-First Bank and Trust Company			X	
14,097,000				
CRAWFORD-Crawford State Bank			X	
5,869,000				
CREIGHTON-The American National Bank of Creighton				X
11,096,000				



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	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
CRETE-The City National Bank of Crete			x	
12,646,000				
-Crete State Bank			x	
13,366,000				
CROFTON-Crofton State Bank				x
5,519,000				
CULBERTSON-The Culbertson Bank				x
1,923,000				
CURTIS-Curtis State Bank				x
5,362,000				
DALTON-Dalton State Bank			x	
3,743,000				
DANNEBROG-State Bank of Dannebrog			x	
1,204,000				
DAVENPORT-Jennings State Bank			x	
4,940,000				
DAVID CITY-David Dity Bank			x	
8,476,000				
-First National Bank				x
22,859,000				
DAWSON-The Dawson Bank			x	
2,658,000				
DAYKIN-Jefferson County Bank	x			
5,036,000				
DECATUR-Citizens State Bank	x			
3,522,000				
DESHLER-The Nebraska Security Bank				x
5,605,000				
DE WITT-De Witt State Bank	x			
6,064,000				
DODGE-Farmers State Bank				x
6,799,000				
DONIPHAN-Bank of Doniphan			x	
4,861,000				
DORCHESTER-Citizens State Bank				x
2,974,000				
DOUGLAS-Farmers State Bank				
1,846,000				
DUBOIS-State Bank of DuBois		x		
1,468,000				

	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
EAGLE-Eagle State Bank				
139,000		X		
EDGAR-Security State Bank			X	
3,162,000				
EDISON-Farmers & Merchants Bank			X	
3,281,000				
ELBA-Elba State Bank			X	
1,966,000				
ELGIN-Bank of Elgin			X	
6,335,000				
ELK CREEK-State Bank of Elk Creek			X	
2,028,000				
ELKHORN-Bank of Elkhorn				
7,381,000				
ELM CREEK-First National Bank of Elm Creek	X			
2,403,000				
ELMWOOD-American Exchange Bank				X
4,242,000				
ELSIE-Commercial State Bank			X	
2,270,000				
ELWOOD-First National Bank				X
6,147,000				
-The Home Bank			X	
1,265,000				
EMERSON-The First National Bank				X
5,565,000				
ENDERS-First State Bank				X
3,195,000				
ERICSON-Ericson State Bank			X	
2,195,000				
EUSTIS-Farmers State Bank			X	
6,409,000				
EWING-Farmers State Bank			X	
4,125,000				
EXETER-First National Bank in Exeter				X
5,786,000				
FAIRBURY-The Fairbury State Bank			X	
12,176,000				
-First National Bank				
30,991,000		X		

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	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
FAIRFIELD-The Fairfield State Bank 4,229,000			x	
FAIRMONT-Farmers State Bank 3,999,000			x	
FALLS CITY-The First National Bank of Falls City 21,651,000				x
-Richardson County Bank & Trust Co. 21,658,000				
FARNAM-Farnam Bank 3,577,000			x	
FILLEY-Filley Bank 2,482,000			x	
FIRTH-State Bank of Firth 811,000				x
FT. CALHOUN-Fort Calhoun State Bank 1,116,000				x
FRANKLIN-Franklin State Bank 11,875,000				x
FREMONT-First National Bank & Tr. 49,713,000	x			
-First State Bank 11,781,000	x			
-Fremont National Bank 39,310,000				x
FRIEND-First National Bank 9,704,000				x
FULLERTON-First National Bank 10,345,000				x
-Fullerton National Bank 5,776,000				
GENEVA-Fillmore County Bank 5,985,000			x	
-Geneva State Bank 22,944,000			x	
GENOA-Genoa National Bank 9,581,000			x	
GERING-Bank of Gering 9,122,000			x	
Gering National Bank				x
GIBBON-Exchange Bank 7,910,000			x	

	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
GORDON-First National Bank				X
20,079,000				
-Gordon State Bank		X		
9,315,000				
GOTHENBURG-First State Bank				X
13,928,000				
-Gothenburg State Bk & Tr Co.				X
17,765,000				
GRAFTON-Grafton State Bank				X
3,010,000				
GRAND ISLAND-Commercial Nat Bk & Tr			X	
47,844,000				
-First NB of Grand Island				X
70,557,000				
-Five Points Bank				X
4,580,000				
-Overland NB of Grand Island	X			
40,484,000				
GRANT-Farmers Nat. Bk of Grant			X	
16,868,000				
GREELEY-The City National Bank				X
3,638,000				
GRESHAM-Gresham State Bank			X	
2,594,000				
GRETNA-Gretna State Bank			X	
4,792,000				
GUIDE ROCK-The Guide Rock State Bank				X
1,518,000				
HALLAM-Hallam Bank			X	
1,047,000				
HARDY-Hardy State Bank			X	
2,489,000				
HARRISBURN-Banner County Bank				X
2,633,000				
HARRISON-Sioux National Bank				X
6,544,000				
HARTINGTON-Bank of Hartington				X
11,746,000				
HARVARD-Harvard State Bank				X
4,021,000				

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	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
HASTINGS-City National Bank	x			
52,085,000				
-First National Bank		x		x
72,426,000				
-Hastings State Bank				
11,052,000				
HAYES CENTER-The First National Bank				
5,748,000				
HAY SPRINGS-The First National Bank			x	
8,658,000				
HEBRON-Thayer County Bank				
12,611,000		x		
HEMINGFORD-Bank of Hemingford				
7,170,000				
HENDERSON-Henderson State Bank			x	
8,538,000				
HERSHEY-The Hershey State Bank				
3,657,000				
HICKMAN-First State Bank				
4,951,000				
HILDRETH-The State Bank of Hildreth				
5,776,000				
HOLBROOK-Security State Bank				
2,481,000				
HOLDREGE-First National Bank				
41,286,000				
-First Security Bank				
12,958,000				
HOMER-American State Bank				
1,244,000				
HOOPER-First National Bank				
8,716,000			x	
HORDVILLE-First State Bank				
2,498,000				
HOSKINS-Commercial State Bank				
4,689,000				
HOWELLS-Howells Bank				
2,011,000				
HUBBELL-Hubbell Bank				
1,387,000				
HUMBOLDT-Home State Bank & Trust Co.			x	
9,421,000				

	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
HYANNIS-Bank of Hyannis		x		
7,898,000				
IMPERIAL-Chase County Bk & Tr Co.		x		
7,161,000				
-Farmers and Merchants Bank				x
10,775,000				
INDIANOLA-Bank of Indianola				x
4,473,000				
JANSEN-State Bank of Jansen				x
2,178,000				
JOHNSON-First National Bank				x
7,142,000				
*KEARNEY-First National Bk & Tr Co.	x			
40,529,000				
-Platte Valley St Bk & Tr Co.		x		
33,480,000				
KENESAW-Adams County Bank			x	
8,506,000				
KEYSTONE-Bank of Keystone			x	
4,206,000				
KIDGORE-Farmers State Bank			x	
3,115,000				
KIMBALL-American National Bank			x	
11,776,000				
-First State Bank			x	
11,116,000				
LAUREL-Security National Bank			x	
8,790,000				
LA VISTA-South Side Bank			x	
1,564,000				
LAWRENCE-Lawrence State Bank			x	
3,034,000				
LEIGH-Bank of Leigh			x	
1,847,000				
LEWELLEN-First National Bank				x
3,309,000				
LEXINGTON-Farmers St. Bk & Tr Co.		x		
12,766,000				

\*Kearney State Bank not included in study-just chartered in 1976-no comparable 1974 figures



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	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
LEXINGTON-Lexington St Bk & Tr Co. 17,653,000			x	
LIBERTY-State Bank of Liberty 1,060,000			x	x
LINCOLN-Citibank & Tr Co. of Lincoln 14,192,000			x	
-Citizens State Bank 15,541,000				x
-Cornhusker Bank 6,986,000				
-First National Bk & Trust Co. 307,820,000	x			
-Gateway Bank 31,722,000				x
-Havelock Bank 17,570,000				
-Lincoln Bank East 3,521,000	x			
-Lincoln Bank South 9,884,000	x		x	
-National Bank of Commerce 209,741,000				
-Union Bank and Trust Co. 22,132,000		x		
-West Gate Bank 5,501,000			x	
LINDSAY-Bank of Lindsay 5,162,000			x	
LISCO-Lisco State Bank 2,696,000			x	
LITCHFIELD-State Bank of Litchfield 754,000			x	
LODGEPOLE-First State Bank 3,042,000				x
LOOMIS-First State Bank 6,385,000				
LOUISVILLE-Home State Bank 2,531,000	x			x
LOUP CITY-Sherman County Bank 9,584,000			x	

	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
LYMAN-Farmers State Bank 2,944,000			x	x
LYNCH-Nebraska State Bank 2,067,000			x	
LYONS-First National Bank 7,805,000				
MADISON-Bank of Madison 5,080,000				x
-Farmers National Bank 1,377,000				x
MADRID-Security State Bank 1,810,000	x			
MALMO-Security Home Bank 2,726,000	x			
MARQUETTE-First National Bank 1,288,000				x
MARTELL-Martell State Bank 5,661,000				x
MASON CITY-Mason State Bank 727,000			x	
MAYWOOD-Farmers State Bank 4,639,000			x	
McCOOK-First National Bank 38,828,000				x
-McCook National Bank 29,614,000				x
McCOOL JUNCTION-Blue River Bank 3,063,000			x	
MEAD-Bank of Mead 1,345,000			x	
MERRIMAN-Anchor Bank 5,389,000	x			
MILFORD-Farmers & Merchants Bank 10,054,000	x			
MILLARD-Bank of Millard 18,407,000				
MILLIGAN-Farmers & Merchants Bank 1,851,000			x	
MINATARE-Minatara State Bank 2,952,000			x	

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	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
MINDEN-First National Bank				X
10,685,000				
-Minden Exchange Bk & Tr Co.				X
18,779,000				
MITCHELL-First National Bank				X
13,807,000				
MONROE-Bank of Monroe	X			
3,578,000				
MORRILL-First National Bank			X	
7,746,000				
MULLEN-Bank of Mullen	X			
8,346,000				
MUKDOCK-Corn Growers State Bank			X	
1,528,000				
MURRAY-Murray State Bank				X
4,576,000				
NEBRASKA CITY-Farmers Bank				X
10,940,000				
Otoe County Nat. Bank			X	
15,108,000				
NEHAWKA-Nehawka Bank				X
3,444,000				
NELIGH-National Bank of Neligh		X		
16,701,000				
NELSON-Commercial Bank				X
6,981,000				
NEWCASTLE-American State Bank			X	
2,009,000				
NEWMAN GROVE-First National Bank			X	
8,371,000				
NIORARA-Bank of Niobrara			X	
3,291,000				
NORFOLK-Bank of Norfolk		X		
8,196,000				
-Delay First Nat Bk & Tr Co.		X		
49,208,000				
-Northwestern Nat. Bank				
21,611,000				
NORTH BEND-Platte Valley Bank				X
9,784,000				

	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
NORTH LOUP-North Loup Valley Bank				
4,710,000				
NORTH PLATTE-American Security Bank			x	
3,587,000				
-First National Bk & Tr Co.				x
38,509				
-McDonald State Bank				x
15,961,000				
-North Platte State Bank	x			
15,819,000				
OAK-Scroggin & Company Bank		x		
1,591,000				
OAKDALE-First State Bank	x			
2,132,000				
OAKLAND-Farmers & Merchants Nat. Bank				x
8,040,000				
OCONTO-The Farmers Bank				x
2,212,000				
ODELL-State Bank of Odell			x	
3,316,000				
OGALLALA-First National Bank			x	
17,237,000				
-Keith County Bk & Tr Co.		x		
15,971,000				
OMAHA-American National Bank		x		
28,750,000				
-Ames Plaza Bank			x	
17,591,000				
-Center Bank				
52,403,000	x			
-Community Bank of Nebraska			x	
2,716,000				
-Cornhusker Bank of Omaha			x	
3,563,000				
-Douglas County Bk & Tr Co.				
35,853,000				
-First National Bank				
304,784,000	x			
-First Westroads Bank, Inc.				
10,028,000	x			

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	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
OMAHA-First West Side Bank	X			
45,281,000				
-Mid City Bank, Inc.			X	X
10,227,000				
-North Side Bank				
31,274,000	X			
-Northwestern National Bank				
79,762,000				
-Omaha National Bank	X			
456,653,000			X	
-Omaha State Bank				
10,808,000		X		
-Packers National Bank			X	
33,574,000				
Security National Bank			X	
16,728,000			X	
-Southwest Bank of Omaha				
47,054,000	X			
-United States National Bank				
251,333,000				X
-West Omaha National Bank			X	
28,751,000				
O'NEILL-First National Bank			X	
13,028,000				
-O'Neill National Bank				
13,543,000				X
ORCHARD-Bank of Orchard				
3,484,000				X
ORD-First National Bank				
13,804,000		X		
-Nebraska State Bank				
10,557,000			X	
ORLEANS-Republican Valley Bank				
3,919,000		X		
OSCEOLA-First National Bank				
8,639,000			X	
OSHKOSH-Nebraska State Bank				
7,570,000			X	
OSMOND-Osmond State Bank				
4,505,000			X	

	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
OVERTON-Overton National Bank 1,257,000				X
OXFORD-Security State Bank 5,062,000	X			
PALISADE-Frenchman Valley Bank 1,435,000				X
PALMER-State Bank 3,762,000	X			
PALMYRA-The Bank of Palmyra= 1,710,000	X			
PANAMA-Bank of Panama 1,785,000	X			
PAPILLION-Bank of Papillion 12,469,000	X			
PAWNEE CITY-Pawnee County Bank 6,009,000	X			
PAXTON-Bank of Paxton 2,840,000			X	
PENDER-Pender State Bank 12,118,000			X	
PERU-Bank of Peru 3,048,000				X
PETERSBURG-Petersburg State Bank 2,670,000			X	
PICKRELL-Pickrell State Bank 2,147,000			X	
PIERCE-Cones State Bank 11,169,000			X	
PILGER-Farmers National Bank 6,723,000			X	
PLAINVIEW-Plainview National Bank 10,847,000			X	
PLATTE CENTER-Platte Center Bank 841,000			X	
PLATTSMOUTH-Cass County Bank 3,826,000			X	
-Plattsmouth State Bank 11,035,000				X
PLEASANTON-Pleasanton State Bank 1,821,000			X	



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CITY CHAIN	COUNTRY CHAIN	MINOR GROUP	INDEPENDENT
PLYMOUTH-Farmers State Bank 3,528,000	X		
POLK-Citizens State Bank 4,183,000	X		
PONCA-Bank of Dixon County 3,923,000		X	
POTTER-Potter State Bank 3,488,000			X
PRAGUE-Bank of Prague 2,990,000		X	
PRAIRIE HOME-The Farmers Bank 1,893,000	X		
PURDUM-Purdum State Bank 3,528,000			X
RALSTON-Ralston Bank 15,006,000		*	
RANDOLPH-First State Bank 7,772,000			X
RAVENNA-The Ravenna Bank 12,216,000		X	
RED CLOUD-Peoples-Webster County Bank 9,002,000		X	
REPUBLICAN CITY-Commercial State Bank 3,449,000			X
RISING CITY-Farmers State Bank- 7,102,000	X		
RIVERDALE-State Bank of Riverdale 5,282,000		X	
ROSELAND-Roseland State Bank 4,728,000	X		
RUSHVILLE-Stockmens National Bank 14,125,000			X
ST. EDWARD-Bank of St. Edward 5,403,000		X	
ST. PAUL-Citizens National Bank 9,253,000			X
-St. Paul National Bank 10,217,000			X
SARGENT-Farmer's State Bank 5,637,000	X		

	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
SCHUYLER-First National Bank				X
16,499,000				
-Schuyler State Bank				X
14,423,000				
SCOTIA-State Bank of Scotia				X
3,461,000				
SCOTTSBLUFF-First State Bank	X			
17,190,000				
-Scottsbluff Nat. Bk & Tr. Co.			X	
43,859,000				
-Western National Bank			X	
8,271,000				
SCRIBNER-Scribner Bank	X			
11,167,000				
SEWARD-Cattle National Bank				X
16,430,000				
-Jones National Bank				X
24,706,000				
SHELBY-First National Bank				
5,398,000				
SHELTON-First State Bank	X		X	
9,637,000				
SHICKLEY-Shickley State Bank			X	
3,992,000				
SIDNEY-American National Bank				X
18,535,000				
-Sidney National Bank				X
10,331,000				
SILVER CREEK-Farmers State Bank				X
3,584,000				
SOUTH SIOUX CITY-Dakota County State Bank			X	
10,013,000				
-Nebraska State Bank			X	
16,894,000				
SPALDING-Spalding City Bank	X			
1,577,000				
SPENCER-Spencer State Bank			X	
4,288,000				
SPRINGFIELD-Springfield State Bank				X
4,794,000				

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	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
SPRINGVIEW-First National Bank				
4,960,000			x	
STAMFORD-Stamford Bank				
5,210,000			x	
STANTON-First National Bank				
6,512,000				x
-Stanton National Bank				
5,633,000				x
STAPLETON-Bank of Stapleton				
3,116,000				x
STEINAUER-Bank of Steinauer				
1,686,000				x
STELLA-State Bank of Stella				
4,921,000		x		
STERLING-Bank of Sterling				
3,007,000				
STRATTON-Commercial Bank				
2,459,000			x	
STROMSBURG-First National Bank				
2,993,000		x		
-Stromsburg Bank				
8,072,000			x	
STUART-Tri-County Bank				
5,846,000				x
SUMNER-Security State Bank				
1,377,000			x	
SUPERIOR-Farmers State Bank				
9,859,000			x	
-Security National Bank				
13,341,000				
SUTHERLAND-First Security Bank				
3,659,000		x		
SUTTON-City State Bank				
5,413,000				
-Sutton State Bank				
4,348,000		x		
SWANTON-Bank of Swanton				
1,336,000				
SYRACUSE-First National Bank				
13,279,000			x	



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	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
WAHOO-Wahoo State Bank				
6,777,000			X	
WAKEFIELD-Wakefield National Bank				
7,658,000			X	
WALLACE-Farmers State Bank				
3,434,000				
WALTHILL-First National Bank				
6,131,000				X
WATERLOO-Waterloo State Bank		X		
1,176,000				
WAUNETA-Wauneta Falls Bank				
2,786,000		X		
WAUSA-Commercial State Bank				
7,544,000		X		
WAVERLY-Lancaster County Bank				
5,497,000				
WAYNE-First National Bank				
11,632,000				X
-State National Bk & Tr Co.				
18,169,000			X	
WEEPING WATER-Nebraska State Bank				
4,663,000				X
WESTERN-Nebraska State Bank				
2,428,000				X
WEST POINT-Farmers & Merchants Nat. Bank				
15,792,000				X
-First National Bank				
18,610,000			X	
WILBER-Bank of Wilber				
6,908,000				X
-Saline State Bank				
7,792,000				
WILCOX-First National Bank				
3,404,000				
WINSIDE-Winside State Bank				
4,592,000				X
WISNER-Citizens National Bank				
7,726,000				X
-First National Bank				
9,691,000		X		

	<u>CITY CHAIN</u>	<u>COUNTRY CHAIN</u>	<u>MINOR GROUP</u>	<u>INDEPENDENT</u>
WOLBACH-Peoples State Bank 2,578,000	x			
WOOD RIVER-Bank of Wood River 9,415,000	x			
WYMORE-Wymore State Bank 4,924,000			x	
YORK-First National Bank 35,226,000			x	
-York State Bank 21,429,000			x	
YUTAN-Bank of Yutan 2,067,000			x	



NEBRASKA CITY CHAIN BANKS  
With 1974 Deposits

<u>FIRST NATIONAL BANK OF OMAHA</u>	\$304,784,000
ALMA-Harlan County Bank	9,546,000
ELM CREEK-First National Bank	2,403,000
BLAIR-Washington County Bank	25,620,000
BLOOMFIELD-Farmers & Merchants Bank	9,707,000
LOOMIS-First State Bank	6,385,000
SPALDING-Spalding City Bank	1,577,000
TEKAMAH-Burt County State Bank	8,512,000
OMAHA-First West Side Bank	45,281,000
(Banks within the sphere of influence)	
TECUMSEH-Johnson County Bank	9,188,000
PRAGUE-Bank of Prague	2,990,000
WAHOO-First National Bank	18,061,000
BURCHARD-State Bank of Burchard	838,000
	<u>838,000</u>
TOTAL	<u>\$444,892,000</u>
<u>NATIONAL BANK OF COMMERCE (Lincoln)</u>	\$209,741,000
HASTINGS-City National Bank	52,085,000
FREMONT-First National Bank	49,173,000
FREMONT-First State Bank	11,781,000
GRAND ISLAND-Overland National Bank	40,484,000
KEARNEY-First National Bank	40,529,000
LINCOLN-Lincoln Bank East	3,521,000
LINCOLN-Lincoln Bank South	9,884,000
NORTH PLATTE-North Platte State Bank	15,819,000
OMAHA-First Westroads Bank	10,028,000
(Banks within the sphere of influence)	
WEST POINT-First National Bank	18,610,000
BURCHARD-State Bank of Burchard	838,000
EUSTIS-Farmers State Bank	6,409,000
MAYWOOD-Farmers State Bank	4,630,000
UTICA-First National Bank	6,564,000
	<u>6,564,000</u>
TOTAL	<u>\$480,096,000</u>
<u>THE UNITED STATES NATIONAL BANK OF OMAHA</u>	\$251,333,000
OAKDALE-First State Bank	2,132,000
OMAHA-Northwestern National Bank	19,762,000
OMAHA-Center Bank	52,403,000
HASTINGS-First National Bank	72,426,000
NORFOLK-Northwestern National Bank	21,611,000
(Banks within the sphere of influence)	
BEATRICE-First National Bank	23,134,000
	<u>23,134,000</u>
TOTAL	<u>\$502,801,000</u>

## NEBRASKA CITY CHAIN BANKS (continued)

<u>FIRST NATIONAL BANK &amp; TRUST CO. OF LINCOLN</u>	\$307,820,000
(Banks within the sphere of influence)	
FAIRBURY-First National Bank	<u>30,991,000</u>
TOTAL	<u>\$338,811,000</u>
 <u>THE OMAHA NATIONAL BANK</u>	 \$456,653,000
(Banks within the sphere of influence)	
PILGER-Farmers National Bank	6,723,000
PLAINVIEW-Plainview National Bank	10,847,000
OMAHA-Community Bank of Nebraska	2,716,000
MORRILL-First National Bank	7,746,000
OMAHA-Security National Bank	16,728,000
OMAHA-American National Bank	<u>28,750,000</u>
TOTAL	<u>\$630,163,000</u>

NEBRASKA COUNTRY CHAIN BANKS  
With 1974 Deposits

ABBOTT/HEFTI

ALLIANCE-Guardian State Bank	\$ 34,896,000
CHADRON-Bank of Chadron	14,161,000
GORDON-Gordon State Bank	9,315,000
HEMINGFORD-Bank of Hemingford	7,170,000
HYANNIS-Bank of Hyannis	7,898,000
MERRIMAN-Anchor Bank	5,389,000
MULLEN-Bank of Mullen	8,346,000
SCOTTSBLUFF-First State Bank	17,190,000
THEDFORD-Citizens State Bank	4,458,000
VALENTINE-Bank of Valentine	<u>11,877,000</u>

TOTAL \$120,700,000

ADAMS

BRULE-Bank of Brule	\$ 8,746,000
IMPERIAL-Chase County Bank	7,161,000
MADRID-Security State Bank	1,810,000
OGALLALA-Keith County Bank	15,971,000
SUTHERLAND-First Security Bank	<u>3,659,000</u>

TOTAL \$ 37,347,000

BURKLEY

DAYKIN-Jefferson County Bank	\$ 5,036,000
DE WITT-DeWitt State Bank	6,064,000
FAIRBURY-First National Bank	30,991,000
PLYMOUTH-Farmers State Bank	3,528,000
SWANTON-Bank of Swanton	1,336,000

(Banks within the sphere of influence)

HEBRON-Thayer County Bank	<u>12,611,000</u>
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TOTAL \$ 59,566,000

DINSDALE

AURORA-Farmers State Bank	\$ 17,601,000
CENTRAL CITY-Farmers National Bank	9,376,000
LEXINGTON-Farmers State Bank	12,766,000
NELIGH-National Bank of Neligh	16,701,000
OSCEOLA-First National Bank	8,639,000
PALMER-State Bank of Palmer	3,762,000
PAPILLION-Bank of Papillion	12,469,000
SHELBY-First National Bank	5,398,000
WISNER-First National Bank	9,691,000

(Banks within the sphere of influence)

GRAND ISLAND-First National Bank	<u>70,557,000</u>
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TOTAL \$166,960,000

## NEBRASKA COUNTRY CHAIN BANKS (continued)

DUNLAP

DOUGLAS-Farmers State Bank	\$ 1,846,000
BEAVER CROSSING-Home State Bank	2,487,000
LINCOLN-Union Bank and Trust Co.	22,132,000
MILFORD-Farmers & Merchants Bank	10,054,000
OMAHA-Packers National Bank	33,574,000
WAVERLY-Lancaster County Bank	5,497,000
PAWNEE CITY-Pawnee County Bank	6,009,000
PALMYRA-Bank of Palmyra	1,710,000
NORFOLK-Bank of Norfolk	8,196,000

(Banks within the sphere of influence)

LYONS-First National Bank	<u>7,805,000</u>
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TOTAL	<u>\$ 99,310,000</u>
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JOHNSON

BURCHARD-Burchard State Bank	\$ 838,000
STERLING-Bank of Sterling	3,007,000
TECUMSEH-Johnson County Bank	9,188,000
POLK-Citizens State Bank	<u>4,183,000</u>

TOTAL	<u>\$ 17,216,000</u>
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MOYER/McBRIDE/KOEPKE

AURORA-First National Bank	\$ 18,407,000
STROMSBURG-Bank of Stromsburg	8,072,000
ROSELAND-State Bank of Roseland	4,728,000
WOOD RIVER-Bank of Wood River	<u>9,415,000</u>

TOTAL	<u>\$ 40,622,000</u>
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SHONSEY

SCRIBNER-Bank of Scribner	\$ 11,167,000
WAUSA-Commercial State Bank	7,544,000
NORFOLK-DeLay First National Bank	49,208,000
OMAHA-American National Bank	28,750,000
KEARNEY-Platte Valley State Bank	<u>33,480,000</u>

TOTAL	<u>\$130,149,000</u>
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## NEBRASKA COUNTRY CHAIN BANKS (continued)

STINE/HUFF

BURWELL-Bank of Burwell	\$ 10,844,000
CODY-Bank of Cody	4,299,000
MONROE-Bank of Monroe	3,578,000
NORTH LOUP-North Loup Valley Bank	4,710,000
ORD-Nebraska State Bank	10,557,000
OXFORD-Security State Bank	5,062,000
RISING CITY-Farmers State Bank	7,102,000
WOLBACH-Peoples State Bank	2,578,000

(Banks within the sphere of influence)

STRATTON-Commercial Bank	2,459,000
KILGORE-Farmers State Bank	3,115,000
EWING-Farmers State Bank	4,125,000
BLUE HILL-Commercial Bank	<u>11,268,000</u>

TOTAL	<u>\$ 69,697,000</u>
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VOORHEES

HARVARD-Harvard State Bank	\$ 4,021,000
HASTINGS-Hastings State Bank	11,052,000
OAK-Scroggin & Co.	1,591,000
FAIRFIELD-Fairfield State Bank	4,229,000
EDGAR-Security State Bank	3,162,000
WATERLOO-Waterloo State Bank	<u>1,176,000</u>

TOTAL	<u>\$ 25,231,000</u>
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WAGNER

TEKAMAH-First National Bank	\$ 16,285,000
DECATUR-Citizens State Bank	3,522,000
BRAINARD-Bank of Brainard	5,000,000
ARCADIA-Arcadia State Bank	4,609,000
MALMO-Security Home Bank	2,726,000

(Banks within the sphere of influence)

STANTON-First National Bank	<u>6,512,000</u>
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TOTAL	<u>\$ 38,654,000</u>
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WEKESSE

SARGENT-Farmers State Bank	\$ 5,637,000
PRAIRIE HOME-Farmers State Bank	1,893,000
PANAMA-Bank of Panama	1,785,000
COMSTOCK-Farmers & Merchants Bank	2,028,000

(Banks within the sphere of influence)

EDISON-Farmers & Merchants Bank	<u>3,281,000</u>
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TOTAL	<u>\$ 14,624,000</u>
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