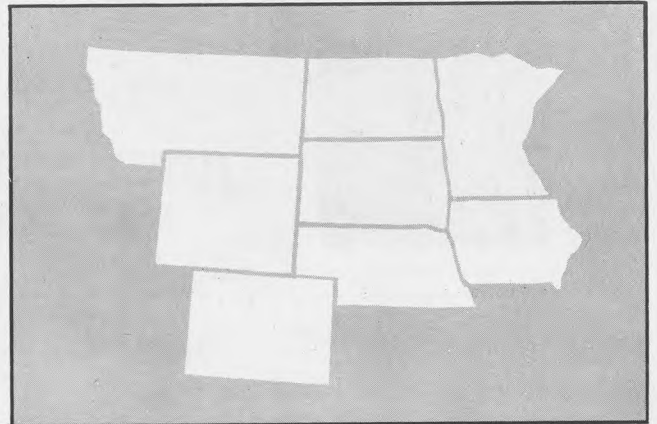


NORTHWESTERN Banker

Oldest Financial Journal West of the Mississippi



No. 1078

Des Moines, Iowa

January 29, 1968

Card Losses May Slow Checkless Society

Economists and other theorists who advocate the checkless society is "just around the corner" should take a realistic look at the annual reports to stockholders made by Chicago's two largest banks, Continental Illinois National Bank and Trust Company and The First National Bank of Chicago.

Net operating earnings for both banks were reported as the highest in history - but operating costs, credit losses and fraud losses from charge card operations still leave much to be desired in this phase of banking.

Excerpts from the annual reports, presented by the chairmen of the two major banks follow:

David M. Kennedy, chairman of the board, Continental Illinois National Bank and Trust Company: "A major influence that offset the strong upward trend of net operating earnings was the heavy start-up and continuing operating cost of the Town & Country Charge card function, which was inaugurated in late 1966 as an element of

the pioneering Midwest Bank Card System.

"Our program was launched on a sizable scale, and the operation has grown rapidly beyond earlier expectations to one of substantial proportions. Some problems developed because of the scope and magnitude of the plan, and others because operating conditions in our market differ from those in most other metropolitan areas. In addition, we had a serious fraud problem last spring, as indicated in the midyear report to shareholders.

"Town & Country Charge is developing well at this time. The fraud situation has been under good control for some months. Volume is increasing satisfactorily. A new sophisticated electronic system has been developed, and operations generally have been smoothed out through the continuing energetic efforts of our staff. This required developing and training a large organization to handle a project quite different from our traditional banking services. In the process of

Town & Country Charge's development, start-up expenses were burdensome, and refinement of the system necessarily took time. Operating costs will continue at a high level in the immediate period ahead while offsetting revenues develop."

Homer J. Livingston, chairman of the board, The First National Bank of Chicago: "About 15 months ago the management of this bank decided to go into the credit card business because we believe that banking is moving toward a society where checks and cash will play a less dominant role than they had in the past. Furthermore, as the bank obviously would be participating, we believed it would be useful to gain experience in the credit card business and that after a reasonable period of time, FirstCard would be a source of income to the bank. In addition, it would permit us to participate more widely in the growing field of retail banking.

"Our first full year in the business, however, was, as I have observed, disappointing, despite the fact that we ob-

(Continued on page 4)

Always the **FIRST** to serve you

We're always ready. Loans, Securities, Trusts,
Transit & Collection Service, Operational Services,
Credit Information. We're ready with them first!

First National Bank of Omaha





Jerry Nelson

We're here to help
you get what you want

IOWA-DES MOINES NATIONAL BANK

Member Federal Deposit Insurance Corporation

IOWA NEWS

ANAMOSA: Hugh Deininger has resigned as v.p. & tr. off. of the Citizens Sav. Bank after serving the bank 25 years.

CEDAR FALLS: Dale J. Diamond has been advanced from a.c. to cash. at the Midway Bank & Tr.

CHEROKEE: R. Dan Steele has been promoted from a.v.p. to v.p. at the Steele State Bank.

DES MOINES: Arthur C. Lindquist, Jr., secy., Iowa Bankers Assn., enters Lutheran Hospital Wed., Jan. 31 for cataract operation. Wendell Gibson, general council of IBA will appear at Group 1 and Group 11 for Mr. Lindquist in Feb.

DUBUQUE: Leading a list of promotions at American Tr. & Sav. Bank were: Dan W. Ernst, from pres. to chairman & chief exec. off.; N. J. Schrup, from senior v.p. to pres.; Christy Armstrong, Roy Glab and C. J. Schrup, from senior v.p. to exec. v.p.'s; Leo Kane, Wes Baumhover and Jim Riley, from v.p. to senior v.p.; Leo Schlueter, Don Leopold, Bill Hutchins, and Wayne Braig, from a.v.p. to v.p. New director is Robt. W. Steele, pres., Interstate Power Co.

FORT MADISON: The name of the Fort Madison Sav. Bank will be changed March 1 to the Fort Madison Bank & Tr. Co. New board members are John A. Keenan and George H. Fisher.

HARTLEY: Security State Bank has advanced Duane H. Kolpin to v.p.; Gale E. Bobolz to cash.; and Harlan D. Goetsch to a.c.

INDEPENDENCE: James R. Smith of Lamont has been named mgr. of the Farmers State Sav. Bank. He succeeds E. M. Barz.

KALONA: James R. Strabala was advanced from cash. to v.p. & cash. of the Kalona Sav. Bank. Philip Marner was named a.c.

KNOXVILLE: Capital has been increased from \$100,000 to \$200,000 at the Iowa State Bank, according to Ned K. Job, exec. v.p. Surplus is \$200,000 and undivided profits & reserve, \$275,000.

MANLY: Funeral services were held recently for Soren Westly, 56, a.c., Manly State Bank. He died in a Mason City hospital after suffering a heart attack at his home.

MAPLETON: Funeral services were held recently for Fred H. Welch, 79, pres., First State Bank for over 40 years. He joined the bank in 1910, which was established by his father in 1889.

MARION: Open house was held this past weekend for area bankers by the Farmers State Bank in its new building.

ROCK RAPIDS: Rock Rapids State Bank has promoted the following: Robert Witt, from a.v.p. to v.p.; Doug Newman, from a.c. to cash.;



CHRISTY
ARMSTRONG

LEO
KANE

LEO
SCHLUETER

'WE HAVE WHAT YOU WANT

in a correspondent bank'

american trust and savings bank

9TH AND MAIN, DUBUQUE, IOWA

MEMBER: FDIC - FRS

Larry Schacht to farm rep., and Lorraine Kerns, to a.c.

ROCK RAPIDS: James Wiarda has been advanced from a.c. to cash. of the Lyon Co. State Bank.

SIoux CITY: Thomas C. Horn, senior v.p., Security State Bank, is new pres. of the Sioux City Bankers Assn.

THORNTON: First State Bank has advanced Earl W. Nelson from pres. to chmn.; named Gene W. Hulse as pres., and promoted Gary L. Younge to a.c. Mr. Hulse was exec. v.p.

TOLEDO: State Bank of Toledo has promoted A. J. Ziskovsky from cash. to v.p. & cash., and Robert Buresh was named a.c.

WINTERSET: Union State Bank has named Ruth Henry as a.c.

NEBRASKA NEWS

WASHINGTON TRIP: Nebraska bankers will leave this Friday, February 2 for a trip to the nation's capitol. Ben Haller, Jr., editor of the *Northwestern Banker*, will accompany the group. Highlights of the trip will include a visit to the Comptroller's office, the A.B.A. Washington office, conference with Federal Reserve governors, a visit with Treasury officials, and a breakfast with Nebraska congressmen and senators. The group will return Thursday, February 8.

ALLIANCE: Paul Hefti has been named managing officer of the Guardian State Bank. Clyde Sudman will continue as chairman. Mr. Hefti, who is now pres. of the



Tom Horn John Diefendorf Gene Hagen.....bring
the Security National Bank
personal service to every correspondent. Personally!

SECURITY NATIONAL BANK

Sioux City, Iowa

Kirk Gross Co
BANK PLANNING
Waterloo, Iowa

1st LINCOLN ...Professionals in Commercial Loans

FIRST NATIONAL BANK & TRUST COMPANY OF LINCOLN

12th & N Street - LINCOLN, NEBRASKA - Member: F.D.I.C.



Bank of Chadron, will serve as vice chairman.

CLEARWATER: Darlene Gibbs, who has been with the Citizens State Bank since 1946 has been named an a.c.

FREMONT: Kenneth Rohrs and Glen Yaussi have been elected to the board of the First Natl. Bank & Tr. Co. Clifford Cushman was elected an a.c. Mr. Yaussi is pres., Natl. Bank of Commerce, Lincoln.

OMAHA: The Nebraska Investment Bankers will meet here this Thursday, February 1.

PAPILLION: K. C. Brown has retired from active duty at the Clarke Bank, but will continue as chairman of the board. Al Schmid was advanced from cash. to v.p. & cash.

SCHUYLER: First Natl. Bank has advanced Gustav P. Fayman from a.c. to cash. James Zoubek, v.p. & cash., retired at year-end after 53 years of banking.

SPRINGFIELD: Glenn M. Adair, cash. of the Springfield State Bank, was elected to serve on the bank's loan and investment committee. \$15,000 has been added to surplus, making it \$100,000.

MINNESOTA NEWS

BELLE PLAINE: Kevin Gaffney has been advanced from cash. to

v.p. & cash. at the State Bank of Belle Plaine. This item was incorrectly listed under "Iowa" last week.

BROOKLYN CENTER: Edward J. Hamernick has been named pres. of the Brooklyn Center State Bank, succeeding Dallas G. Lawrence, who is now chairman. Mr. Hamernick was exec. v.p. Harold J. Pohlrad is now v.p., and Daniel J. Kenna moves up to cash. from a.c.

BUTTERFIELD: Control of the State Bank of Butterfield has been purchased by Wayne Kispert, exec. v.p. and James Kloster, a.c. Mr. Kispert moves to pres., and Mr. Kloster moves up to v.p.

CLOQUET: Theodore E. Mücke and Robert F. von Fischer have been named v.p.'s of the First Natl. Bank. Both were a.v.p.'s. George Medich, local pharmacist, is a new director.

CROOKSTON: Miss Marie Nelson, cash., Polk Co. Bank, was honored recently by the Crookston Chamber of Commerce for her contributions to the city.

EDINA: First Edina Natl. Bank has promoted Robert E. Westbee to v.p.; Lloyd D. Ratkovich to a.v.p. & mgr. of the installment loan dept.; John T. Scochko to a.c. in the commercial loan dept., and Carolee Rogers to a.c. & auditor.

FARIBAULT: Security Natl. Bank has advanced William Wise from a.c. to a.v.p., and named Kenneth Johnson as auditor.

FAIRMONT: 150 residents honored Harvey M. Johnson, immediate past pres. of the First Natl. Bank by holding a testimonial dinner for him recently.

FERGUS FALLS: N. R. (Rollie)

Lake has been elected v.p. & ag rep. at the First Natl. Bank. He joined the bank in July, 1964.

FERGUS FALLS: Security State Bank has promoted T. C. Troupe from cash. to v.p., and Stanley L. Swartz from a.c. to cash.

GOLDEN VALLEY: Golden Valley State Bank has promoted Ronald H. Beng to a.v.p. & cash.; Sylvan C. Evenson to a.v.p.; Marvin L. Nelson to a.c. and David J. Bratsch to a.c.

HIBBING: Henry Nosek moves from exec. v.p. to pres. of the First Natl. Bank on Thurs., February 1, replacing Charles E. Taylor, retired. E. W. Meyer and R. W. Gibson are new a.c.'s.

LAKE CITY: Leonard G. Weber is now a.c. of the Lake City State Bank. He joined the installment loan dept. last June. He entered banking with the First State Bank, Stewart.

HOPKINS: Richard A. Klingen, 35, has been elected pres. & chief exec. officer of the Northwestern Natl. Bank here. He succeeds John Tarasar, who becomes chairman. Mr. Klingen joined the bank in 1960, and most recently has been exec. v.p.

LUVERNE: Norman E. Blount will assume the presidency of the First Natl. Bank effective February 15, succeeding Harold L. Smith, who will retire. Mr. Blount is former pres. of the First Natl. Bank, Sauk Centre.

MINNEAPOLIS: Following the advancement of John A. Moorhead from pres. to chairman of the board (and chief exec.) and Philip B. Harris from exec. v.p. to pres.,

(More Minnesota News - page 4)



**FRANK
SIBERT**

**A GOOD MAN
TO KNOW
WHEN YOU
NEED SPECIAL HELP**



Omaha, Nebraska Member FDIC

CHILES & COMPANY

Member, Midwest Stock Exchange

MUNICIPAL AND CORPORATE BONDS
LISTED, UNLISTED AND LOCAL STOCKS
412 Farm Credit Building, Omaha, Nebraska 68102
Phone 346-6677

the bank announced the establishment of a trust dept. science and technology committee.

Dr. O. Meredith Wilson, formerly president of the University of Minnesota and now director of the Center for Advanced Study in the Behavioral Sciences at Stanford, California, is chairman of the committee.

Serving with him are Dr. William G. Shepherd, vice president, academic administration at the University of Minnesota; Dr. John Baird, vice president, research and advanced technology, Control Data Corp.; Dr. William B. Reynolds, vice president, research and engineering, General Mills, Inc.; and Dr. John N. Dempsey, vice president, science and engineering, Honeywell Inc.

The committee will meet frequently to examine and discuss the significant developments in every possible field. The conclusions they come to will be the basis for guidelines for the bank's investment policy in considering possibilities for growth investments.

MINNEAPOLIS: R. G. Lexvold, pres., Metropolitan State Bank, reports four staff changes: Morris A. Olsen, from cash. to v.p. & cash.; Bernard L. Smith, from a.c. to a.v.p.; James A. Olsen, from a.c. to a.v.p., and Robert H. Lexvold, to a.c. in installment loans, auditing and operations departments.

MINNEAPOLIS: Thomas V. Markle, formerly v.p. & treas. of First Bank Stock Corp., is new pres. of Beverly Bank, Chicago, Ill.

MINNEAPOLIS: Henry S. Kristal, principal in 14 Embers Restaurants, is new director of Fourth N.W. Natl. Bank.

MANKATO: Name of Natl. Citizens Bank of Mankato has been changed to Northwestern Natl. Bank of Mankato.

OWATONNA: Gerald D. Herman has

been promoted to a.v.p. & mgr. of Timepay dept. of First Natl. Bank.

SAUK CENTRE: New pres. of First Natl. Bank is Marwin H. Brown. He has been v.p. & managing officer of Natl. Bank of S. D. in Corsica, S. D.

VIRGINIA: Anthony C. Schneiderhan has been advanced to v.p., and Robert J. Arola to a.c. & asst. auditor by First Natl. Bank.

NORTH DAKOTA NEWS

NEW LEIPZIG: New staff changes at First State Bank are: N. D. Schulz, to exec. v.p.; E. H. Schatz, to cash., and Arlene J. Kleinjan, to a.c.

WYOMING NEWS

LOWELL: American Natl. Bank has advanced Harold R. Hand to cash. from a.c. and transferred \$25,000 to surplus at year-end.

SHERIDAN: Application for a new natl. bank here, showing Thomas John Fagan as agent, has been disapproved by the comptroller.

Card Losses...

tained a satisfactory share of the Chicago area market. We have not achieved the projected level of gross revenues, and our operating costs, credit losses and fraud losses have been substantially above our projections.

"To a significant degree, our FirstCard loss stemmed from the large-scale fraud which resulted from the wholesale and seemingly well-organized theft of FirstCards before they reached the addressees. Our fraud losses mounted early in the year, and by May we decided to cancel all outstanding cards and issue new cards, utilizing registered mail for their delivery. All known fraud losses have been charged to operating expenses.

"A second contributing factor has been credit losses which were far greater than we had anticipated and reflected in large measure the fact that so many banks in this area entered the field simulta-

"SERVING BANKS AND BANKERS SINCE 1948"

Bankers Service

CORPORATION

BANK STOCK BROKERS
BANK PERSONNEL

1301 R & T BLDG.

PHONE 515-244-3113

DES MOINES, IOWA 50309

neously with resultant costly competitive pressures. All identified credit losses have been charged to our reserve for bad debts. Both fraud and credit losses on the new cards are substantially less than we experienced on the original cards.

"Despite our determined efforts, FirstCard is still not a profitable operation. I assure you that the program is under constant, critical review."

BULLETIN...

CHICAGO: Dr. Herbert V. Prochnow retired as pres. of The First Natl. Bank of Chicago last week. He will be honorary director. Edward F. Blettner, former exec. v.p., is new pres., according to Homer Livingston, chairman of board.

WANT ADS

POSITION WANTED

Bank officer, age 34, family man with 11 years of well rounded financial experience seeking challenging officer opening. College graduate, banking schools, active community worker. Write File GVP, c/o NORTHWESTERN BANKER, 306 Fifteenth Street, Des Moines, Iowa 50309.

\$10.00 IS

The price of a personal, air mail subscription to the Crouse Farm Business Reports. They help keep loan officers and ag representatives ahead of the changing farm picture. Samples available. The Farm Business Council, Inc., P.O. Box F, Urbana, Illinois 61801.

POSITION WANTED

Banking position wanted by Iowa State University grad, age 26, married, two children, farm background. Taught and coached at Swea City; Principal at Ringsted for two years. Write File HRD, in care of the NORTHWESTERN BANKER, 306 - 15th St., Des Moines, Iowa 50309.

BANKS WANTED

Hard-working staff of energetic Chicago Loop bank desires to serve more banks in the midwest, better than they have ever been served before. This is not a lip-service ad. We'll perform! Call Max Roy in Iowa City at 338-5224. Or phone us direct at La Salle National Bank, 135 S. La Salle St., Chicago, Illinois 60690. (Area Code 312) STate 2-5200. Complete trust services. Member of Federal Deposit Insurance Corporation, of course!

“ “ “ “

Bank Under the Big  "The Bank That Cares"

CENTRAL NATIONAL BANK AND TRUST COMPANY
Member Federal Deposit Insurance Corporation

No. 1078 Northwestern Banker is published five times monthly by the Northwestern Banker Company, 306 Fifteenth Street, Des Moines, Iowa 50309. Subscriptions 50¢ per copy, \$6 per year. Second class postage paid at Des Moines, Iowa. Address all mail subscriptions, changes of address (Forms 3579), manuscripts, mail items to above address.